

4. RISK FACTORS

Notwithstanding the prospects of our Group outlined in this Prospectus, you should carefully consider the following risk factors (which may not be exhaustive) that may have a significant impact on our future performance, in addition to all other relevant information contained elsewhere in this Prospectus, before making an application for the IPO Shares.

4.1 RISKS RELATING TO OUR GROUP

4.1.1 Business Risk

We are subject to certain risks inherent in the plantation industry. These include but not limited to the fluctuations in demand and commodity prices, weather conditions, pests and diseases, threat of substitutes for palm oil products, constraints of supply of labour and raw materials, rising costs of raw materials and changes in general economic, business and credit conditions, as more particularly set out below. Although we would continuously take appropriate measures to limit such risks, no assurance can be given that any change to these factors will not have a material adverse effect on our business operations.

4.1.2 Competition / Threat of Substitutes

As palm oil is a commodity, the direct competitions amongst the local plantation owners are expected to be minimal as the local industry players usually only compete for land and labour. Due to the scarcity of suitable land bank and the occasional shortage of labour forces, particularly foreign workers, the local industry players face challenges to counter rising production cost for palm oil. As a mitigating factor, we are actively sourcing for suitable land bank in Malaysia to increase our plantation land bank for oil palm cultivation. The mitigating factor on the risk of shortage of labour forces is highlighted in Section 4.1.4 of this Prospectus.

Palm oil mills do not compete significantly for the supply of FFB because mills are usually constructed by the local industry players to cater for the FFB productions of their respective plantation estates. Competition amongst the local mills, however, may arise for the supply of FFB within the same region or location. In our case, the entire FFB production has been and would continue to be delivered to our mill whilst the remaining requirements of the mill of about 48% would be sourced from other plantation estates. In order to remain competitive, we believe we have the following competitive strengths and operational advantages over the other local millers, and such advantages may act as mitigating factors to minimise the risk of competition:-

- (a) Our palm oil mill is strategically located in the vicinity of our own estates as well as several other surrounding estates that do not have their own mills. The other nearest mill within the same region is located quite a distance away or about 34km from our mill. The ease of access could result in a lower cost of transportation and improvement in the quality of CPO produced due to shorter time taken to process the FFB after harvesting thus ensuring its freshness. In addition to our own plantation estates, we also enjoy continuous and adequate supplies of FFB from other neighbouring estates.
- (b) We employ experienced and competent management personnel, who possess many years of experience in estate plantation and milling operations.
- (c) Our palm oil mill has large production and storage capacities which would enable us to cope with the increasing FFB productions from our estates in the future.

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Apart from domestic competitions, palm oil producers also face competition from external players or other palm oil producing countries despite Malaysia being the largest producer of palm oil in the world contributing an average of 45.8% of total world production in the last 3 years (up to 2005). Notwithstanding the external competition, we believe that with the continuous support from the Malaysian Government and various measures introduced (including extensive research and development, marketing promotion, and incentives provided to the industry), we and other Malaysian palm oil producers will have the opportunity to expand their market share in the world vegetable oil market gradually.

Generally, palm oil faces the stiffest competition from other edible or vegetable oils such as soybean, sunflower seed, rapeseed and other such substitutes for palm oil. In attempting to compete with these substitutes, MPOB had undertaken and coordinated various marketing, promotion, research and development efforts with the aim of expanding the palm oil market and diversifying its applications. Animal fats do not compete directly with palm oils as they are not regarded as close substitutes. Nevertheless, there can be no assurance that any significant change in customers' preference towards the substitute oils and fats may not affect the demand and prices for palm oil products and ultimately the profitability of our Group.

Notwithstanding the foregoing, there can be no assurance such competition would not have any material adverse effect on our businesses, operating results and/or financial condition.

4.1.3 Fluctuations in CPO and PK Prices

The prices of palm oil products fluctuate over time based on the demand and supply in global edible oils and fats market. The prices are highly susceptible to external market forces and changes in global demand and supply of other edible oils, which would correspondingly affect the prices of palm oil products, and such factors are really beyond our control.

The movements in CPO and PK prices for the past 3 years are summarised below:-

	Annual average price (RM / tonne)		
	2003	2004	2005
CPO (local delivered)	1,544.00	1,610.00	1,394.00
PK (ex-mill)	732.00	1,063.00	1,017.00

(Source:- Review of the Malaysian Oil Palm Industry 2005, published by MPOB on 19 January 2006).

As a core oil palm plantation group, any fluctuation in the prices of CPO, PK and other palm oil products will accordingly affect our profitability and hence, there is no assurance that any adverse movements in such prices will not have corresponding adverse effects on our performance. Notwithstanding, we seek to mitigate any adverse effect caused by the fluctuations in CPO and PK prices by introducing the following measures:-

- (a) We will adopt a more prudent management approach with the objectives of enhancing the cost efficiencies and optimisation of returns.
- (b) We will concentrate efforts and increase emphasis in improving the overall production efficiency and yield of our estates and maximise productivity of our mill.

4. RISK FACTORS

4.1.4 Labour Force

The palm oil industry is a labour intensive industry. Oil palm plantations require extensive manpower in nurturing seedlings, tree plantings, fertilising, harvesting as well as other routine maintenance works to ensure optimal yield. The palm oil industry faces difficulty in recruiting local labour force and therefore it has resorted to the employment of foreign plantation workers. In connection thereto, we have obtained all the necessary licences/permissions from the relevant authorities in respect of our foreign workers.

To attract and retain our employees, we provide attractive amenities for our staff and their families such as clinic, living quarters, sports facilities, etc. In order to improve production efficiency and reduce over dependency on foreign workers, we have been and are exploring various options including engaging workers of different nationalities as well as local workers. Nevertheless, there can be no assurance that any change in immigration and labour policies by the Government in relation to the foreign workers will not adversely affect our operations in the future.

4.1.5 Weather Conditions

The FFB yield and production from oil palm trees will be affected by abnormal and adverse weather conditions such as excessive rainfall (*La Nina*) and protracted drought season (*El Nino*). We have taken several preventive measures including monitoring fire outbreaks and setting up proper drainage systems to counter any possibilities caused by such adverse weather conditions. Although there is no assurance that any long-term adverse change in weather conditions would not have a significant impact on our performance, it should be noted that since the commencement of our business, we have not experienced any major disruption in business operations as a result of any adverse weather conditions that would have a significant impact on our operations and results.

4.1.6 Pests and Diseases

Although oil palm trees in general are comparatively free of pests and diseases, there are occasional outbreaks of leaf eating insects such as bagworms and caterpillars. In addition, there have been attacks on our oil palm trees by certain animals/insects such as porcupines, squirrels, rats, wild boars, rhino beetles and monkeys although such attacks are rare and not significantly threatening. Currently, we take active measures to control the population of pests in our estates by destroying potential breeding grounds of pests, exterminating pests by using pesticides and carrying out frequent inspections to ensure that the population remains significantly below a threatening level. Despite these measures, there is no assurance that large scale attacks or outbreaks by the pests will not occur in the future. Nevertheless, it should be noted that since the commencement of our business, we have not experienced any major disruption in business operations as a result of large-scale attacks or outbreaks of pests that would have a significant impact on our operations and results.

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4. RISK FACTORS

4.1.7 Reliance on Single Customer and Major Suppliers

Sale of CPO and PK

We sell all our CPO and PK produced to BEO, which presently operates one of the major palm oil refineries in Bintulu, Sarawak. BEO is a wholly-owned subsidiary of PPB Group Berhad, a company listed on the Main Board of Bursa Securities. We have been supplying CPO and PK to BEO for the past 7 years and to-date, we have not encountered any major problems in our dealing with BEO and still enjoy a good and stable business relationship with them. However, there can be no assurance that the loss of BEO as the sole customer will not adversely affect our performance in the future.

Apart from BEO's refinery, there are presently 2 other refineries operating in Sarawak for which we understand that they usually source a majority of their supplies from their own palm oil mills. In the event that we are not able to sell our CPO and PK to BEO for whatever reasons, we could still be able to sell to either of these 2 refineries. Nevertheless, in the event that we are not able to sell our CPO and PK to any of the refineries in Sarawak, we could still be able to sell our CPO and PK to other refineries located in Malaysia albeit at a higher transportation cost.

In addition, the Rimbunan Hijau Group (which is controlled by certain substantial shareholders of our Company) is presently in the midst of constructing a refinery in Bintulu, Sarawak and is expected to be completed and operational by end of 2007. By then, we would have an additional option to sell our CPO and PK to.

Supply of FFB and other cost of sales

Our cost of sales includes purchases of FFB, oil palm seeds, fertilisers, diesel and general spare parts (with the supply of FFB being the largest component of our total cost of sales), and we are dependent on certain major suppliers on some of our raw materials.

Currently, our estates supply approximately 52% of the total FFB requirements of our mill, whilst the remaining FFB processed were sourced from other nearby plantations. We enjoy good business relationships with these suppliers over the years but some suppliers had ceased or may cease to supply to us because they have or may set up their own palm oil mill in the future. Although there is no assurance that we will be able to procure adequate supply of FFB from external plantations to meet our palm oil mill's requirements in the future, it should be noted that for the past 12 months, we have not experienced any major disruption in business operations as a result of non-supply or inadequate supply of FFB that may have a significant impact on our operations and results. Further, we believe we have the experiences and capabilities to source for alternative supplies of FFB should the need arise. Notwithstanding, it is our intention to reduce our dependency on the external supply of FFB in the future with the gradual improvement in FFB yields from our existing maturing estates over time as well as the cultivation on our existing plantable reserved land and the acquisition of more plantation estates/lands in the future.

On the supply of oil palm seeds, we have in the past taken steps to secure the supply of oil palm germinated seeds from different suppliers, whom according to our Directors, are renowned for producing high yielding oil palm trees, to prevent over dependence on any single supplier. We have not experienced any major disruption in business operations as a result of non-supply or poor quality of oil palm seeds that may have a significant impact on our operations and results for the past 12 months. In addition, we do not expect to incur significant cost of purchasing oil palm seeds in the near future as about 84% of our plantable land has already been planted with oil palm trees.

4. RISK FACTORS

On the supplies of other cost of sales such as fertiliser, diesel and general spare parts, we have established and maintained good business relationships with our suppliers and we have not experienced any major disruption in business operations as a result of non-supply or inadequate supply of these items that may have a significant impact on our operations and results for the past 12 months. In addition, the supplies of fertiliser and diesel are solely sourced from companies which are related to us by virtue of having common substantial shareholders and/or directors. Notwithstanding, we believe we have the experiences and capabilities to source for alternative supplies of these items should the need arise.

