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**1. CORPORATE DIRECTORY**


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**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Profession</b>	<b>Nationality</b>
Datuk Hasmi <i>(Non-Independent Non-Executive Chairman)</i>	Lot 5747, Blok 10 Desa Pujut Bandar Baru Permyjaya 98000 Miri Sarawak	Company Director	Malaysian
Dato Sri Ahmad Tarmizi <i>(Non-Independent Non-Executive Director)</i>	No. 1492, Lorong E 5B Taman Satria Jaya BDC Stampin 93350 Kuching Sarawak	State Financial Secretary	Malaysian
Haji Mohamad Bolhair <i>(Non-Independent Group Managing Director)</i>	Lot 2008 No. 53 Lorong Menggeris 1 Petra Jaya 93050 Kuching Sarawak	Company Director	Malaysian
Haji Chaiti <i>(Non-Independent Non-Executive Director)</i>	50, Taman Pelita Jaya Jalan Sultan Tengah Petra Jaya 93050 Kuching Sarawak	Permanent Secretary, Ministry of Land Development Sarawak	Malaysian
Datuk Abdul Hamed <i>(Non-Independent Non-Executive Director)</i>	9 Luak Bay 98007 Miri Sarawak	Company Director	Malaysian
Bolhan Berawi <i>(Non-Independent Executive Director)</i>	No. 5 (SS2/13) Jalan Abang Tek Jalan Tanjung Kidurong 97000 Bintulu Sarawak	Company Director	Malaysian
Haji Yahya Haji Daud <i>(Non-Independent Executive Director)</i>	Lot 1205 Jalan Kampung Luak 4C Kampung Luak 98000 Miri Sarawak	Engineer	Malaysian
Haji Abdul Hamid Ibrahim <i>(Non-Independent Executive Director)</i>	19A Lot 451 Jalan Haji Mataim 93400 Kuching Sarawak	Plantation Developer	Malaysian
YB Haji Hamden <i>(Independent Non-Executive Director)</i>	269 Jalan Stampin Kuching By Pass 93350 Kuching Sarawak	Company Director	Malaysian

**1. CORPORATE DIRECTORY (Cont'd)****DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Profession</b>	<b>Nationality</b>
Datu Haji Mohammed Sepuan <i>(Independent Non-Executive Director)</i>	No. 3 Taman Ros Jalan Perupok Kampung Pinang Jawa 93050 Kuching Sarawak	Company Director	Malaysian
Azizi Morni <i>(Independent Non-Executive Director)</i>	No. 9537 Taman Gita Jaya Jalan Bunga Raja Kampung Pinang Jawa 93050 Kuching Sarawak	Advocate	Malaysian
Polit Hamzah <i>(Independent Non-Executive Director)</i>	125 Taman Mabel Lrg Laksamana Cheng Ho 93350 Kuching Sarawak	Company Director	Malaysian
Umang Nangku Jabu <i>(Independent Non-Executive Director)</i>	Lot 218, Lorong 1B Jalan Wan Alwi Tabuan Jaya 93350 Kuching Sarawak	Company Director	Malaysian

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
YB Haji Hamden	Chairman of Committee	Independent Non-Executive Director
Datuk Abdul Hamed	Member of Committee	Non-Independent Non-Executive Director
Datu Haji Mohammed Sepuan	Member of Committee	Independent Non-Executive Director
Azizi Morni	Member of Committee	Independent Non-Executive Director
Polit Hamzah	Member of Committee	Independent Non-Executive Director

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**1. CORPORATE DIRECTORY (Cont'd)**

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<b>COMPANY SECRETARIES</b>	:	Trina Tan Yang Li (0666-KT032) 8th Floor, Wisma Naim 2½ Mile, Rock Road 93200 Kuching Sarawak
		Bong Siu Lian (MAICSA 7002221) 9th Floor, Wisma Naim 2½ Mile, Rock Road 93200 Kuching Sarawak
<b>REGISTERED OFFICE</b>	:	8th Floor, Wisma Naim 2½ Mile, Rock Road 93200 Kuching Sarawak Tel No.: 082 233550 E-mail: spbhd@po.jaring.my
<b>BUSINESS OFFICE</b>	:	Lot 1173 and 1174, Block 9, MCLD Miri Waterfront Jalan Permaisuri P.O.Box 661 98007 Miri Sarawak Tel No.: 085 413814 E-mail: spssb@po.jaring.my
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	:	PricewaterhouseCoopers (AF 1146) Chartered Accountants 9th Floor Bangunan BINAMAS Jalan Padungan P O Box 2864 93756 Kuching Sarawak Tel No.: 082 413957/413958
<b>SOLICITORS FOR THE LISTING</b>	:	Alvin Chong & Partners Advocates Lots 176 and 177 (2nd floor) Jalan Song Thian Cheok 93100 Kuching Sarawak Tel No.: 082 410111
<b>PRINCIPAL BANKER</b>	:	CIMB Bank Berhad ( <i>formerly known as Bumiputra-Commerce Bank Berhad</i> ) <i>Ground &amp; Mezzanine Floor (Extended Block)</i> Wisma Bukit Mata Kuching Lot 262 Section 48 KLTD Jalan Tuanku Abdul Rahman 93100 Kuching Sarawak Tel No.: 082 236809

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**1. CORPORATE DIRECTORY (Cont'd)**

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<b>ISSUING HOUSE</b>	:	Malaysian Issuing House Sdn Bhd 27th Floor, Menara Multi Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03 26932075
<b>SHARE REGISTRAR</b>	:	Tenaga Koperat Sdn Bhd 20th Floor, Plaza Permata Jalan Kampar Off Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03 40416522
<b>ADVISER, SOLE PLACEMENT AGENT AND UNDERWRITER</b>	:	CIMB Investment Bank Berhad <i>(formerly known as Commerce International Merchant Bankers Berhad)</i> 5th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Tel No.: 03 20848888
<b>SYARIAH STATUS</b>	:	Approved by the SAC
<b>LISTING SOUGHT</b>	:	Main Board of Bursa Securities

## 2. INFORMATION SUMMARY

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

### 2.1 History and business

We were incorporated in Malaysia on 28 October 1997 under the Act as a private limited company under the name of Sarawak Plantation Sdn Bhd. We were converted into a public company on 1 February 2000 and assumed our present name. SPB commenced its business in 1997. SPB was specially incorporated as the vehicle company for the privatisation of SLDB's assets, via an agreement dated 25 November 1999 between SLDB (as vendor) and, SFS and CCSB (as purchasers of our Shares). Our Group Managing Director and several of our key management personnel were the shareholders of CCSB at that time. Since 20 July 2005, the substantial shareholders of CCSB include, collectively, Datuk Abdul Hamed, Datuk Hasmi and TBSB.

SLDB is a body corporate established by the Sarawak Land Development Board Order, 1972, under the Land Development Ordinance 1956. The primary functions of SLDB are the development of large-scale agriculture in the form of oil palm plantations in Sarawak with the objective of creating employment opportunities, increase income and improve the standard of living of the rural community.

The privatisation of SLDB's assets to us comprising oil palm plantations, milling facilities and related assets was effected through the transfer of SLDB's assets in exchange for new Shares. With this privatisation, all principal assets of SLDB are now owned and managed by SPB, SPAD and SPPH.

The transfer of SLDB's assets to SPB, SPAD and SPPH was evidenced through an SPA dated 29 March 1998 executed between SLDB and SPB, SPAD and SPPH. The main features of the SPA are:

- (i) SLDB sells all its lands and assets to SPB, SPAD and SPPH; and
- (ii) SLDB undertakes to pursue the application for unalienated lands with due diligence and to procure the issue of the documents of title to these unalienated lands to our relevant subsidiaries.

We are now principally an investment holding company. The details of the principal activities of our subsidiaries and associated companies are set out below:

Name	Date and country of incorporation	Issued and paid-up capital RM	Effective interest %	Principal activities
Azaria	27.07.1993, Malaysia	4	75.00	Dormant
Cayamas	27.07.1993, Malaysia	4	100.00	Dormant
Lionsun	02.11.1993, Malaysia	100	100.00	Dormant
Sarateak <sup>(1)(3)</sup>	02.10.1996, Malaysia	100,000	28.50	Business of teak nurseries
SPAD	06.02.1995, Malaysia	10,000,000	100.00	Cultivation of oil palm and processing of FFB into CPO and PK

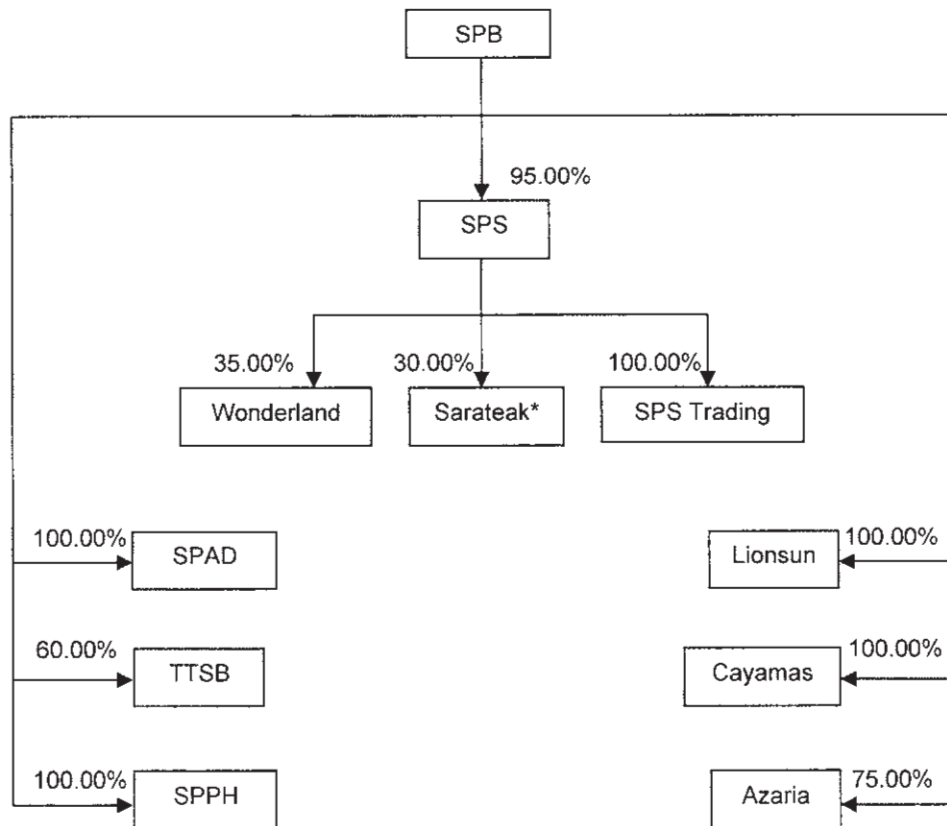
**2. INFORMATION SUMMARY (Cont'd)**

Name	Date and country of incorporation	Issued and paid-up capital RM	Effective interest %	Principal activities
SPPH	13.10.1997, Malaysia	1,000,000	100.00	Property investment
SPS	27.03.1992, Malaysia	100,000	95.00	Provision of management, agronomic, consultancy and marketing services
SPS Trading <sup>(2)</sup>	26.09.1994, Malaysia	2	95.00	Marketing agent and dealer in water tank and farm machineries
TTSB	02.10.1997, Malaysia	2,660,000	60.00	Cultivation of oil palm
Wonderland <sup>(1)</sup>	27.01.1995, Malaysia	1,000,000	33.25	Provision of transportation services

**Notes:**

- (1) An associated company of SPS.
- (2) A wholly-owned subsidiary of SPS.
- (3) Members have resolved to voluntarily wind-up the company and a liquidator has been appointed for this purpose.

The corporate structure of our Group is set out below. Further details on our Group are set out in Sections 7 and 8 of this Prospectus.



## 2. INFORMATION SUMMARY (Cont'd)

**Note:**

\* Members have resolved to voluntarily wind-up the company and a liquidator has been appointed for this purpose.

### 2.2 Shareholdings of substantial shareholders/Promoters, Directors and key management personnel

The direct and indirect shareholdings of our substantial shareholders/Promoters, Directors and key management personnel before and after the completion of the Initial Public Offering are as follows:

Name	As at 6 July 2007				After Initial Public Offering			
	Direct		Indirect		Direct		Indirect	
	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
<b>Substantial shareholders/Promoters</b>								
CCSB	127,372,500	50.95	-	-	103,816,297	37.08	-	-
SFS <sup>(3)</sup>	87,377,683	34.95	-	-	71,218,101	25.44	-	-
TBSB	-	-	<sup>(1)</sup> 127,372,500	50.95	-	-	<sup>(1)</sup> 103,816,297	37.08
Datuk Abdul Hamed	-	-	<sup>(2)</sup> 127,372,500	50.95	<sup>(4)</sup> 200,000	0.07	<sup>(2)</sup> 103,816,297	37.08
Datuk Hasmi	-	-	<sup>(1)</sup> 127,372,500	50.95	<sup>(4)</sup> 250,000	0.09	<sup>(1)</sup> 103,816,297	37.08
<b>Directors</b>								
Datuk Hasmi	-	-	<sup>(1)</sup> 127,372,500	50.95	<sup>(4)</sup> 250,000	0.09	<sup>(1)</sup> 103,816,297	37.08
Dato Sri Ahmad Tarmizi	-	-	-	-	<sup>(4)</sup> 200,000	0.07	-	-
Datuk Abdul Hamed	-	-	<sup>(2)</sup> 127,372,500	50.95	<sup>(4)</sup> 200,000	0.07	<sup>(2)</sup> 103,816,297	37.08
Haji Mohamad Bolhair	-	-	-	-	<sup>(4)</sup> 300,000	0.11	-	-
Haji Chaiti	-	-	-	-	<sup>(4)</sup> 100,000	0.04	-	-
Bolhan bin Berawi	-	-	-	-	<sup>(4)</sup> 150,000	0.05	-	-
Haji Yahya Haji Daud	-	-	-	-	<sup>(4)</sup> 150,000	0.05	-	-
Haji Abdul Hamid Ibrahim	-	-	-	-	<sup>(4)</sup> 150,000	0.05	-	-
YB Haji Hamden	-	-	-	-	<sup>(4)</sup> 50,000	0.02	-	-
Datu Haji Mohammed Sepuan	-	-	-	-	<sup>(4)</sup> 50,000	0.02	-	-
Azizi Morni	-	-	-	-	<sup>(4)</sup> 50,000	0.02	-	-
Polit Hamzah	-	-	-	-	<sup>(4)</sup> 50,000	0.02	-	-
Umang Nangku Jabu	-	-	-	-	<sup>(4)</sup> 50,000	0.02	-	-