Absence of long term sales / suppliers contracts

We have not entered into any long term contractual agreements with BEO (our sole customer) nor any of our major suppliers. Notwithstanding, we wish to highlight that the absence of such long term contracts is quite common in the palm oil plantation industry. As for BEO, we have been supplying CPO and PK to BEO for the past 7 years and to-date, we have not encountered any major problems in our dealing with BEO and still enjoy a good and stable business relationship with them. Similarly, for our major suppliers, we enjoy good business relationships with them over the years and as such, we do not expect the absence of long term suppliers' contracts to have any significant impact on our operations and results. Further, we believe we have the experiences and capabilities to source for alternative customers/suppliers should the need arise.

4.1.8 Dependence on Key Management Personnel

Our present success and achievements are largely attributable to the concerted efforts and invaluable experience of our Directors and key management personnel. We believe that our continued success in the future will, to a certain extent, hinge on our abilities to retain our existing Directors and key management personnel. As such, any loss of our Directors and/or key management personnel may adversely affect our performance and continuing ability to compete effectively in the industry. We recognise the importance of our ability to attract and retain our key management personnel and have in place a human resource strategy which includes a competitive remuneration package and a human resource training and development programme for our employees in all key functions of our operations. Notwithstanding, there can be no assurance that we will be able to recruit, develop and retain adequate number of highly skilled and motivated employees.

Management succession plan

We place high priority in ensuring that there is continuity in our management team so as to ensure our level of competitiveness in the industry is maintained. To achieve this and as part of our employees' career advancement programme, it is our policy to groom and train the younger members and middle management personnel to gradually assume the responsibilities of the senior management. We believe that via the Listing, we will be able to attract and retain more suitably qualified personnel in our Group.

We also intend to hire experienced and professional personnel when such need arise and to provide proper on-the-job training and coaching to our personnel to improve their technical or management skills. However, there is no assurance that the abovementioned measures will be successful in retaining or attracting key personnel or ensuring a smooth transition should changes occur.

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4.1.9 Political, Economic and Regulatory Factors

Any adverse change in the political, economic and regulatory environment and uncertainties could have unfavourable effect on our financial and business prospects. These include but not limited to the risk of war, terrorist attacks, riots, changes in political leadership, global economic downturn and unfavourable changes in the governmental policies such as changes in the methods of taxation, interest rates, licensing or introduction of new regulations. Whilst we would continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that any change to these factors will not materially and adversely affect our financial position or business in the future.

4.1.10 Insurance Coverage

At present, our palm oil mill, buildings, plant and machinery are adequately insured against certain risks such as fire, lightning and other perils. However, we have only insured approximately 50% of our planted crops as we believe that the likelihood of occurrence of such risks associated with these assets is remote and besides, the insurance coverage is not cost effective. Notwithstanding, there can be no assurance that the insurance coverage taken up would be adequate to compensate for any loss of income or any consequential loss arising therefrom, in the event of disaster. However, it should be noted that since the commencement of our business, we have not experienced any situation in relation to insurance coverage that had a significant impact on our operations and results. In addition, we believe that we would still be able to source FFB from other nearby plantation estates in the event of disaster albeit at a higher cost.

4.1.11 Financial Risk

As at the Latest Practicable Date, our total borrowings are solely in the form of Islamic Securities amounting to RM143 million. In view that the Islamic Securities were issued based on certain specific financing costs, any adverse movement in the prevailing market interest rates is not expected to have any significant impact on our financial performance. Nevertheless, there can be no assurance that additional credit facilities will be available (if required) at commercially viable rates to fund our future expansion or working capital requirements.

4.1.12 Future Capital / Funding Needs

Our Board is of the opinion that after taking into account our present and forecast cashflows position and the total gross proceeds to be raised from the Public Issue, we would have adequate working capital for our business operations for a period of 12 months from the date of this Prospectus. However, there is no assurance that there will not be any future development or event, which will require us to seek additional capital/funds and that if such additional capital/funds are so required, they will be available or, if available, will be on terms and conditions satisfactory to us. Further, the issue of additional equity in our Company in the future, if any, may result in a dilution to the percentage equity holding of our shareholders upon our Listing.

4. RISK FACTORS

4.1.13 Restrictive Covenants under the Group's Borrowings

As at the Latest Practicable Date, our indebtedness is in the form of Islamic Securities which contain, inter-alia, certain restrictive covenants which may limit our operating and financial flexibilities. Any act by us falling within the ambit or scope of such covenants may require the written consent of the said financier or the trustee of the Islamic Securities. In particular, any breach of such covenants by us may result in the Islamic Securities being terminated and required to be redeemed in full under the relevant terms and conditions of the Islamic Securities. In relation to this, we shall take all appropriate precautions to prevent such breaches and shall obtain all relevant written consents, where applicable and required, from the said financier or the trustee of the Islamic Securities.

In addition, we may in future procure new credit or banking facilities from other banks/financial institutions to, amongst others, finance our business operations and activities as well as to repay any outstanding bank borrowing. There is however no assurance that such new credit or banking facilities would not have any restrictive covenant that may limit our operating and financial flexibilities.

4.1.14 Investment and Acquisition Risks

If appropriate opportunities arise, we intend to acquire plantation lands, estates, palm oil mills or enter into synergistic joint ventures that we believe will be in the best interest of our shareholders. However, there can be no assurance that we will be able to successfully identify, negotiate or finance such investments or acquisitions or joint ventures, or to integrate such investments, acquisitions or joint ventures with our current operations. Even if we are able to secure such investments or acquisitions, no assurance can be given that they will contribute positively to our Group. In fact, such activities may require us to seek additional capital, which may or may not be available on satisfactory terms. As a mitigating factor, any investment or acquisition of such nature will be carefully considered and evaluated by our Board, and may further be subject to our shareholders' approval at general meeting, if so required.

4.1.15 Land Related Issues

Provisional lease

At present, all document of titles of our landed properties and estates are issued in the form of PL by the Government of Sarawak. In accordance with Section 28 of the Land Code (as defined in Section 5.7.2 of this Prospectus), every PL shall specify the approximate extent and area of the land included therein but shall not entitle the holder to a grant or lease of the whole of the area specified. Besides, the area stipulated in the PL is subject to change upon completion of the survey of the land as required under the said Land Code. In addition, if any area of land within a PL where native customary rights subsist, the PL holder would not be entitled to the affected areas unless the native customary rights in question have been terminated, surrendered or compensated in accordance with Section 15 of the said Land Code.

Notwithstanding, we confirm that to the best of our knowledge and belief, we do not have any outstanding dispute or claim by the local natives in respect of the native customary rights as at the date of this Prospectus.

4. RISK FACTORS

Other land related issues

Our palm oil mill was previously located at Lot 53, Bok Land District, Miri, Sarawak. However, as a result of some disputes and claims made by the local natives, Lot 53 was subsequently subdivided into 2 lots, namely Lots 57 and 58. The former was surrendered back to the State authority whilst Lot 58, together with a new parcel of land, were subsequently alienated to us. Nevertheless the land area which covered our palm oil mill was inadvertently excluded by the State authority from the said new lot. Following some negotiations, the Sarawak Land and Surveys Department had via its letter dated 25 May 2005 approved the alienation of a 205 Ha land (under Lot 65, Bok Land District, Miri, Sarawak) to us on which our palm oil mill is located. The said approval is subject to, inter-alia, certain terms and conditions including a premium payable of approximately RM1.62 million over 5 yearly instalments, the first of which had been paid in June 2005. Any default in or failure to settle the remaining balance of premium payable could result in the forfeiture and re-entry of the said land by the State Government. Nevertheless, we wish to highlight that an event of default situation is highly unlikely considering that the remaining amount payable of only about RM1.3 million is insignificant as compared to our proforma cash and cash equivalents of approximately RM91.8 million after the Listing.

Within Lot 64, Sawai Land District, Miri, Sarawak, approximately 305 Ha of undeveloped lands is encroached by the local natives and a small portion out of another parcel of approximately 445 Ha of undeveloped lands were previously encroached by the local natives. As the holder of the PL for Lot 64, we could proceed with the necessary legal actions against the local natives concerned. Alternatively, we may consider negotiating with and settling on an ex gratia basis with them for their efforts expended. Regardless of which steps eventually to be taken by us, we do not foresee any material impact on the market valuation nor the net book value of Lot 64.

4.1.16 Potential Conflict of Interests

As disclosed in Section 9.1 of this Prospectus, there are subsisting related party transactions involving the interests of certain of our Directors and substantial shareholders and/or persons connected with them. To avoid a potential conflict of interest situation, we have set up an Audit Committee to, amongst others, monitor all transactions entered into between our companies in the Group and our Directors or substantial shareholders and/or persons connected with them.

Further, as disclosed in Section 9.2 of this Prospectus, some of our Directors and/or substantial shareholders have interests in certain companies carrying on similar businesses as ours. However, our Board does not foresee any material conflict of interest or business competition that may arise as a result of such interests given that all FFB produced from our estates have been and would be continued to be delivered to our palm oil mill. This is because most of the plantation estates, involving the interests of the said interested parties, are located far from our plantation estates and palm oil mill, and that our current FFB production caters to about 52% of our palm oil mill's requirements. Moreover, our Board intends to acquire a controlling stake in the said companies, particularly those with sizeable land banks, when they have achieved sufficient profits in the near future such that their inclusions in our Group would be in our best interests.

In addition, our Directors and substantial shareholders have given their undertakings that all business transactions entered into between our Group and themselves and/or persons connected with them shall be negotiated on and agreed at arm's length basis, normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

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4.1.17 Foreign Exchange Fluctuations

We may be exposed to foreign exchange risks as the selling prices of CPO and PK are quoted in US Dollar. On 21 July 2005, Bank Negara Malaysia announced that with immediate effect the exchange rate of RM will be allowed to operate in a managed float, with its value determined by economic fundamentals to ensure, amongst others, that the exchange rate remains stable and close to its fair value. Nevertheless, there is no assurance that any currency control will recur or any future significant fluctuations in exchange rates and financial crisis will not adversely affect our revenue and earnings.

4.2 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

4.2.1 No Prior Market for our Shares

Prior to our Listing, there was no public trading for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained. The Issue Price/Offer Price was determined after taking into consideration a number of factors including but not limited to our historical and forecast earnings, business overview and future prospects, the industry prospects, our management team and the prevailing market conditions before the issue of the Prospectus. There can be no assurance that the Issue Price/Offer Price will correspond to the price at which our Shares will be traded on the Main Board of Bursa Securities upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

The price at which our Shares will trade on the Main Board of Bursa Securities after the IPO may be influenced by a number of factors including the depth and liquidity of the market for our Shares, investors' individual perceptions of our Group, market and economic conditions, etc..

4.2.2 Failure / Delay In or Abortion of the Listing

Our Listing is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:-

- (i) Force majeure events or events/circumstances, which are beyond the control of our Company and/or Underwriter, arising prior to our Listing;
- (ii) The identified investors under the IPO fail to subscribe for the portion of the IPO Shares reserved for or allocated to them;
- (iii) The Bumiputera investors approved by the MITI fail to subscribe for the portion of the IPO Shares reserved for or allocated to them;
- (iv) The Underwriter exercising its rights pursuant to the Underwriting Agreement discharging itself from its obligation therein; and
- (v) We are unable to meet the public shareholding spreads requirements, which is at least 25% of our total number of Shares 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 the completion of the IPO and at the point of Listing.