## 2. INFORMATION SUMMARY (Cont'd)

Name	Designation	As at 6 July 2007				After Initial Public Offering			
		Direct		Indirect		Direct		Indirect	
		No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
<b>Key Management Personnel</b>									
Haji Mohamad Bolhair	Group Managing Director	-	-	-	-	<sup>(4)</sup> 300,000	0.11	-	-
Bolhan bin Berawi	Chief Financial Officer	-	-	-	-	<sup>(4)</sup> 150,000	0.05	-	-
Haji Yahya Haji Daud	Visiting Engineer	-	-	-	-	<sup>(4)</sup> 150,000	0.05	-	-
Haji Abdul Hamid Ibrahim	Operation Controller	-	-	-	-	<sup>(4)</sup> 150,000	0.05	-	-
Mohammed Tahir bin Chie	Human Resource and Administration Manager	-	-	-	-	<sup>(4)</sup> 44,000	0.02	-	-
Liew Men Khian	Marketing Manager	-	-	-	-	<sup>(4)</sup> 52,000	0.02	-	-

**Notes:**

- (1) Deemed interest pursuant to Section 6A of the Act by virtue of its/his interest in CCSB.
- (2) Deemed interest pursuant to Section 6A of the Act by virtue of his interest in TBSB and CCSB.
- (3) A total of 34,814,817 Shares held by Dayak CF, YBMS and YS under the SFS Divestment were pledged to SFS by way of Memoranda of Deposit and Charge to secure the repayment of the purchase consideration within 1 to 3 years. As at 17 July 2007, SFS agreed upon YS's request to release 2,000,000 Shares from the Memoranda of Deposit and Charge.
- (4) Represents the number of Offer Shares to be allocated pursuant to the Reserved Offering and on the assumption that he/she will subscribe in full the Offer Shares allocated to him/her.

Please refer to Sections 9 and 10 of this Prospectus for further information on our substantial shareholders/Promoters, Directors and key management personnel.



## 2. INFORMATION SUMMARY (Cont'd)

### 2.3 Consolidated income statements

We have prepared our consolidated income statements below for illustrative purposes only, based on our Group's audited consolidated income statements for each of the three (3) financial years ended 31 December 2004, 2005 and 2006, our Group's unaudited consolidated income statements for the three (3) months period ended 31 March 2006 and audited consolidated income statements for the three (3) months period ended 31 March 2007. The consolidated income statements of our Group should be read together with the accompanying notes and assumptions included in the Accountants' Report as set out in Section 16 and our management's discussion and analysis of financial condition and results of operations as disclosed in Section 14.7.

	<--Financial year ended 31 December-->			Three (3) months ended <-----31 March----->	
	2004 RM 000	2005 RM 000	2006 RM 000	2006 RM 000	2007 RM 000
Revenue	162,231	149,686	142,372	29,217	32,937
Cost of sales*	(72,253)	(86,829)	(89,244)	(17,299)	(19,312)
Gross profit	89,978	62,857	53,128	11,918	13,625
Other operating income	2,943	3,077	4,150	661	960
Distribution costs	(7,339)	(5,311)	(6,458)	(1,069)	(1,747)
Administrative expenses*	(14,018)	<sup>(4)</sup> (29,289)	<sup>(4)</sup> (38,046)	(2,986)	(4,159)
Replanting expenditure*	(9,853)	(11,410)	(6,588)	(1,475)	(1,465)
Gain/(loss) on disposal of quoted investments	52	(1)	<sup>(3)</sup> 62,153	<sup>(3)</sup> 62,128	82
Profit from operations	61,763	19,923	68,339	69,177	7,296
Finance costs	(748)	(1,663)	(788)	(285)	(314)
Share of results of associates	(9)	(434)	(283)	-	-
<b>PBT</b>	<b>61,006</b>	<b>17,826</b>	<b>67,268</b>	<b>68,892</b>	<b>6,982</b>
Taxation	(14,261)	(7,585)	(3,842)	(1,592)	(1,261)
<b>Profit for the financial year/ period</b>	<b>46,745</b>	<b>10,241</b>	<b>63,426</b>	<b>67,300</b>	<b>5,721</b>
Attributable to:					
Equity holders of SPB (PATAMI)	46,824	10,658	63,758	67,459	5,537
MI	(79)	(417)	(332)	(159)	184
	<b>46,745</b>	<b>10,241</b>	<b>63,426</b>	<b>67,300</b>	<b>5,721</b>
No. of ordinary shares assumed in issue <sup>(1)</sup> (000)	280,000	280,000	280,000	280,000	280,000
Gross EPS <sup>(2)</sup> (sen)	22	6	24	25	2
Net EPS <sup>(2)</sup> (sen)	17	4	23	24	2

**2. INFORMATION SUMMARY (Cont'd)**

	<---Financial year ended 31 December--->			Three (3) months ended	
	2004	2005	2006	<-----31 March-----> 2006	2007
<u>Profit Margin</u>					
Gross Profit Margin (%)	55	42	37	41	41
Net Profit Margin (%)	29	7	45	230	17
<u>Other selected financial data/ratios</u>					
Capital expenditure (RM 000)	21,714	15,278	29,874	916	3,828
EBITDA (RM 000)	72,060	32,212	78,894	71,801	10,094

- (1) The financial statements of our Company and our subsidiaries were not subject to any audit qualification for the financial years under review.
- (2) There were no extraordinary items during the financial years under review.

**Notes:**

\* Depreciation included in the following categories amounted to:

	<---Financial year ended 31 December--->			Three (3) months ended	
	2004 RM 000	2005 RM 000	2006 RM 000	2006 RM 000	2007 RM 000
Cost of sales	7,614	10,633	8,982	2,159	2,328
Administrative expenses	2,207	1,361	1,141	299	289
Replanting expenses	485	729	715	166	181
	<u>10,306</u>	<u>12,723</u>	<u>10,838</u>	<u>2,624</u>	<u>2,798</u>

- (1) The number of shares assumed in issue is based on the issued and paid-up share capital of 280,000,000 ordinary shares of RM1.00 each upon Listing.
- (2) Gross EPS and net EPS for each of the financial year under review have been calculated based on respective PBT and PATAMI divided by the number of ordinary shares as at the listing date.
- (3) Includes the gain on Disposal of Investment in Quoted Securities of approximately RM62.167 million.
- (4) Includes the allowance for deposits paid to acquire 30% equity interests in four (4) plantation companies of approximately RM15.526 million and RM16.673 million for the financial years ended 31 December 2005 and 2006 respectively.

## 2. INFORMATION SUMMARY (Cont'd)

## 2.4 Proforma consolidated balance sheets

We set out an extract of our proforma consolidated balance sheets below for illustrative purposes only, based on our Group's audited consolidated balance sheets as at 31 March 2007 on the assumptions that certain events as set out in the notes below had been effected on that date. We advise you to read the proforma consolidated balance sheets together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the proforma consolidated balance sheets in Section 14.2.

	←-----Completed Transactions-----→	←-----Proposal-----→			
Audited as at 31 March 2007 RM 000	Proforma I After Dividend payment RM 000	Proforma II After Proforma I and ESS RM 000	Proforma III After Proforma III and Bonus Issue RM 000	Proforma IV After Proforma IV and Offer for Sale and Public Issue RM 000	Proforma V
<b>Non-current assets</b>					
Property, plant and equipment	154,715	154,715	154,715	154,715	164,715
Prepaid lease rental	8,049	8,049	8,049	8,049	8,049
Plantation development expenditure	209,720	209,720	209,720	209,720	229,720
Investment in associates	25	25	25	25	25
Other investments	1,767	1,767	1,767	1,767	1,767
	374,276	374,276	374,276	374,276	404,276
<b>Current assets</b>	133,544	73,544	73,544	73,544	129,044
<b>Less: Current liabilities</b>	(144,972)	(99,972)	(99,972)	(99,972)	(99,972)
<b>Net current (liabilities)/assets</b>	(11,428)	(26,428)	(26,428)	(26,428)	29,072
<b>Non-current liabilities</b>	(15,755)	(15,755)	(15,755)	(15,755)	(15,755)
Deferred tax	347,093	332,093	332,093	332,093	417,593

## 2. INFORMATION SUMMARY (Cont'd)

	Audited as at 31 March 2007 RM 000	Completed Transactions				Proforma V After Proforma IV and Offer for Sale and Public Issue RM 000
		Proforma I After Dividend payment RM 000	Proforma II After Proforma I and ESS RM 000	Proforma III After Proforma III and Bonus Issue RM 000	Proforma IV After Proforma III and Bonus Issue RM 000	
<b>Capital and reserves</b>						
Share capital	135,000	135,000	135,000	250,000	280,000	
Share premium	73,405	73,405	73,405	5,000	60,500	
Retained earnings	137,967	122,967	122,474	75,879	75,879	
Other reserve	-	-	493	493	493	
Shareholders' equity	346,372	331,372	331,372	331,372	416,872	
Minority interest	721	721	721	721	721	
	347,093	332,093	332,093	332,093	417,593	
NTA attributable to equity holders of the Company	346,372	331,372	331,372	331,372	416,872	
Number of ordinary shares (000)	135,000	135,000	135,000	250,000	280,000	
NTA per ordinary share of RM1.00 each (RM)	2.57	2.45	2.45	1.33	1.49	

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**2. INFORMATION SUMMARY (Cont'd)**

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**Proforma I**

Proforma I incorporates the effects of the payment of the Dividend.

**Proforma II**

Proforma II incorporates the effects of Proforma I and ESS.

**Proforma III**

Proforma III incorporates the effects of Proforma II and SFS Divestment. The SFS Divestment of our Shares does not have any impact on our proforma consolidated balance sheets.

**Proforma IV**

Proforma IV incorporates the effects of Proforma III and the Bonus Issue. The Bonus Issue was capitalised partly from the retained earnings and partly from the share premium of our Company.

**Proforma V**

Proforma V incorporates the effects of Proforma IV and the Offer for Sale and Public Issue. The Offer for Sale does not have any impact on the proforma consolidated balance sheets of our Group.

The estimated share issue expenses of RM4,500,000 would be debited against the share premium account.

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**2. INFORMATION SUMMARY (Cont'd)**


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**2.5 Principal statistics relating to the Initial Public Offering****(i) Share Capital**

	RM
<i>Authorised</i> 500,000,000 Shares	<u>500,000,000</u>
<i>Issued and fully paid-up as at the date of this Prospectus</i> 250,000,000 Shares	250,000,000
<i>To be issued and fully paid-up pursuant to the Public Issue</i> 30,000,000 new Shares	<u>30,000,000</u> <u>280,000,000</u>
<i>To be offered for sale pursuant to the Offer for Sale</i> 39,750,000 Shares	<u>39,750,000</u>

We only have one (1) class of shares, namely ordinary shares of RM1.00 each, all of which rank equally with one another. The IPO Shares will rank equally in all respects with our other existing issued and paid-up ordinary shares including as to voting rights and rights to all dividends and distributions.

At any of our general meetings, each shareholder shall be entitled to vote in person or by proxy or by attorney and, on a show of hands, every person present who is a shareholder or representative or proxy to a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be a member of our Company.

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

Please refer to Sections 4.3(i) and 18.1 for further information on our share capital.

**(ii) Market capitalisation**

Based on the IPO Price of RM3.00 per Share, the market capitalisation of our Company on the Main Board of Bursa Securities upon Listing is approximately RM840,000,000.

**(iii) IPO Price per share**

The IPO Price under the Initial Public Offering is RM3.00 per Share.

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**2. INFORMATION SUMMARY (Cont'd)**


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**(iv) Proforma NTA of our Group as at 31 March 2007**

Proforma Group NTA (RM million)	416.87
<i>(After deducting listing expenses of RM4,500,000 and assuming the Initial Public Offering is fully subscribed at the IPO Price of RM3.00 per Share)</i>	
Proforma Group NTA per ordinary share (RM)	1.49
<i>(Based on our enlarged issued and paid-up share capital of 280,000,000 Shares upon Listing)</i>	

**(v) Consolidated profit forecast**

Our Directors forecast that our consolidated profit forecast for the financial year ending 31 December 2007 will be as follows:

	<b>Forecast 2007 RM 000</b>
<b><i>Financial year ending 31 December</i></b>	<b>RM 000</b>
Revenue	222,246
Consolidated PBT	78,176
Taxation	(8,782)
Profit for the financial year	69,394
Attributable to:	
Equity holders of our Company/PATAMI	67,211
MI	2,183
Profit for the financial year	69,394
Based on enlarged share capital upon Listing <sup>(1)</sup> (000)	280,000
Gross EPS (sen) <sup>(1)</sup>	27.92
Net EPS (sen) <sup>(1)</sup>	24.00
Gross PE Multiple <i>(based on the IPO Price of RM3.00 per Share) (times)</i>	10.74
Net PE Multiple <i>(based on the IPO Price of RM3.00 per Share) (times)</i>	12.50

**Note:**

(1) Based on our enlarged issued and paid-up share capital of 280,000,000 Shares.