In this respect, we will exercise our best endeavour to comply with the Listing Requirements with regard to paragraph (v) above. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of our Listing.

4. RISK FACTORS

4.2.3 Dividend Payment

Our Company, an investment holding company, derived its income mainly from dividends received from our subsidiary companies. Hence, our ability to pay the forecast dividend as set out in Section 10.10 of this Prospectus, and our ability to sustain such dividend policy in the future, are largely dependent on the performances of our subsidiary companies. The actual dividend to be proposed and declared by our Directors in the future may be substantially different from the dividend forecast contained in this Prospectus.

4.2.4 Continued Control by Existing Shareholders

Upon Listing, the Promoters and persons associated with them will collectively hold a total of approximately 59.6% of our enlarged issued and paid-up share capital. Depending on how they choose to vote and because of their shareholdings, these shareholders will generally be expected to have significant influence on the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities. Nevertheless, as a step towards good corporate governance, we have appointed 2 Independent Directors and set up an Audit Committee to ensure that, inter-alia, all future transactions involving related parties are entered into on arms' length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

4.3 OTHER RISKS

4.3.1 Achievability of Profit Forecast

This Prospectus contains our profit forecast which was prepared based on various assumptions which our Directors deem reasonable, but are nevertheless subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of profit forecast, and because events and circumstances may not occur as expected, there can be no assurance that our profit forecast contained herein will be realised and the actual results may be materially different from those shown. You shall be deemed to have read and understood the descriptions of the assumptions and the uncertainties underlying our profit forecast that are contained in Section 10.7 of this Prospectus.

4.3.2 Forward-Looking / Prospective Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and others are forward-looking in nature that are based on assumptions and subject to uncertainties and contingencies which may or may not be achieved. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect our business and operations, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements. Although we believe that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such prospective statements or expectations will prove to be correct in the future. Any deviation from the expectations may have a material adverse effect on our financial and business performance.

5. INFORMATION ON OUR GROUP

5.1 INCORPORATION AND HISTORY

Our Company was incorporated in Malaysia under the Act on 12 May 2005 as a private limited company under the name of Real Harvest Enterprise Sdn Bhd. On 3 June 2005, we changed our name to Rimbunan Sawit Sdn Bhd and on 9 June 2005, we were converted to a public limited company and assumed our current name. We are principally an investment holding company whilst our wholly-owned subsidiaries are mainly involved in the cultivation of oil palm, processing of palm oil and other ancillary activities. Our Group owns approximately 13,663 Ha of plantation land together with a palm oil mill in Miri, Sarawak which has an installed capacity of 80 Mt of FFB per hour and a storage capacity of 10,000 Mt of CPO. Some of the relevant information relating to our subsidiaries is set below:-

Subsidiaries	Principal activities
RHP	Cultivation of oil palm and processing of palm oil, and began its business operations in 1989. It owns approximately 6,172 Ha of plantation land with an average FFB yield of 12.97 Mt per Ha and operates a palm oil mill with an average OER of 21.96% for the production of CPO
TR	Cultivation of oil palm and began its business operations in 1993. It owns approximately 7,491 Ha of plantation land with an average FFB yield of 14.76 Mt per Ha
RSHB	Investment holding
MP	A special purpose vehicle set up to facilitate the issuance of the Islamic Securities

Further details and information relating to our business overview and our subsidiaries are set out in Sections 5.4 and 5.5 of this Prospectus respectively.

5.2 SHARE CAPITAL

Our authorised share capital is RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each of which 110,266,800 ordinary shares have been issued and fully paid-up. Upon completion of the Public Issue, our enlarged issued and paid-up share capital will be RM64,133,400 comprising 128,266,800 RSB Shares.

The movements in our issued and paid-up share capital since the date of our incorporation are set out below:-

Date of allotment	No. of shares allotted	Par value RM	Consideration/Types of issue	Resultant issued and paid-up share capital RM
12.05.2005	2	0.50	Cash (Subscriber shares)	1
13.05.2005	2	0.50	Cash	2
09.06.2005	102	0.50	Cash	53
08.02.2006	110,266,694	0.50	Acquisitions	55,133,400

5. INFORMATION ON OUR GROUP

5.3 LISTING SCHEME

In conjunction with and as an integral part of our Listing, we undertook a listing scheme which was approved by the SC on 28 October 2005 and 27 March 2006, and the MITI on 19 August 2005, involving the following:-

5.3.1 Acquisitions

(a) Acquisition of RHP

We entered into conditional share sale agreements on 25 January 2006 with the shareholders of RHP for the acquisition of its entire issued and paid-up share capital comprising 9,999,000 ordinary shares of RM1.00 each for a purchase consideration of RM43,467,904 wholly satisfied by an issue of 86,935,808 new RSB Shares to the existing shareholders of RHP at an issue price of RM0.50 per RSB Share. The purchase consideration of RHP was arrived at based on its audited NTA as at 31 August 2004 of RM44,467,934 adjusted for the redemption of its entire RCPS for a redemption sum of RM1,000,000 on 30 August 2004. The Acquisition of RHP was completed on 8 February 2006.

The vendors' shareholdings in RHP and the number of RSB Shares issued to them pursuant to the Acquisition of RHP are as follows:-

Vendors	No. of shares held in RHP	%	Purchase consideration RM	No. of RSB Shares issued
RHSA	2,490,000	24.90	10,824,590	21,649,181
Lau Hung Ing	50,000	0.50	217,361	434,723
TSTHK	100,000	1.00	434,723	869,445
TC Blessed Holdings Sdn Bhd	20,000	0.20	86,944	173,889
Biru-Hijau Enterprise Sdn Bhd	500,000	5.00	2,173,613	4,347,225
Fatherland Enterprise Sdn Bhd	500,000	5.00	2,173,613	4,347,225
Jumah Emas Sdn Bhd	60,000	0.60	260,833	521,667
Priharta Development Sdn Bhd	300,000	3.00	1,304,168	2,608,335
TSL	950,000	9.50	4,129,864	8,259,728
TTSH	4,119,000	41.20	17,906,220	35,812,441
Wong Yiing Ngik	110,000	1.10	478,194	956,389
Dr Tiong Ik King	500,000	5.00	2,173,613	4,347,225
Tiong Kiu King	300,000	3.00	1,304,168	2,608,335
Total	9,999,000	100.00	43,467,904	86,935,808

5. INFORMATION ON OUR GROUP

(b) Acquisition of TR

We entered into a conditional share sale agreement on 6 February 2006 with the shareholders of TR for the acquisition of its entire issued and paid-up share capital comprising 12,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM11,665,443 wholly satisfied by an issue of 23,330,886 new RSB Shares to the existing shareholders of TR at an issue price of RM0.50 per RSB Share. The purchase consideration of TR was arrived at based on its audited NTA as at 31 August 2004 of RM9,165,443, adjusted for an issue/allotment of new 2,500,000 ordinary shares of RM1.00 each on 15 October 2004. The Acquisition of TR was completed on 8 February 2006.

The vendors' shareholdings in TR and the number of RSB Shares issued to them pursuant to the Acquisition of TR are as follows:-

Vendors	No. of shares held in TR	%	Purchase consideration RM	No. of RSB Shares issued
ETI Blessed Holdings Sdn Bhd	100,000	0.80	93,324	186,647
TSTHK	500,000	4.00	466,618	933,236
Fatherland Enterprise Sdn Bhd	500,000	4.00	466,618	933,236
Hoojin Holding Sdn Bhd	200,000	1.60	186,647	373,294
Jumah Emas Sdn Bhd	30,000	0.24	27,997	55,994
Law Cheng King Enterprise Sdn Bhd	100,000	0.80	93,324	186,647
Priharta Development Sdn Bhd	500,000	4.00	466,618	933,236
Rimbunan Hijau (Sarawak) Sdn Bhd	1,510,000	12.08	1,409,185	2,818,371
TSL	1,000,000	8.00	933,235	1,866,471
TC Blessed Holdings Sdn Bhd	600,000	4.80	559,941	1,119,883
Tiong Chiew	100,000	0.80	93,324	186,647
Tiong Ching	100,000	0.80	93,324	186,647
Tiong Chiong Ong	200,000	1.60	186,647	373,294
Dr Tiong Ik King	500,000	4.00	466,618	933,235
Tiong Kiong King	500,000	4.00	466,618	933,235
Tiong Kiu King	300,000	2.40	279,970	559,941
TTSH	4,700,000	37.60	4,386,206	8,772,413
TTSE	1,000,000	8.00	933,235	1,866,471
Wong Lin Kiong	30,000	0.24	27,997	55,994
Wong Yiing Ngik	30,000	0.24	27,997	55,994
Total	12,500,000	100.00	11,665,443	23,330,886

(c) Acquisition of RSHB

We entered into a conditional share sale agreement on 25 January 2006 with the shareholders of RSHB for the acquisition of its entire issued and paid-up share capital comprising 2 ordinary shares of RM1.00 each (from Tiong Kiong King and Tiong Chiong Ong equally) for a purchase consideration of RM2.00 wholly satisfied in cash. The Acquisition of RSHB was completed on 13 February 2006.

The new RSB Shares issued pursuant to the Acquisitions shall rank *pari passu* in all respects with the then existing Shares of RSB including voting rights and rights to all dividends and other distributions that may be declared, subsequent to the date of allotment thereof.

5. INFORMATION ON OUR GROUP

5.3.2 Offer for Sale

The Offerors shall offer for sale of an aggregate of 33,500,000 existing RSB Shares at the Offer Price to Bumiputera investors approved by the MITI.

5.3.3 Public Issue

In conjunction with our Listing, we are undertaking a public issue of 18,000,000 new RSB Shares at the Issue Price comprising the following:-

- (a) 8,000,000 new RSB Shares will be placed out by way of private placement to the identified investors, including 5,000,000 new RSB Shares to Bumiputera investors approved by the MITI.
- (b) 3,000,000 new RSB Shares will be made available for application by our eligible Directors and employees.
- (c) 7,000,000 new RSB Shares will be made available for application by the Malaysian public via ballot, of which at least 30% shall be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions, to the extent possible.

5.3.4 Listing and Quotation

Following the Offer for Sale and Public Issue, we shall seek the permission of Bursa Securities for the listing of and quotation for our entire enlarged issued and paid up share capital comprising 128,266,800 Shares on the Main Board of Bursa Securities.

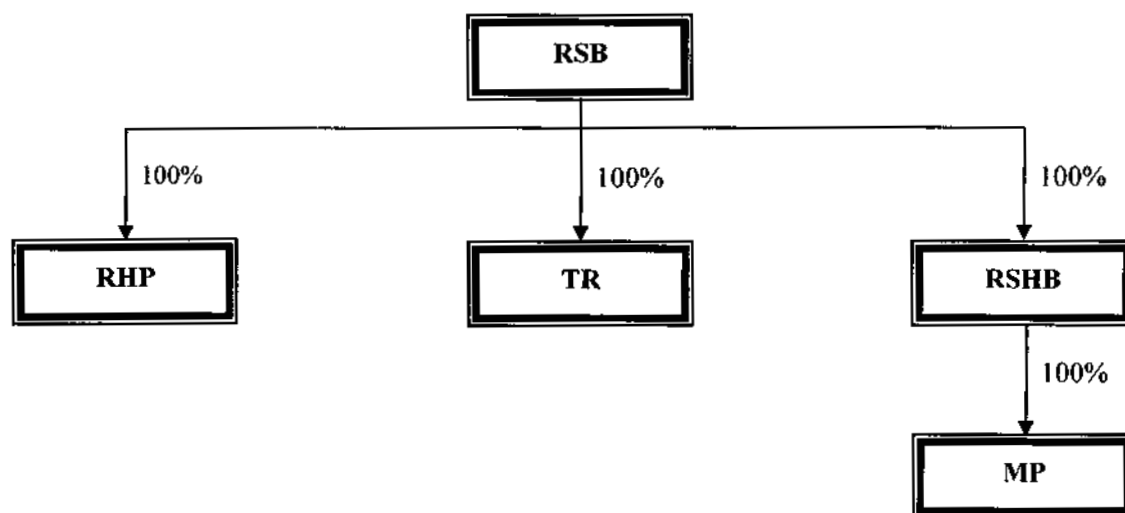
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5. INFORMATION ON OUR GROUP

5.4 BUSINESS OVERVIEW

5.4.1 Background

Our current group structure is as follow:-



We are principally an investment holding company whilst our subsidiaries are mainly involved in the cultivation of oil palm, processing of palm oil and other ancillary activities.

As set out below, we own approximately 13,663 Ha of plantation land in Miri, Sarawak, where all the documents of title are issued in the form of PL. Further details of our plantation land are disclosed in Section 5.7 of this Prospectus.

Company	Location	Area (Ha)	Type of estates	Expiry
RHP	◆ Part of Lot 6, Dulit Land District	613 ¹	Mineral soil	29.12.2059
	◆ Lot 56, Bok Land District	2,750	Mineral soil	27.09.2087
	◆ Lot 58, Bok Land District	2,388	Mineral soil	27.09.2087
	◆ Part of Lot 59, Bok Land District	216 ²	Mineral soil	27.08.2058
	◆ Lot 65 Bok Land District	205	Mineral soil	06.09.2065
TR	◆ Lot 64, Sawai Land District	5,656	Mineral soil	04.04.2087
	◆ Lot 93, Sawai Land District	958	Mineral soil	01.11.2059
	◆ Lot 71, Sawai Land District	877 ³	Mineral soil	27.08.2058
Total		<u>13,663</u>		

5. INFORMATION ON OUR GROUP

Notes:-

1. RHP entered into a conditional sale and purchase agreement on 14 April 2005 with Lubuk Tiara Sdn Bhd for the acquisition of a portion of land measuring approximately 613 Ha within Lot 6, Dulit Land District, Miri, Sarawak for a cash consideration of RM1,839,000. The said acquisition was completed on 2 May 2006.
2. RHP entered into a conditional sale and purchase agreement on 5 March 2005 with Kina Juara Sdn Bhd for the acquisition of a portion of land measuring approximately 216 Ha within Lot 59, Bok Land District, Miri, Sarawak for a cash consideration of RM800,610. The said acquisition was completed on 16 February 2006.
3. TR entered into a conditional sale and purchase agreement on 5 March 2005 with Kina Juara Sdn Bhd for the acquisition of Lot 71, Sawai Land District, Miri, Sarawak for a cash consideration of RM3,247,020. The said acquisition was completed on 15 February 2006.

Our estates are located in an undulating topography and rolling hills and the annual rainfall in these estates is fairly good.

We also have 1 palm oil mill (owned by RHP) which is located at Lot 65 and part of Lot 58, Bok Land District, Miri, Sarawak. More details relating to our milling operations are set out in Section 5.4.3 of this Prospectus.

The contribution from the various types of business activities/products to our proforma revenue for the past 3 financial years ended 31 August 2005 and 3-month financial period ended 30 November 2005 are as follows:-

	FY2003	FY2004	FY2005	3-month ended 30.11.2005
	%	%	%	%
CPO	89.26	88.27	85.33	84.43
PK	9.14	10.33	13.03	13.86
Transportation income	1.42	1.28	1.56	1.71
FFB	0.07	-	-	-
Sludge oil	0.11	0.12	0.08	-
	100.00	100.00	100.00	100.00

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5. INFORMATION ON OUR GROUP

5.4.2 Oil Palm Plantations

The details of our plantation hectareage as at 31 August 2005 and FFB yields for FY2005 are as follows:-

Age of trees (Year)	RHP		TR		RSB Group	
	Area (Ha)	FFB yield (Mt/Ha)	Area (Ha)	FFB yield (Mt/Ha)	Area (Ha)	FFB yield (Mt/Ha)
Immatured: 4 years and below	-	-	345.7	-	345.7	-
Matured and young: Above 4 – 8 years	396.6	4.88	2,384.0	11.37	2,780.6	10.45
Matured and prime: Above 8 – 12 years	2,689.2	10.97	2,366.5	18.18	5,055.7	14.34
Matured: 12 years and above	2,048.9	17.15	-	-	2,048.9	17.15
Total land developed	5,134.7	12.97	5,096.2	^14.76	10,230.9	^13.83
Others*	1,037.3		484.0		1,521.3	
Land to be developed	-		1,910.8		1,910.8	
Total area	6,172.0		7,491.0		13,663.0	

^ Based on the matured land area (for oil palms above 4 years old).

* Land occupied by buildings, roads, swamps, rivers, nurseries, terrains etc..

Our annual proforma FFB productions for the past 3 financial years ended 31 August 2005 and 3-month financial period ended 30 November 2005 are as follows:-

	FY2003	FY2004	FY2005	3-month ended 30.11.2005
RHP				
FFB production (Mt)	63,813	62,338	66,576	19,031
Matured plantation (Ha)	5,135	5,135	5,135	5,135
FFB yield per Ha (Mt/Ha)	12.43	12.14	12.97	3.71
TR				
FFB production (Mt)	29,315	41,564	70,138	19,548
Matured plantation (Ha)	4,740	4,750	4,750	5,096
FFB yield per Ha (Mt/Ha)	6.18	8.75	14.76	3.84
RSB GROUP				
FFB production (Mt)	93,128	103,902	136,714	38,579
Matured plantation (Ha)	9,875	9,885	9,885	10,231
FFB yield per Ha (Mt/Ha)	9.43	10.51	13.83	3.77

5. INFORMATION ON OUR GROUP

The plantation process begins with the planting of seeds in polybags in pre-nurseries and main nurseries. Approximately 1 year thereafter, the seedlings are transferred to the field and it usually takes about 2.5 to 3 years for the oil palms to mature and begin bearing fruits. In total, approximately 3.5 to 4 years are required from nursery stage to harvesting and the oil palm is expected to reach peak production potential between 8 to 15 years after field planting. With proper and appropriate handling and caring of oil palm, our trees could continue to bear fruits at a reasonable yield for at least another 10 years. Although oil palm can bear fruits even after 25 years, the yield may become uneconomic and any harvesting operation may be costly.

A majority of our oil palm trees are not more than 12 years old (approximately 80% of the total area planted) and therefore, we are not expected to incur any significant cost in relation to replanting of oil palms for the existing estates at least for the next 10 years.

5.4.3 Milling Operations

Our palm oil mill, which is operated by RHP and located at Lot 65 and part of Lot 58, Bok Land District, Miri, Sarawak, was built and completed in 1998 with an original installed capacity of 40 Mt of FFB per hour. In 2003, our mill's installed capacity was increased to 80 Mt of FFB per hour with 2 lines operating on an average of 20 hours daily in anticipation of increasing demand. Our mill is currently operating at approximately 56% of its capacity and is expected to operate at around 80% of its optimum capacity within the next 3 years. In addition, our mill presently has a storage capacity of up to 10,000 Mt of CPO.

Our estates supply approximately 52% of the total FFB intakes of our mill whilst the remaining supply is sourced from other nearby plantation estates. As the transportation distance between the estates and the mill is short, transportation costs are therefore relatively low. This is crucial in ensuring the freshness of FFB delivered to our mill, resulting in the consistent achievements of high OER and PK Rate. As highlighted in the table below, the supply of FFB to our mill has been on an increasing trend driven by the continuing growth in our oil palm estates as well as other nearby plantation estates. The prices of FFB, one of the palm oil products, fluctuate over time based on the demand and supply in global edible oils and fats market and are highly susceptible to external market forces. The risks and mitigating factors relating to fluctuation in FFB prices are further discussed in Sections 4.1.1 and 4.1.3 of this Prospectus.

Apart from our mill, there are 3 other palm oil mills located within the 60km radius from our mill, the nearest of which is located about 34km away. We have not experienced any major disruption in our business operations as a result of non-supply or inadequate supply of FFB from external estates in the past. We believe that this is attributable to the strategic location of our mill as well as our good reputation and competitive pricing.

The end products of our milling operations i.e. CPO and PK are solely sold to BEO which operates one of the major palm oil refineries in Sarawak presently.