Please refer to Section 15.1 for further information on our consolidated profit forecast and Section 15.5 for the Reporting Accountants' Letter on the consolidated profit forecast.



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**2. INFORMATION SUMMARY (Cont'd)**


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**2.6 Use of proceeds from the Initial Public Offering****(i) Offer for Sale**

The proceeds from the Offer for Sale will go entirely to the Offerors. Assuming that all the 39,750,000 Offer Shares are accepted, the Offerors will receive gross proceeds of approximately RM119,250,000 based on the offer price of RM3.00 per Offer Share.

**(ii) Public Issue**

The gross proceeds of RM90,000,000 from the issuance of the 30,000,000 new Shares based on the issue price of RM3.00 per Issue Share will be used, during the period of two (2) years from the date of this Prospectus, for the purposes set forth below:

Description	RM	RM
<b>Capital Expenditure</b>		
Construction of staff and workers' quarters and other buildings	5,000,000	
Construction of estate infrastructure including roads and drainage	5,000,000	
Plantation development expenditure	<u>20,000,000</u>	*30,000,000
Working capital purposes of the Group's core business		55,500,000
Defraying estimated listing expenses		<u>*4,500,000</u>
		<u>90,000,000</u>

**Note:**

\* For any increase or decrease in the utilisation of proceeds relating to capital expenditure and/or estimated listing expenses, utilisation for working capital purposes of the Group's core business will increase or decrease correspondingly.

Our Directors expect the utilisation of the proceeds above to contribute positively to the financial position of our Group.

Please refer to Section 4.8 for further information on the use of proceeds from the Initial Public Offering.



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## **2. INFORMATION SUMMARY (Cont'd)**

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### **2.7 Risk factors**

Prior to making an investment decision, prospective investors should carefully consider the following risks, summarised from Section 5, in addition to the other information contained elsewhere in this Prospectus.

#### **2.7.1 Risks relating to our Shares**

- There has been no prior trading market for our Shares and a market for our Shares may not develop; and
- There may be a delay or failure in our Listing.

#### **2.7.2 Risks relating to our Group's business and operations**

- We are subject to the fluctuation in demand and supply for and prices of edible oils and fats which are outside our control;
- We are reliant on particular suppliers;
- We are reliant on a particular customer;
- We are dependent on our labour force;
- We are dependent on our key personnel;
- Pests and diseases may affect our operations, production and yield;
- We are subject to risks associated with breakout of fire, energy crisis and other emergency risks; and
- A significant interruption in our operations could reduce our production capacities.

#### **2.7.3 Risks relating to the industry in which we operate**

- We face competition from local competitors;
- We face competition from substitute products and foreign competition;
- The industry we are in is subject to its industry life cycle; and
- Bad weather conditions may affect our operations.

#### **2.7.4 Risks relating to the ownership of shares**

- We may be influenced by our substantial shareholders; and
- Potential conflict of interest of our substantial shareholders and Directors.

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## **2. INFORMATION SUMMARY (Cont'd)**

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### **2.7.5 Other risks**

- We are dependent on political, economic and government regulations which are outside our control;
- We are subject to environmental laws as well as environmental risks;
- We are subject to foreign exchange risk;
- Our actual results may vary significantly from the consolidated profit forecast in this Prospectus; and
- Our forward-looking statements may not be accurate.

Please refer to Section 5 for further information on risk factors.

### **2.8 Syariah status**

We have voluntarily submitted an application to the SC for a Syariah compliance review to be carried out by the SAC as part of the process of determining our Syariah status at the Initial Public Offering.

The SAC has classified our securities as Syariah-compliant based on our audited financial statements for the financial year ended 31 December 2005 and the Syariah criteria adopted by the SAC.

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### 3. INTRODUCTION

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This Prospectus is dated 7 August 2007.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the application form with the ROC. Neither the SC nor the ROC takes any responsibility for the contents of this Prospectus.

We have voluntarily applied to the SC for the SAC to carry out a Syariah compliance review to determine the Syariah status of our Shares for the IPO. The SAC has classified our Shares as Syariah-compliant based on our audited financial statements for the financial year ended 31 December 2005 and the Syariah criteria adopted by the SAC. This classification remains valid from the date of issue of this Prospectus until the next Syariah compliance review is undertaken by the SAC and the new status is released in the updated list of Syariah-compliant securities, on the last Friday of either April or October of each year.

We have applied to Bursa Securities for permission to list and quote our Shares on the Main Board of Bursa Securities. Any allotment made on an application to subscribe for our Shares under this Prospectus shall be void if the permission is not granted within six (6) weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC, provided that we have been notified by or on behalf of Bursa Securities within the six (6) weeks or such longer period as may be specified by the SC.

If Bursa Securities does not grant the permission as mentioned above, we shall return, all monies received from you without interest. If any such monies are not repaid within 14 days after we become liable to repay it, the provision of sub-section 52(2) of the SCA shall apply accordingly.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed our Shares as prescribed securities. Therefore, we will deposit our Shares directly with Bursa Depository. We will not issue share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25 percent of our Shares must be in the hands of public shareholders and a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon Listing. We expect to meet the public shareholding requirement at the point of Listing. If we do not meet the public shareholding requirement, we may not be allowed to proceed with the Listing. Any dealings in our Shares will be carried out according to the Act and the Rules of Bursa Depository. In such an event, we will return in full, without interest, monies paid in respect of all applications.

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

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

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

#### 4. DETAILS OF THE INITIAL PUBLIC OFFERING

##### 4.1 Opening and closing of applications

Application for the IPO will be accepted from 10.00 a.m. on 7 August 2007 to 5.00 p.m. on 15 August 2007 or such further date or dates as our Directors, the Underwriter and the Offerors may in their absolute discretion mutually decide. Late applications will not be accepted.

##### 4.2 Important tentative dates

The following events are intended to take place on the following tentative dates:

Events	Dates
(i) Opening of the application	7 August 2007
(ii) Closing of the application	*15 August 2007
(iii) Tentative date for balloting	*17 August 2007
(iv) Tentative date for allotment	*22 August 2007
(v) Tentative listing date	*28 August 2007

**Note:**

\* *The timing of the above events is tentative and is subject to necessary changes to facilitate implementation procedures. Our Directors, Offerors and Underwriter may mutually decide, at their absolute discretion to extend the closing time and date for the applications to any later time and date. If they decide to extend the closing date of the applications, the dates for balloting and allotment of the IPO Shares and listing of and quotation for all our Shares on the Main Board of Bursa Securities would be extended accordingly. We will announce any changes to the above tentative dates in widely circulated Bahasa Malaysia and English daily newspapers in Malaysia.*

##### 4.3 Principal statistics relating to the Initial Public Offering

###### (i) Share capital

	RM
<b>Authorised</b> 500,000,000 Shares	<u>500,000,000</u>
<b>Issued and fully paid-up as at the date of this Prospectus</b> 250,000,000 Shares	250,000,000
<b>To be issued and fully paid-up pursuant to the Public Issue</b> 30,000,000 new Shares	<u>30,000,000</u> <u>280,000,000</u>
<b>To be offered for sale pursuant to the Offer for Sale</b> 39,750,000 Shares	<u>39,750,000</u>

We only have one (1) class of shares, namely ordinary shares of RM1.00 each, all of which rank equally with one another. The IPO Shares will rank equally in all respects with our other existing issued and paid-up ordinary shares including as to voting rights and rights to all dividends and distributions.