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5. INFORMATION ON OUR GROUP

Our annual productions of CPO and PK for the past 3 financial years ended 31 August 2005 and 3-month financial period ended 30 November 2005 are as follows:-

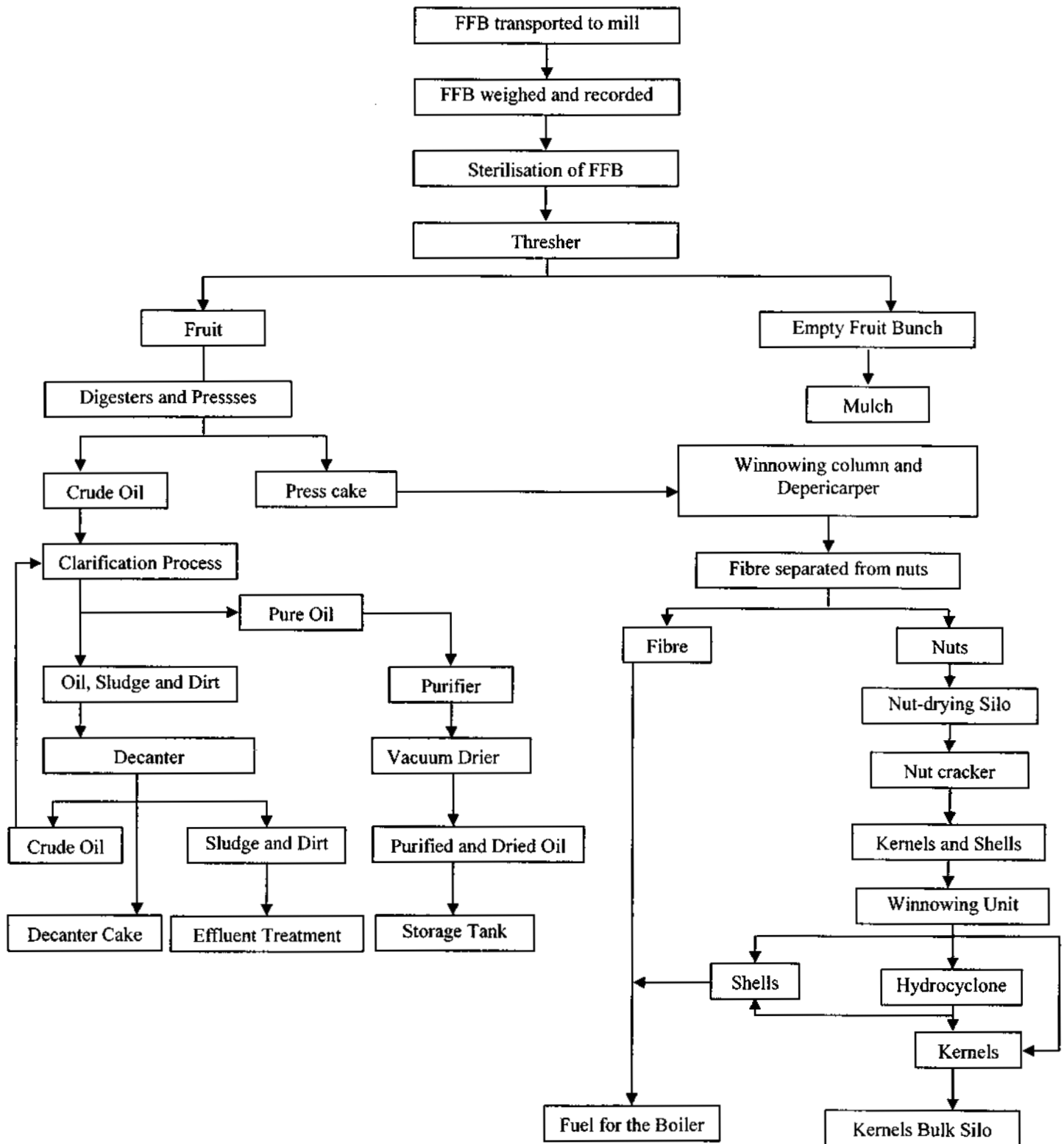
	FY2003	FY2004	FY2005	3-month ended 30.11.2005
FFB processed (Mt)	205,439	245,752	260,101	76,964
- From own estates (Mt)	93,128	103,902	136,714	38,579
- From other estates (Mt)	112,311	141,850	123,387	38,385
Output (Mt)				
- CPO	45,246	53,124	57,789	16,657
- PK	10,470	11,426	12,406	3,741
OER for CPO (%)	22.02	21.62	22.22	21.64
PK Rate (%)	5.10	4.65	4.77	4.86

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5. INFORMATION ON OUR GROUP

5.4.4 Production Processes

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



5. INFORMATION ON OUR GROUP

A brief description of our production processes of CPO and PK is set out below:-

Weighing and recording of FFB

FFB transported from the estates are weighed at the weighing bridge and recorded before being transported to the mill. The FFB are then graded according to degree of freshness and ripeness, size of the bunch, length of the bunch stalk, percentage of loose fruits and formation of the FFB in accordance with the standards set by MPOB. The FFB must be processed as soon as possible to ensure the production of better quality palm oil.

Sterilisation of FFB

Sterilisation of FFB is a process whereby the FFB is steamed in a steriliser under a temperature of about 145 degree celsius for 90 minutes in order to deactivate lipolytic enzymes, which is responsible for the increase of the undesirable free fatty acids contents in the FFB. This process also removes external impurities, loosening fruits from the bunch, softening the mesocarp of the fruits and pre-conditions the nuts for easier kernel recovery.

Threshing

The sterilised FFB is auto-fed to the rotary drum stripper in this process. The purpose of threshing is to separate the fruits from the oil absorbent bunch stalk (to prevent any absorption of oil) through repetitive lifting and dropping of the bunch by gravity forces. The detached fruit will slip through the perforation on the drum wall to be transferred to digesters. After separation, the empty fruit bunch is then sent back to the estates to be recycled as much as it contains nutrients.

Digestion and Pressing

The digester is a vertical cylindrical vessel with rotating shaft bearing a number of stirring arms. The purpose of the digestion process is to mash-up the fruits under a high temperature of about 95 degree celsius and precondition the mash for subsequent pressing. This process will break up the oil-bearing cells in the mesocarp to form mash. The oil is then extracted from the mash through twin screw pressing process. The leftover is a compact dried mass comprising nuts and fibres called press cake.

Clarification and Purification

Crude oil from the pressing process contains approximately 43% oil, 22% water and 35% sludge and solid. In order to reduce the viscosity of the slurry crude oil, hot water is added and the mixture is then pumped into clarification tank and left for about 5 hours to let the denser impurities settle at the base. The oil is continuously skimmed from the top to a content of 0.6% water and 0.2% impurities. A high temperature of 95 degree celsius is kept in the tank to enhance the separation process. The oil is then passed through high-speed centrifuge and vacuum dryer to reduce the impurities and moisture level to not more than 0.15%. The sludge is put through a second separation process in order to maximise oil recovery. The recovered oil is pumped back into clarification tank. The remaining sludge is transported to effluent treatment plant.

CPO Storage

The purified and dried oil or simply known as CPO is then pumped into the existing 5 units of 2,000 Mt capacity each properly designed steel tanks with proper heating system. The tanks are maintained at a temperature of between 45 and 50 degree celsius.

5. INFORMATION ON OUR GROUP

Winnowing and Depericarper

The press cake from the pressing process is conveyed to the depericarper for separation by the pneumatic column process. The fibre separated will be used as fuel for the boilers. The leftover nuts are conveyed to a de-stoner to remove other solid objects which are heavier.

Drying of nuts

The nuts are then kept in a silo with regulated hot air for a period of 14 hours to dry the nuts. The regulated temperature prevents discolouration of the nuts. This drying process also serves the purpose of separating the kernel from the shell to facilitate the nut cracking process.

Shells separation

The dried nuts are transported into ripple mills to crack the shells and passed through winnower to separate the shells through pneumatic process. Whole kernels are then separated through a kernel grading drum. The leftover mixture of broken kernel and leftover shells are fed into hydrocyclone, which will complete the separation process through centrifugal force of water. The shells from this process are also used as fuel.

Kernel storage

Kernels are dried in the kernel drying silo. The time and temperature are regulated to ensure consistency in the level of dryness. The dried nuts are then transferred to kernel bulking silos. The mill has 3 units of 145 Mt capacity properly designed steel silo for PK storage.

5.4.5 Principal Markets and Distribution Network

All FFB collected from our estates are sent to our mill to be processed into CPO and PK. The entire CPO and PK produced by us are sold to BEO which operates one of the major palm oil refineries in Sarawak presently. The refinery is located in Bintulu, Sarawak which is about 210km by road from our mill.

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5. INFORMATION ON OUR GROUP

5.4.6 Major Customer

Our sole customer for the past 3 financial years ended 31 August 2005 and the 3-month financial period ended 30 November 2005 is BEO to whom the entire CPO and PK produced by us are sold. We have been supplying CPO and PK to BEO for the past 7 years and to-date, we have not encountered any major problems in our dealing with BEO and still enjoy a good and stable business relationship with them. Apart from BEO's refinery, there are presently 2 other refineries operating in Sarawak in addition to 1 refinery which is being constructed by the Rimbunan Hijau Group (which is controlled by certain substantial shareholders of our Company) and is expected to be completed and operational by end of 2007. Hence, in the event that we are not able to sell our CPO and PK to BEO for whatever reasons, we could still be able to sell to other refineries. Additional information relating to our risk of dependency on our sole customer and the mitigating factors relating thereto are highlighted in Section 4.1.7 of this Prospectus.

5.4.7 Major Suppliers

Our major cost of sales include purchases of FFB, fertilisers and general spare parts with the supply of FFB being the largest component of our total cost of sales. Our major suppliers for the past 3 financial years ended 31 August 2005 and the 3-month financial period ended 30 November 2005 are set out below:-

Suppliers	Nature of business	Years of relationship	% of total purchases ^			
			FY2003	FY2004	FY2005*	FY2005**
Empresa (M) Sdn Bhd	Supply of FFB	3	-	8.08	25.05	24.06
Rejang Green Agricultural Supplies Sdn Bhd**	Supply of fertiliser	3	-	5.05	15.14	18.75
Boustead Estates Agency Sdn Bhd	Supply of FFB	6	57.38	43.79	-	-
Rinwood Pelita Plantation Sdn Bhd	Supply of FFB	7	17.71	17.56	18.28	13.61
Baram Trading Sdn Bhd**	Supply of FFB	3	2.14	5.28	8.81	9.14
RH General Trading Sdn Bhd**	Supply of spare parts	17	2.13	7.35	7.60	4.71

^ % of our total purchases of FFB, fertilisers and spare parts for the particular financial year/period.

* For the 3-month financial period ended 30 November 2005.

** These companies are related to us by virtue of having common substantial shareholders and/or directors, details of which have been set out in Section 9.1.2 of this Prospectus.

We enjoy good business relationships with our major suppliers and we have not experienced any major disruption in business operations as a result of non-supply or inadequate supply of raw materials that may have a significant impact on our operations and results. Notwithstanding, we believe we have the experiences and capabilities to source for alternative supplies should the need arise. Additional information relating to our risk of reliance on our major suppliers for some of our supplies and the mitigating factors thereto are highlighted in Section 4.1.7 of this Prospectus.

5. INFORMATION ON OUR GROUP

5.4.8 Locations of Operations

The locations of our principal place of business and production facilities are as follows:-

Head office	No. 85 & 86, Pusat Suria Permata Jalan Upper Lanang 12A, 96000 Sibu Sarawak
Miri office	Lot 134, 136 and 138 Jalan Permaisuri 98000 Miri Sarawak
Palm oil mill	KM 22, Off Beluru/Long Teru Road Tinjar, Baram 98000 Miri Sarawak
RHP estate	Lot 56 and 58 Off Beluru/Long Teru Road Tinjar, Baram 98000 Miri Sarawak
TR estate	Lot 64, 71 and 93 Sawai Land District Sg. Baoh, Niah 98000 Miri Sarawak

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5. INFORMATION ON OUR GROUP

5.4.9 Quality Control

We believe that maintaining good quality standards for the crops produced by our estates is important in order to maintain our competitiveness in the plantation industry. We have taken the following measures to ensure the quality of products:-

- (a) Carefully planned harvesting rounds to optimise harvest results.
- (b) Experienced and trained staffs are assigned to oversee the whole harvesting process to ensure quality control measures are properly adhered to.
- (c) Daily transfer of harvested FFB to our palm oil mill to ensure good quality and freshness of FFB and at the same time to minimise any spoilage.
- (d) Engaging experienced agronomist for optimum fertiliser usage.
- (e) Our mill is managed by our mill manager, who is a qualified engineer with Steam Engine Certificate, and assisted by 3 trained engineers, experienced technicians and supporting staff.
- (f) Trained graders to inspect and classify the fruits and to reject those with poor quality according to MPOB's recommended guidelines and practices.
- (g) Our mill has a laboratory for checking and monitoring quality of samples from production processes and the CPO and PK produced.
- (h) Stringent checks and monitoring on all process lines and effluent discharge system are frequently conducted to ensure minimal wastage or spoilage.
- (i) Storing of produced CPO and PK in properly designed tanks and silos with controlled circulation, ventilation and temperature to maintain the freshness before transferring to the palm oil refinery which is located in Bintulu, Sarawak.
- (j) Practises preventive and corrective maintenance on equipment and machinery to minimise disruptions in mill processes, which may in turn affect the quality of CPO and PK produced.
- (k) Maintenance conducted by mill engineers and technicians is aided by representatives of machinery supplier companies.

5.4.10 Research and Development

In order to remain competitive in the industry, we have invested much efforts and commitment towards research and development. Despite not having a formal research and development department, all senior management, in particular our estates and mill managers, are encouraged to develop and adopt relevant and practical solutions to improve our yield and mill efficiencies and to enhance overall cost competitiveness.

The primary objectives of our effort in research and development include identifying steps:-

- (a) to improve FFB yield and the quality of the fruits/crops through agronomic management practices and improved planting methodology.
- (b) to enhance OER and PK Rate of the mill through improved milling practices and maintaining good quality control procedures.
- (c) to strengthen pest and disease control procedures.
- (d) to enlarge and improve our existing laboratory in our mill.

We are also aware of the research and development efforts for palm oil carried out by various government agencies such as Palm Oil Research Institute of Malaysia and MPOB. Where appropriate and relevant, we would leverage on this centralised effort by the Government by considering the adoption of any latest practicable findings.

5. INFORMATION ON OUR GROUP

5.4.11 Strengths and Competitive Advantages

We believe our major strengths and competitive advantages over our competitors include the following:-

(a) **Strategic location of plantation estates and palm oil mill**

Our estates are suitably located in an undulating topography and rolling hills and the annual rainfall in these estates is fairly good. Our palm oil mill is also strategically located in the vicinity of our own as well as other nearby estates, hence ensuring a good stream of supply of fresh FFB. In addition, due to our good reputation and competitive pricing, we enjoy a sustainable supply of FFB from several surrounding estates. The ease of access could result in a lower cost of transportation to us and more importantly to ensure freshness of the FFB is retained after harvesting, thereby enhancing the OER and PK Rate.

(b) **Competent and experienced management team**

Led by Mr Tiong Chiong Ong, our Managing Director, we have a team of competent and experienced personnel who have many years of experience in plantation management and milling operations. We are also well supported by a number of dedicated and committed employees who would be part of our succession plan.

(c) **Ability to increase yield and efficiency**

Approximately 18.6% of our total plantable land is either immature or undeveloped, and this is expected to enable us to achieve a reasonable growth in the total FFB production in the next few years. With improved planting method, better fertiliser usage and good quality seeds, there will be an expected increase in the yield as well, particularly with the relatively young and prime age of the palms where about 80% of our planted palms are less than 12 years old.

(d) **Efficiency of our palm oil mill**

As set out in the table below, for the past 3 financial years ended 31 August 2005, our mill had consistently achieved higher OER and PK Rate for CPO and PK productions respectively against the industry average. The higher OER and PK Rate for CPO and PK productions respectively are principally due to, amongst others, better quality of FFB harvested and overall efficiency of our milling operations.

	FY2003	FY2004	FY2005
Our Group (%)			
- OER	22.02	21.62	22.22
- PK Rate	5.10	4.65	4.77
Industry average in Sarawak* (%)			
- OER	21.28	21.11	21.58
- PK Rate	4.64	4.31	4.64

** (Source:- Review of the Malaysian Oil Palm Industry 2005, published by MPOB on 19 January 2006).*

5. INFORMATION ON OUR GROUP

5.4.12 Management and Employee

Our management team is spearheaded by our Managing Director, Mr Tiong Chiong Ong, who has had extensive experience in the oil palm plantation industry. We are supported by a team of competent and experience personnel who have contributed significantly to our progress and who have many years of experience in plantation management and milling operations.

As at the Latest Practicable Date, we have a total workforce of 992 employees (excluding our Directors), of which 712 are foreign nationals. The breakdown of the total number of our employees by category is as follows:-

Category of employees	Number of employees			Total employees
	Less than 2 years	2 to 5 years	More than 5 years	
Management	4	9	2	15
Supervisory	-	16	15	31
Technical	3	17	10	30
Administration and clerical	-	8	6	14
General workers				
- Local	190	-	-	190
- Foreign	712	-	-	712
Total	909	50	33	992

None of our employees is represented by any union and there have not been any major disputes between us and our employees in the past. Besides, we have enjoyed cordial relationships with our employees in the past.

We place great emphasis on educational programmes (internal or external) and on-the-job training for our employees to enhance their technical and management skills, and believe that continuous focus on training and career development programmes will help motivate and retain employees.

5.4.13 Interruption in Business Operations

There was no interruption in the business which had a significant effect on our operations in the 12 months preceding the Latest Practicable Date.

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5. INFORMATION ON OUR GROUP

5.5 SUBSIDIARY COMPANIES

Details of our subsidiary companies are as follows:-

Company	Date/ Place of Incorporation	Authorised Share Capital	Issued and Paid-up Share Capital	Equity Interest %	Principal Activity
RHP	29 May 1986/ Malaysia	25,000,000	9,999,000	100	Cultivation of oil palm and processing of palm oil
TR	24 February 1988/ Malaysia	25,000,000	12,500,000	100	Cultivation of oil palm
RSHB	23 September 2004/ Malaysia	100,000	2	100	Investment holding
MP	8 November 2004/ Malaysia	100,000	2	100	Special purpose vehicle incorporated to facilitate the issuance of the Islamic Securities

As at the date of this Prospectus, we do not have any associated company.

5.5.1 Information on RHP

(a) History and business

RHP was incorporated in Malaysia under the Act on 29 May 1986 as a private limited company under its present name. RHP is principally involved in the cultivation of oil palm and processing of palm oil. It commenced its business operations in 1989.

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5. INFORMATION ON OUR GROUP

(b) Share capital

RHP's present authorised share capital is RM25,000,000 comprising 24,000,000 ordinary shares of RM1.00 each and 1,000,000 RCPS of which 9,999,000 ordinary shares of RM1.00 each have been issued and fully paid-up. The movements in issued and paid-up share capital of RHP since its incorporation are as follows:-

Date of allotment	No. of ordinary shares allotted	No. of RCPS allotted/ (redeemed)	Par value RM	Consideration/ Type of issue	Resultant issued and paid-up share capital RM
29.05.1986	2	-	1.00	Cash (subscribers' shares)	2
01.08.1989	999,998	-	1.00	Cash	1,000,000
25.03.1991		1,000	1.00	Cash	1,001,000
28.02.1994	4,000,000	-	1.00	Cash	5,001,000
11.12.2000	4,999,000	-	1.00	Cash	10,000,000
30.08.2004	-	(1,000)	1.00	Cash redemption	9,999,000

(c) Substantial shareholders and Directors

RHP is a wholly-owned subsidiary company of RSB and the Directors of RHP are TSTHK and Datuk Tiong Thai King.

(d) Subsidiary and associated companies

As at the date of this Prospectus, RHP does not have any subsidiary or associated company.

5.5.2 TR

(a) History and business

TR was incorporated in Malaysia under the Act on 24 February 1988 as a private limited company under its present name. TR is principally involved in the cultivation of oil palm and commenced its business operations in 1993.

5. INFORMATION ON OUR GROUP

(b) Share capital

TR's present authorised share capital is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each of which 12,500,000 ordinary shares of RM1.00 each have been issued and fully paid-up. The movements in issued and paid-up share capital of TR since its incorporation are as follows:-

Date of allotment	No. of ordinary shares allotted	Par Value RM	Consideration/ Type of issue	Resultant issued and paid-up share capital RM
24.02.1988	2	1.00	Cash (subscribers' shares)	2
02.09.1988	9,998	1.00	Cash	10,000
28.06.1994	90,000	1.00	Cash	100,000
20.06.1996	4,400,000	1.00	Cash	4,500,000
26.03.1998	5,000,000	1.00	Cash	9,500,000
30.03.1999	500,000	1.00	Cash	10,000,000
15.10.2004	2,500,000	1.00	Cash	12,500,000

(c) Substantial shareholders and Directors

TR is a wholly-owned subsidiary company of RSB and the Directors of TR are TSTHK, Tiong Kiong King, Datuk Tiong Thai King and Chay Tai Wah @ Chay Tai Cheong.

(d) Subsidiary and associated companies

As at the date of this Prospectus, TR does not have any subsidiary or associated company.

5.5.3 RSHB

(a) History and business

RSHB was incorporated in Malaysia under the Act on 23 September 2004 as a private limited company under the name of Rimbunan Sawit Holdings Sdn Bhd. On 9 December 2004, it was converted into a public limited company and assumed its present name. The principal activity of RSHB is investment holding.

(b) Share capital

RSHB's present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up on the date of its incorporation.

(c) Substantial shareholders and Directors

RSHB is a wholly-owned subsidiary company of RSB and the Directors of RSHB are Tiong Chiong Ong and Tiong Kiong King.

5. INFORMATION ON OUR GROUP

(d) Subsidiary and associated companies

Other than MP, a wholly-owned subsidiary of RSHB, RSHB does not have any subsidiary or associated company as at the date of this Prospectus.

5.5.4 MP

(a) History and business

MP was incorporated in Malaysia under the Act on 8 November 2004 as a private limited company under its present name. MP was incorporated as a special purpose vehicle to facilitate the issuance of the Islamic Securities which have been fully issued on 27 June 2005.

(b) Share capital

MP's present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up on the date of its incorporation.

(c) Substantial shareholders and Directors

MP is a wholly-owned subsidiary company of RSHB and the Directors of MP are Tiong Chiong Ong, Bong Wei Leong and Thomas Tang Chin Meng.

(d) Subsidiary and associated companies

As at the date of this Prospectus, MP does not have any subsidiary or associated company.