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#### 4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

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At any of our general meetings, each shareholder shall be entitled to vote in person or by proxy or by attorney and, on a show of hands, every person present who is a shareholder or representative or proxy to a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be a member of our Company.

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

Please refer to Section 18.1 for further information on our share capital.

##### (ii) **Market capitalisation**

Based on the IPO Price of RM3.00 per Share, the market capitalisation of our Company on the Main Board of Bursa Securities upon Listing is approximately RM840,000,000.

#### 4.4 **Objectives of the Initial Public Offering**

The objectives of the Initial Public Offering are as follows:

- (i) To obtain a listing of and quotation for our Shares on the Main Board of Bursa Securities;
- (ii) To enable our Company to gain access to the capital market in order to tap external sources of equity funds and borrowings for future expansion and continued growth; and
- (iii) To provide an opportunity for the eligible Directors and employees of our Company and our subsidiaries, persons who have contributed to our success and the Malaysian public to benefit directly from the continuing growth of our Group by way of equity participation.

#### 4.5 **Particulars of the Initial Public Offering**

The Initial Public Offering is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares are expected to be allocated in the manner as described below:

##### 4.5.1 **Offer for Sale and Public Issue at the IPO Price payable in full upon allocation by way of private placement**

54,750,000 IPO Shares, subject to reallocation, are being offered to selected investors under the Institutional Offering.

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**4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)**

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**4.5.2 Offer for Sale at the IPO Price payable in full upon application**

**(i) Reserved Offering**

The Offerors have made available 5,000,000 Offer Shares, subject to reallocation, for application by the eligible Directors and employees of our Company and our subsidiaries and persons who have contributed to our success. Any Offer Shares not subscribed by the eligible Directors and employees of our Company and our subsidiaries and persons who have contributed to our success will be reallocated as set out in Section 4.5.3.

We have allocated 3,600,000 Offer Shares to the eligible Directors and employees of our Company and our subsidiaries, excluding 135 employees who have already accepted and being allotted our Shares pursuant to the ESS, based on their designation and length of service.

Based on this criterion, there are 411 eligible Directors and employees who are eligible to subscribe for the Offer Shares under the Reserved Offering.

We have set out the allocation to the Directors and key management in Section 4.6.

We have allocated the remaining 1,400,000 Offer Shares to 71 persons who have contributed to our success.

Further details on the allocation are set out in Section 4.6.

**(ii) Retail Offering**

The Offerors have made available 10,000,000 Offer Shares for application by Malaysian citizens, companies, co-operatives, societies and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The IPO Shares under the Reserved Offering and Retail Offering are fully underwritten by the Underwriter. See Section 4.9 for information on brokerage and underwriting commission and Section 4.10 for details of the Underwriting Agreement.

The minimum level of subscription in respect of the IPO shall be the entire 69,750,000 IPO Shares. The said minimum level of subscription has been determined based on the estimated level of funds to be raised from the IPO and the number of Shares required to meet the minimum public spread requirement under the Listing Requirements.



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**4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)**


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**4.5.3 Clawback and Reallocation**

The underwriting commitment shall be subject to the clawback and reallocation in accordance with the following:

- (i) In the event of under-application in the Reserved Offering and a corresponding over-application in the Retail Offering, the IPO Shares are to be clawed back from the Reserved Offering and reallocated to the Retail Offering;
- (ii) Pursuant to Section 4.5.3 (i) above, in the event of an under-application in the Retail Offering after the reallocation from the Reserved Offering to the Retail Offering, the IPO Shares are to be clawed back from the Reserved Offering to the Institutional Offering provided there is still an over-application in the Institutional Offering;
- (iii) If there is an under-application in the Retail Offering and there is a corresponding over-application in the Institutional Offering not pursuant to Sections 4.5.3 (i) and (ii) above, the IPO Shares are to be clawed back from the Retail Offering and reallocated to the Institutional Offering provided that any such reallocation from the Retail Offering to the Institutional Offering shall not exceed the amount of the under-subscription under the Retail Offering or the amount of over-subscription under the Institutional Offering; and
- (iv) If there is an under-application in the Institutional Offering and there is a corresponding over-application in the Retail Offering, the IPO Shares are to be clawed back from the Institutional Offering and reallocated to the Retail Offering provided that any such reallocation from the Institutional Offering to the Retail Offering shall not exceed the amount of the under-subscription under the Institutional Offering or the amount of over-subscription under the Retail Offering.

The clawback and reallocation shall not apply in the event of over-application in the Reserved Offering, the Retail Offering and the Institutional Offering, at the same time.

**4.6 Details of allocation under the Reserved Offering**

The criteria for the allocation to the eligible Directors and employees of our Company and our subsidiaries is based on, inter-alia, the job categories defined by the role, responsibility and accountability of the positions that are stated in each category. Consideration is also given to reporting structure. The categories are divided as follows:

- |    |                             |   |
|----|-----------------------------|---|
| 1. | Category A                  | - Directors of our Company and our subsidiaries                                       |
| 2. | Category B                  | - Senior member of the management personnel   |
| 3. | Category C (Senior manager) | - Heads of department, business unit or large functional unit                         |
| 4. | Category C1 (Manager)       | - Heads of smaller department, business unit or a specialist of a particular function |
| 5. | Category D                  | - Executive   |
| 6. | Category E                  | - Supervisor, technician, clerk etc   |

The criteria for the allocation to the persons who have contributed to our success are based on, inter-alia:

- (i) Number of years of business relationship;
- (ii) Volume or value of transactions; and
- (iii) Payment performance or service performance.