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5. INFORMATION ON OUR GROUP

5.6 MAJOR APPROVALS AND LICENCES

The details of major approvals and licences granted to or held by us are as follows:-

Company	Issuing Authority	Date of Issue	Date of Expiry	Nature of Approvals/Licences	Equity Condition
RHP	MPOB	23.02.06	31.03.07	Sale and transport of FFB	Note *
RHP	Jabatan Alam Sekitar Negeri Sarawak	28.06.05	30.06.06	Licence required under Section 18(1) of the Environmental Quality Ordinance to occupy and use the palm oil mill	None
RHP	MPOB	20.10.05	19.10.06	Processing, storing and trading of FFB, CPO and PK	Note *
RHP	Kerajaan Negeri Sarawak	13.01.06	12.01.07	Trade licence	None
RHP	Jabatan Keselamatan and Kesihatan Pekerjaan	30.05.05	26.07.06	Licences required to operate certain equipment and machinery in the palm oil mill	None
RHP	Lembaga Sumber Asli & Persekitaraan Sarawak	28.09.94	-	Approval for the Environmental Impact Evaluation Report	None
TR	MPOB	14.07.05	14.08.06	Sale and transport of FFB	Note *
TR	Kerajaan Negeri Sarawak	09.02.06	08.02.07	Trade licence	None
TR	Lembaga Sumber Asli & Persekitaraan Sarawak	10.01.96	-	Approval for the Environmental Impact Evaluation Report	None

Note:-

* Licence holder is to notify MPOB in writing within 3 months of a change in partnership, transfer, equity structure and/or directorship. In connection thereto, RHP and TR had on 8 March 2006 written to MPOB to inform them on the change of equity structure.

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5. INFORMATION ON OUR GROUP

5.7 LANDED PROPERTIES

5.7.1 A summary of the information on our landed properties as at the Latest Practicable Date is as follows:-

Owner/Location	Description/ Existing use	Title type	Tenure/ Age of building	Expiry dates of the leasehold interest	Total land/ building area	Restriction of interest	Encumbrances	Date of issuance of certificate of fitness	Net book value as at RM'000	* Market valuation RM'000
RHP - Bakong Estate										
(i) Lot 56 ¹ , Bok Land District, Miri, Sarawak	Oil palm estates	PL	Leasehold 99 years, with unexpired term of about 81 years	27 September 2087	2,750 Ha	Refer Section 5.7.2(i)	Caveat by MP on 12.05.05 ¹	N/A	30,984	85,815
(ii) Lot 58 ¹ , Bok Land District, Miri, Sarawak	All our estates are contiguous lots and irregular in shape. The plantations have contours ranging between 55m and 330m above mean sea level. Most of our lands are generally hilly and undulating in nature. The average range of FFB yields are as follows:-	PL	Leasehold 99 years, with unexpired term of about 81 years	27 September 2087	2,388 Ha	Refer Section 5.7.2(ii)	Caveat by MP on 12.05.05 ¹	N/A		
(iii) Part of Lot 59, Bok Land District, Miri, Sarawak [^]	Year of Planting	PL	Leasehold 60 years, with unexpired term of about 52 years	27 August 2058	216 Ha	Refer Section 5.7.2(iii)	Caveat by MP on 08.07.05	N/A		
(iv) Part of Lot 6, Dulit Land District, Miri, Sarawak [^]	Yield (Mt/Ha)	PL	Leasehold 60 years, with unexpired term of about 53 years	29 December 2059	613 Ha	Refer Section 5.7.2(iv)	Caveat by MP on 08.07.05	N/A		
(v) Lot 65 ¹ , Bok Land District, Miri, Sarawak [#]	Palm oil mill, with capacity of 80 Mt of FFB per hour	PL	Leasehold 60 years, with unexpired term of about 59 years / 8 years	6 September 2065	205 Ha/ 9,641 sq. meter	Refer Section 5.7.2(v)	Nil ¹	N/A	22,076	32,809

5. INFORMATION ON OUR GROUP

Owner/Location	Description/ Existing use	Title type	Tenure/ Age of building	Expiry dates of the leasehold interest	Total land/ building area	Restriction of interest	Encumbrances	Date of issuance of certificate of fitness	Net book value as at 30.11.05 RM'000	* Market valuation RM'000
RHP – Head Office										
(vii) Sublots 52 and 53 within Lots 650 and 520, Block 10, Sibul Town District, Sarawak	A 4-storey corner shophouse and a 4-storey intermediate shophouse	PL	Leasehold 60 years, with unexpired term of about 49 years / 3 years	30 September 2055	422.2 sq. meter	Refer Section 5.7.2(vi)	Nil	11 November 2002	N/A	N/A
TR –Bukit Chemadau Estate										
(i) Lot 64 ¹ , Sawai Land District, Miri, Sarawak ²	<u>Oil palm estates</u> Save for Lot 71, all our estates are contiguous lots and irregular in shape. The plantations have contours ranging between 55m and 330m above mean sea level. Most of our lands are generally hilly and undulating in nature. The average range of FFB yields are as follows:-	PL	Leasehold 99 years, with unexpired term of about 81 years	4 April 2087	5,656 Ha	Refer Section 5.7.2(vii)	Caveat by MP on 12.05.05 ¹	N/A	58,926	94,345
(ii) Lot 93 ¹ , Sawai Land District, Miri, Sarawak		PL	Leasehold 60 years, with unexpired term of about 53 years	1 November 2059	958 Ha	Refer Section 5.7.2(viii)	Caveat by MP on 12.05.05 ¹	N/A		
(iii) Lot 71 ¹ , Sawai Land District, Miri, Sarawak ³		PL	Leasehold 60 years, with unexpired term of about 52 years	27 August 2058	877 Ha	Refer Section 5.7.2(ix)	Caveat by TR on 06.07.05 ¹	N/A		

• The Valuation Certificates from Henry Butcher Malaysia (Miri) Sdn Bhd and Henry Butcher Malaysia Sdn Bhd on the above assets are set out in Section 12 of this Prospectus.

N/A Not applicable.

5. INFORMATION ON OUR GROUP

Notes to the Landed Properties:-

- * Save for our head office, the open market valuations of all our landed properties (plantation estates) including the newly acquired plantation lands as set out in Section 5.7.3 below are based on the valuation reports dated 3 May 2005, prepared by Henry Butcher Malaysia (Miri) Sdn Bhd using the discounted cashflow method of valuation whereas the open market valuation of our plant and machinery (palm oil mill) is based on the valuation report dated 3 May 2005, prepared by Henry Butcher Malaysia Sdn Bhd using the depreciated replacement cost method of valuation. The above valuations are included in this Prospectus for information only and we will not undertake any assets revaluation for our landed properties and plant and machinery pursuant to our Listing. Accordingly, no surplus arising from the revaluation of our landed properties and plant and machinery has been incorporated into our audited accounts for the 3-month financial period ended 30 November 2005 and hence, the above valuations do not require the approval of the SC.
- # Our palm oil mill is presently located at Lot 65 and part of Lot 58, Bok Land District, Miri, Sarawak. It was previously located at Lot 53, Bok Land District. However, as a result of some disputes and claims made by the local natives, Lot 53 was subsequently subdivided into 2 lots, namely Lots 57 and 58. The former was surrendered to the State authority whilst Lot 58, together with a new parcel of land, were subsequently alienated to us. Nevertheless the land area which partially covered our palm oil mill was inadvertently excluded by the State authority from the said new lot. Following some negotiations, the Sarawak Land and Surveys Department had via its letter dated 25 May 2005 approved the alienation of a 205 Ha land (under Lot 65, Bok Land District) to us on which our palm oil mill is partially located. The said approval is subject to, inter-alia, certain terms and conditions including a premium payable of approximately RM1.62 million over 5 yearly instalments, the first of which had been paid in June 2005.
- ^ We have, in the past, over planted part of our oil palm trees into some neighbouring estates and as a result of our encroachment, we have entered into several sale and purchase agreements with the landowners to acquire the affected land areas for agreed purchase considerations, the details of which are set out in Section 5.7.3 below. These acquisitions have already been completed as at the date of this Prospectus.
- 1. Pursuant to a sale and leaseback arrangement, the beneficial interests of these oil palm plantation lands and palm oil mill have been transferred (whilst their legal ownerships remain vested with RHP and TR) to MP to facilitate the issuance of the Islamic Securities. The Islamic Securities programmes have been fully issued in June 2005.
- 2. Within Lot 64,
 - approximately 305 Ha of undeveloped lands is encroached by the local natives and a small portion out of another parcel of approximately 445 Ha of undeveloped lands were previously encroached by the local natives. As the holder of the PL for Lot 64, we could proceed with the necessary legal actions against the local natives concerned. Alternatively, we may consider negotiating with and settling on an ex gratia basis with them for their efforts expended. Regardless of which steps eventually taken by us, we do not foresee any significant adverse impact on the market valuation nor the net book value of Lot 64.
 - we have unintentionally over planted part of our oil palm trees into a State-owned land with land area measuring approximately 407 Ha. Notwithstanding, we wish to highlight that no material development cost had been incurred in the past on this encroached area as the trees were in the early stages of planting. We have no immediate plans on the said encroached area as we are of the opinion that any application for the re-alienation of the encroached area from the State Government would be time consuming and chances of securing its consent are also expected to be slim. Therefore, we do not expect to generate any revenue from nor incur any additional cost on this encroached area in the future.

5. INFORMATION ON OUR GROUP

5.7.2 Restriction of interests

(i) Lot 56, Bok Land District, Miri, Sarawak

- (a) Upon the completion of a proper survey of the land, the holder of this PL will be given a lease in accordance with the provisions of the Land Code (Cap. 81) of Sarawak ("Land Code"), and subject to the following express conditions and restrictions:-
 - (aa) This land shall be used only for agricultural purposes and purposes incidental to the production and processing of crops grown thereon and such other purposes as may be from time to time approved by the Director of Lands and Surveys;
 - (bb) No building shall be erected within a distance of 300 feet from the edge of the road reserve without the prior authority in writing of the Director of Lands and Surveys;
 - (cc) All points of ingress to and egress from any trunk road shall be subject to the approval in writing of the Director of Lands and Surveys which approval shall be obtained prior to the commencement of construction and/or use of such point of ingress or egress;
 - (dd) The lessee shall not be entitled to a lease for any of the land included in this provisional lease which may be required for the purpose of a road reserve;
 - (ee) The proprietor shall not disturb the land within the sixty-six feet reserve along the bank of navigable river or stream;
 - (ff) The proprietor shall have no rights to extract timber or mineral deposits from the land without an appropriate licence issued by the relevant authority;
 - (gg) The development of this land shall not interfere with the rights of the existing timber and/or mining licensee to fell and extract timber or to extract mineral deposit within the respective licensee's authorised area of operation;
 - (hh) The proprietor is required under the Natural Resources and Environment (Prescribed Activities) Order, 1994 to undertake an Environmental Impact Assessment Study on the area prior to project implementation and to submit 10 copies of the report to the Secretary, Natural Resources and Environment Board;
 - (ii) A breach or a default in the observance of any or all the conditions specified above shall render the land liable to forfeiture and the Superintendent or other officer authorised by him may, on behalf of the Government, declare the estate or interest secured by that document of title to be forfeited and re-enter the land or the portion thereof in respect of which the breach or default occurs in accordance with section 33(1) of the Land Code;
 - (jj) In the event that adjacent areas have been alienated for different crops and crop zoning is not possible, a buffer zone of 200 meters shall be instituted along the common boundary of the estates. No drain shall be built within the distance of 200 metres from each side of the estates boundary. Activities carried out within this buffer zone shall be limited and have to be approved by the Land Plantation Committee or any designated authority;
 - (kk) Prior to commercial development of peat soils, the project proponent shall carry out a survey and submit a report on the peat depth and long-term drainability of the proposed project area;
 - (ll) No transfer affecting this land may be effected without the consent in writing of the Director of Lands and Surveys;

5. INFORMATION ON OUR GROUP

- (mm) No sublease affecting this land may be effected without the consent in writing of the Director of Lands and Surveys during the initial period of 5 years from the date of registration of this lease;
 - (nn) The proprietor shall commence field planting within 3 years from the 28th day of September, 1988 and shall complete at least fifty percent of the planting of the nett plantable area at the end of the seventh year. The whole of the nett plantable area shall be fully planted by the end of the tenth year from the 28th day of September, 1988; and
 - (oo) The observance of condition (nn) shall be enforced by the Minister for the time being responsible for Land Development or any agents duly authorised by him in writing in that behalf and the Minister or the agents so appointed shall have the rights of access to the land at all reasonable time;
 - (b) The term of years for which any such lease shall be granted shall expire on 27th day of September, 2087; and
 - (c) The holder of this PL shall not be entitled to a lease of an area equal to the area above stated but only to such an area as the survey shows to be available.
- (ii) **Lot 58, Bok Land District, Miri, Sarawak**
 Same as Sections 5.7.2(i)(a)(aa) to (kk), (nn) and (oo), and Sections 5.7.2(i)(b) and (c).
- (iii) **Part of Lot 59, Bok Land District, Miri, Sarawak**
 - (a) Upon the completion of a proper survey of the land, the holder of this PL will be given a lease in accordance with the provisions of the Land Code, and subject to the following express conditions and restrictions:-
 - (aa) Same as Sections 5.7.2(i)(a)(aa) to (ii) and Section 5.7.2(i)(c);
 - (bb) The proprietor shall commence field planting within 3 years of the issue of this lease and shall complete at least fifty percent of the planting of the nett plantable area at the end of the seventh year. The whole of the nett plantable area shall be fully planted by the end of the tenth year from the date of the issue of this lease; and
 - (cc) The observance of condition (bb) shall be enforced by the Minister for the time being responsible for Land Development or any agents duly authorised by him in writing in that behalf and the Minister or the agents so appointed shall have the rights of access to the land at all reasonable time;
 - (b) The term of years for which any such lease shall be granted shall be the balance then remaining of the term of 60 years from the date of this PL.
- (iv) **Part of Lot 6, Dulit Land District, Miri, Sarawak**
 Same as Sections 5.7.2(i)(a)(aa), (bb), (dd) to (ii), (ll) and (mm), Section 5.7.2(i)(c), Sections 5.7.2(iii)(a)(bb) and (cc), and Section 5.7.2(iii)(b).

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(v) Lot 65, Bok Land District, Miri, Sarawak

- (a) Upon the completion of a proper survey of the land, the holder of this PL will be given a lease in accordance with the provisions of the Land Code, and subject to the following express conditions and restrictions:-
 - (aa) This land is to be used only for the purpose of an oil palm mill;
 - (bb) The industrial activity to be carried out on this land shall not be of a type which is obnoxious in nature as prescribed under the Natural Resource Environment (Prescribed Activities) Order, 1994;
 - (cc) The lessee shall not be entitled to a lease for an area equal to the area stated to be alienated if, upon completion of survey, such area is not found to be available for any reason including that required to implement local plan;
 - (dd) The development or redevelopment and use of this land shall be in accordance with plans, sections and elevations approved by the Superintendent of Lands and Surveys, Miri Division;
 - (ee) The erection of a building or buildings on this land shall be in accordance with detailed drawings and specifications approved by the Marudi District Council and shall be completed within 18 months from the date of registration of this lease;
 - (ff) No transfer affecting this land may be effected without the consent in writing of the Director of Lands and Surveys;
 - (gg) No sublease affecting this land may be effected without the consent in writing of the Director of Lands and Surveys during the initial period of 5 years from the date of registration of this lease; and

Also refer to Section 5.7.2(i)(c) and 5.7.2(iii)(b).

(vi) Sublots 52 and 53 within Lots 650 and 520, Block 10, Sibul Town District, Sarawak

The individual document of title for sublots 52 and 53 are pending issuance. However, the title conditions of both Lots 650 and 520 which may be carried forward to sublots 52 and 53 are as follows:-

Lot 650

- (a) The statutory river reserve comprised in this lease is alienated by virtue of a special direction of the Minister for the time being responsible for land under Section 38(2) of the Land Code and the land shall be Mixed Zone Land during the continuance of this lease;
- (b) This land is to be used only for commercial, godown and petrol filling station purposes as may be approved by the Director of Lands and Surveys in conformity with the plan of development approved under condition (c) hereof;
- (c) The development and use of this land shall be in accordance with a plan of development approved by the Director of Lands and Surveys and shall be completed within a period of 5 years from the date of registration of this lease;
- (d) No subdivision of this land may be effected except in accordance with the plan of development approved under condition (c) hereof and on subdivision the Director of Lands and Surveys shall impose appropriate conditions on the subdivisional leases in accordance with the said plan of development;
- (e) No transfer affecting this land may be effected without the consent in writing of the Director of Lands and Surveys; and
- (f) No sublease affecting this land may be effected without the consent in writing of the Director of Lands and Surveys during the initial period of 5 years from the date of registration of this lease.

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Lot 520

- (a) Upon the completion of a proper survey of the land, the holder of this PL will be given a lease in accordance with the provisions of the Land Code, and subject to the following express conditions and restrictions (including any modifications of implied conditions and restrictions):-
 - (aa) Same as Sections 5.7.2(vi)(a) and (c) to (f) on Lot 650;
 - (bb) This land is to be used only for godown, residential and commercial purposes as may be approved by the Director of Lands and Surveys in conformity with the plan of development approved under condition (Section 5.7.2(vi)(c) on Lot 650) hereof; and
 - (cc) Upon subdivision of this land there shall be imposed on every subdivisional lease, inter-alia, the following special conditions to the effect that: "No transfer affecting this land may be effected without the consent in writing of the Director of Lands and Surveys" and "No sublease affecting this land may be effected without the consent in writing of the Director of Lands and Surveys during the initial period of 5 years from the date of registration of this lease";
- (b) The term of years for which any such lease shall be granted shall be the balance then remaining of the term of 60 years from the date of this PL; and
- (c) The holder of this PL shall not be entitled to a lease of an area equal to the area above stated but only to such an area as the survey shows to be available.

(vii) **Lot 64, Sawai Land District, Miri, Sarawak**

- (a) Upon the completion of a proper survey of the land, the holder of this PL will be given a lease in accordance with the provisions of the Land Code, and subject to the following express conditions and restrictions (including any modifications of implied conditions and restrictions):-
 - (aa) Same as Sections 5.7.2(i)(a)(aa) to (ee), (ii) (ll) and (mm), Section 5.7.2(i)(c) and Sections 5.7.2(iii)(a)(bb) and (cc).
- (b) The term of years for which any such lease shall be granted shall be the balance then remaining of the term of 99 years from 5 April 1988.

(viii) **Lot 93, Sawai Land District, Miri, Sarawak**

- (a) Upon the completion of a proper survey of the land, the holder of this PL will be given a lease in accordance with the provisions of the Land Code, and subject to the following express conditions and restrictions:-
 - (aa) Same as Sections 5.7.2(i)(a)(aa) to (cc), (ee) to (mm), Section 5.7.2(i)(c) and Section 5.7.2(v)(a)(cc);
 - (bb) The proprietor shall commence field planting within 2 years of the issue of this lease. The whole of the plantable area shall be fully planted by the end of fifth year from the date of the issue of this lease; and
 - (cc) The observance of condition (bb) shall be enforced by the Minister for the time being responsible for Land Development or any agents duly authorised by him in writing in that behalf and the Minister or the agents so appointed shall have the rights of access to the land at all reasonable time;
- (b) The term of years for which any such lease shall be granted shall be the balance then remaining of the term of 60 years from 2 November 1999.

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(ix) **Lot 71, Sawai Land District, Miri, Sarawak**

Same as Sections 5.7.2(i)(a)(aa) to (ii), Section 5.7.2(i)(c), Sections 5.7.2(iii)(a)(bb) and (cc), and Section 5.7.2(iii)(b).

5.7.3 Save as disclosed below, we did not acquire any landed property during the past 2 years immediately preceding the date of this Prospectus:-

Description	Acquired land area	Acquired by	Date of Agreement	Purchase consideration (RM)	
Part of Lot 59, Bok Land District, Miri, Sarawak	216 Ha	RHP	5 March 2005	800,610	Note a
Part of Lot 6, Dulit Land District, Miri, Sarawak	613 Ha	RHP	14 April 2005	1,839,000	Note b
Lot 71, Sawai Land District, Miri, Sarawak	877 Ha	TR	5 March 2005	3,247,020	Note c
Sublots 52 and 53 within Lots 650 and 520, Block 10, Sibul Town District, Sarawak	422.2 sq. meter	RHP	30 December 2005	2,005,000	Note d

Notes:-

- (a) On 5 March 2005, RHP entered into a conditional sale and purchase agreement with Kina Juara Sdn Bhd for the acquisition by RHP of a portion of land measuring approximately 216 Ha within Lot 59, Bok Land District, Miri, Sarawak for a cash consideration of RM800,610. The said acquisition was completed on 16 February 2006.
- (b) On 14 April 2005, RHP entered into a conditional sale and purchase agreement with Lubuk Tiara Sdn Bhd for the acquisition by RHP of a portion of land measuring approximately 613 Ha within Lot 6, Dulit Land District, Miri, Sarawak for a cash consideration of RM1,839,000. The said acquisition was completed on 2 May 2006.
- (c) On 5 March 2005, TR entered into a conditional sale and purchase agreement with Kina Juara Sdn Bhd for the acquisition by TR of Lot 71, Sawai Land District, Miri, Sarawak for a cash consideration of RM3,247,020. The said acquisition was completed on 15 February 2006.
- (d) On 30 December 2005, RHP entered into a sale and purchase agreement with Suria Pernata Sdn Bhd for the acquisition by RHP of 2 adjoining 4-storey shophouses measuring approximately 422.2 sq. meter identified as Sublots 52 and 53 within Lots 650 and 520, Block 10, Sibul Town District, Sarawak for a cash consideration of RM2,005,000. The vacant possession of the said property has been delivered to RHP with a final instalment to be paid upon issuance of the individual document of title.

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