**4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)**

The number of Offer Shares to be allocated to each of the Directors of our Company and our subsidiaries, and our key management personnel under the Reserved Offering, based on, amongst others, their designation and length of service, is as follows:

<b>Directors</b>	<b>Designation</b>	<b>No. of Offer Shares allocated</b>	<b>% of enlarged share capital</b>
Datuk Hasmi	Non-Independent Non-Executive Chairman	250,000	0.09
Dato Sri Ahmad Tarmizi	Non-Independent Non-Executive Director	200,000	0.07
Haji Mohamad Bolhair	Non-Independent Group Managing Director	300,000	0.11
Datuk Abdul Hamed	Non-Independent Non-Executive Director	200,000	0.07
Haji Chaiti	Non-Independent Non-Executive Director	100,000	0.04
Bolhan bin Berawi	Non-Independent Executive Director	150,000	0.05
Haji Yahya Haji Daud	Non-Independent Executive Director	150,000	0.05
Haji Abdul Hamid Ibrahim	Non-Independent Executive Director	150,000	0.05
YB Haji Hamden	Independent Non-Executive Director	50,000	0.02
Datu Haji Mohammed Sepuan	Independent Non-Executive Director	50,000	0.02
Azizi Morni	Independent Non-Executive Director	50,000	0.02
Polit Hamzah	Independent Non-Executive Director	50,000	0.02
Umang Nangku Jabu	Independent Non-Executive Director	50,000	0.02
Jumastapha bin Lamat	Director of SPS, our 95% owned subsidiary	50,000	0.02
Dollah Chek @ Abdullah Chek bin Sahamat	Director of TTSB, our 60% owned subsidiary	50,000	0.02
Hasbi Suhaili	Director of TTSB, our 60% owned subsidiary	50,000	0.02
<b>Key management personnel</b>			
Mohammed Tahir Bin Chie	Human Resource and Administration Manager	44,000	0.02
Liew Men Khian	Marketing Manager	52,000	0.02

**4.7 Basis of arriving at the IPO Price**

Upon application, the applicants will pay the IPO Price of RM3.00 per Share, which is determined and agreed upon by our Directors, the Offerors, the Underwriter and the Adviser, after taking into consideration the following factors:

- (a) Our historical net EPS based on our net EPS for the financial year ended 31 December 2006 of 23 sen computed based on the consolidated profit for the financial year ended 31 December 2006 of RM63.76 million and our enlarged issued and paid-up capital of 280,000,000 Shares and net PE multiple of approximately 13.0 times;
- (b) Our proforma consolidated NTA per Share of RM1.49 based on the proforma NTA of our Group of RM416.87 million and our enlarged issued and paid-up capital of 280,000,000 Shares;
- (c) Our forecast net EPS of 24 sen computed based on our consolidated profit forecast for the financial year ended 31 December 2007 of RM67.21 million and our enlarged issued and paid-up capital of 280,000,000 Shares and the forecast net PE multiple of approximately 12.5 times;



## 4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

(d) The PE multiple and price to book ratio of comparable public listed companies that are involved in oil palm plantation businesses based on their latest audited financial results available and the three (3) months weighted average market prices as set out below:

Name / Listing	Total planted area Ha	Issued and paid up capital RM 000	3 months weighted average market price as at 6 July 2007* RM	Market capitalisation RM 000	Basic EPS sen	PE Multiple times	NTA per share RM	Price to book value ratio times
LJM Plantations Bhd <sup>(2)</sup> / Main Board	24,607	257,824	2.06	531,117	7.07	29.14	1.07	1.93
United Malacca Bhd <sup>(3)</sup> / Main Board	13,686	134,005	5.81	778,569	18.20	31.92	4.02	1.45
Far East Holdings Bhd <sup>(1)</sup> / Main Board	16,090	135,029	5.09	687,298	29.02	17.54	4.14	1.23
TH Plantations Bhd <sup>(1)</sup> / Main Board	15,389	98,047	3.49	342,184	18.19	19.19	0.81	4.31
Sarawak Oil Palm Bhd <sup>(1)</sup> / Main Board	32,021	142,452	3.69	525,648	24.50	15.06	2.66	1.39

**Notes:**

\* Source: Bursa Securities Market Data

(1) Based on audited consolidated financial statements ended 31 December 2006.

(2) Based on audited consolidated financial statements ended 31 March 2006.

(3) Based on audited consolidated financial statements ended 30 April 2006.

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**4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)**


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- (e) The prevailing favourable market conditions in the palm oil industry in which our Group operates in, with CPO production in 2007 being projected at 16.5 million tonnes, as outlined in Section 6.2 of this Prospectus;
- (f) The experience of our Board and key management personnel as set out in Section 9 of this Prospectus;
- (g) Our prospects and future plans to drive our future growth as set out in Section 8.10 and Section 8.11 of this Prospectus; and
- (h) Our operating and financial history and conditions as outlined in Section 8 and Section 14 of this Prospectus.

**Applicants should also note that the market prices of our Shares upon Listing are subject to the vagaries of market forces and other uncertainties which may affect the prices of our Shares. Investors are reminded to consider carefully the risk factors as set out in Section 5.**

**4.8 Use of proceeds from the Initial Public Offering**
**(i) Offer for Sale**

The proceeds from the Offer for Sale will go entirely to the Offerors. Assuming that all the 39,750,000 Offer Shares are accepted, the Offerors will receive gross proceeds of approximately RM119,250,000 based on the offer price of RM3.00 per Offer Share.

**(ii) Public Issue**

The gross proceeds of RM90,000,000 from the issuance of the 30,000,000 new Shares based on the issue price of RM3.00 per Issue Share will be used, during the period of two (2) years from the date of this Prospectus, for the purposes set forth below:

Description	RM	RM
<b>Capital Expenditure</b>		
Construction of staff and workers' quarters and other buildings	5,000,000	
Construction of estate infrastructure including roads and drainage	5,000,000	
Plantation development expenditure	<u>20,000,000</u>	*30,000,000
Working capital purposes of the Group's core business		55,500,000
Defraying estimated listing expenses		<u>*4,500,000</u>
		<u>90,000,000</u>

**Note:**

- \* For any increase or decrease in the utilisation of proceeds relating to capital expenditure and/or estimated listing expenses, utilisation for working capital purposes of the Group's core business will increase or decrease correspondingly.

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**4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)**


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The estimated listing expenses of RM4,500,000 to be borne by us consist of the following:

Description	RM 000
Estimated professional fees <sup>(1)</sup>	2,000
Fees to authorities	321
Placement fees <sup>(2)</sup>	1,350
Miscellaneous expenses	829
Total	<u>4,500</u>

**Notes:**

- (1) *Estimated professional fees are fees for services provided in relation to our listing exercise such as advisory, legal and accounting.*
- (2) *Based on 30,000,000 Shares to be issued at the Issue Price of RM3.00 per Share at 1.5% placement fees.*

Our Directors expect the utilisation of the proceeds above to contribute positively to the financial position of our Group.

**4.9 Brokerage, underwriting commission and placement fee****Offer Shares**

Brokerage relating to the Offer Shares under Section 4.5.2 which will be borne by the Offerors, is 1% of the IPO Price in respect of successful applications bearing the stamp of either CIMB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

The Underwriters have agreed to underwrite 15,000,000 Offer Shares ("**Underwritten Shares**") under Section 4.5.2. The Offerors will pay to the Underwriter the following as stipulated in the Underwriting Agreement:

- (i) An underwriting commission of 1.5% of the value of the Underwritten Shares (being the number of Underwritten Shares multiplied by the IPO Price) if the Underwritten Shares are not fully subscribed; or
- (ii) An underwriting commission of 1.25% of the value of the Underwritten Shares (being the number of Underwritten Shares multiplied by the IPO Price) if the Underwritten Shares are fully subscribed.

The Offerors will also be paying the Sole Placement Agent a placement fee at the rate of 1.5% of the IPO Price multiplied by the number of Offer Shares to be placed out under the Institutional Offering.

**Issue Shares**

We will pay the Sole Placement Agent a placement fee at the rate of 1.5% of the IPO Price multiplied by the number of Issue Shares to be placed out under the Institutional Offering.

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**4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)**

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**4.10 Salient terms of the Underwriting Agreement**

Pursuant to the Underwriting Agreement, the Underwriter has agreed to underwrite the 15,000,000 IPO Shares as set out in Section 4.5.2. The salient terms of the Underwriting Agreement are as follows:

- (i) The obligations of the Underwriter under the Underwriting Agreement shall be conditional upon the following conditions precedent being fulfilled within two (2) months from the date of the Underwriting Agreement:
  - (a) the Underwriting Agreement having been duly executed by all the parties thereto and duly stamped;
  - (b) the issue of the IPO Shares having been approved by the SC and or any other relevant authority and our shareholders in general meeting and the Offerors (if applicable);
  - (c) the listing of and quotation for the enlarged issued and paid up capital of the Company on the Exchange having been approved in-principle by the Exchange or subject only to conditions which are acceptable to the Underwriter and such approval is not withdrawn prior to the listing of the Company on the Exchange and the Underwriter being reasonably satisfied that such listing and quotation shall be granted after an application for quotation is made to the Exchange;
  - (d) the Prospectus being in form and substance satisfactory to the Underwriter;
  - (e) the Prospectus and the relevant documents having been registered with the SC and lodged with the Registrar of Companies within one (1) month from the date of the Agreement, or within such other period as the parties may mutually agree;
  - (f) there shall not have occurred, on or prior to the Closing Date, any event rendering untrue, inaccurate or incorrect any of the representations or warranties contained in Clause 5(1) of the Underwriting Agreement;
  - (g) there shall not have occurred, on or prior to the Closing Date, any breach of and or failure to perform any of the undertakings contained in Clause 5(1) of the Underwriting Agreement;
  - (h) the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 19 of the Underwriting Agreement;
  - (i) the IPO not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;

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**4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)**

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- (j) the delivery of the following documents to the Underwriter on or before the Closing Date:
    - (i) such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to confirm that there has not been any material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of the Group from that existing as at the date of the Underwriting Agreement which is material in the context of the IPO and the Listing; and
    - (ii) a certificate dated the Closing Date signed by a duly authorised officer of the Company stating that, to the best of his knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 4(j)(i) of the Underwriting Agreement;
  - (k) the Underwriter receiving a copy duly certified by a director or secretary of:
    - (i) the Company to be a true copy of a resolution of the Board of Directors of the Company approving the Listing, the Prospectus and the Underwriting Agreement, the issue and offer of the Issue Shares and authorising a person or persons to sign the Underwriting Agreement on behalf of the Company; and/or
    - (ii) the Offeror to be a true copy of a resolution of the Board of Directors of the Offeror approving the Prospectus and the Underwriting Agreement and the offer of the Offer Shares and authorising a person or persons to sign the Underwriting Agreement on behalf of the Offeror; and
  - (l) the Prospectus having been issued within one (1) month of the date hereof or within such extended period as may be consented to by the Underwriter.
- (ii) In the event any of the conditions set forth in paragraph (i) above are not obtained before the expiration of the conditions period, the Underwriter shall have the following options:
- (a) in Underwriter's absolute discretion and if they think fit, elect to waive and/or modify any of the Conditions Precedent and proceed to complete the Underwriting Agreement provided that such waiver and/or modification shall not be in contravention of any statutory provisions, regulations and/or guidelines and requirements of any relevant authority and shall only be effective if executed in writing by the parties hereto. In the event of such waiver and/or modification, such Condition Precedent which has been waived and/or modified by the parties in writing shall be deemed to have been fulfilled; or
  - (b) grant the Company and/or the Offeror an extension of three (3) months from the expiry of the Conditions Period to fulfil the conditions precedent; or
  - (c) terminate the Underwriting Agreement whereupon the Underwriting Agreement shall be null and void and each party shall have no claim against the other whatsoever and howsoever arising, save for antecedent breaches by either party and the Underwriter shall still be remunerated pursuant to the Underwriting Agreement in addition to out-of-pocket expenses.



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**4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)**

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- (iii) Notwithstanding anything therein contained, the Underwriter may by notice in writing to our Company and the Offerors given at any time before the Closing Date terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:
- (a) any of the conditions precedent set out above are not duly satisfied by the Closing Date; or
  - (b) there is any breach by the Company and/or the Offeror (as the case may be) of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriter within ten (10) Market Days from the date the Company and/or the Offeror (as the case may be) is notified by the Underwriter of such breach; or
  - (c) there is failure on the part of the Company and/or the Offeror (as the case may be) to perform any of its obligations herein contained; or
  - (d) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Underwriter, would have a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the IPO Shares; or
  - (e) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group or the Offeror; or
  - (f) the approval from Bursa Securities for the Listing is not obtained within six (6) weeks from the date of the Prospectus or such longer period as may be mutually agreed between the Underwriter and the Company; or
  - (g) there shall have occurred, or happened any of the following circumstances (Force Majeure events):
    - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rates (including but not limited to conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing; or
    - (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, national disorder, declaration of a state of national emergency, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); or
    - (iii) in the reasonable opinion of the Underwriter, there shall have been such a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would materially prejudice the success of the Listing; or

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**4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)**

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- (iv) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter (including but not limited to acts of government, strikes, national disorder, declaration of a state of emergency, lockouts, fire, explosion, flooding, landslide, civil commotion, hurricanes/typhoons, tsunami, widespread diseases, act of war, sabotage, acts of God etc) which would have or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the success of the Listing, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
- (v) there shall be the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities which would materially prejudice the success of the Listing; or
- (vi) there shall be any development, occurrence or any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, ruling or any request or interpretation by the Securities Commission, or any other regulatory authority, whether or not having the force of law, or occurrence of any other nature, which materially and adversely effect the Company and the success of the Listing, the business and/or prospects of the Company and/or the Group and/or the Offeror, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
- (vii) there is any government requisition or occurrence of any other nature which materially and adversely effects or will materially and adversely affect the business and/or financial position of the Company and/or the Group and/or the Offeror; or
- (viii) the Kuala Lumpur Composite Index has dropped to below 800 points and has stayed below 800 points for at least 5 consecutive Market Days between the date of the Underwriting Agreement and the Closing Date, both dates inclusive;

which, would have or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group and/or the Offeror as a whole, the success of the IPO, or the distribution or sale of the IPO Shares, or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

- (iv) Upon such notice(s) being given, the parties shall, save for any antecedent breach, be released and discharged from their obligations whereupon the Underwriting Agreement shall be of no further force or effect subject to the following:
  - (a) the liability of the Company and/or Offeror (as the case may be) for the payment of costs and expenses including late interest payment (if applicable) incurred prior to or in connection with such termination shall remain;

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**4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)**

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- (b) the liability of the Company and/or the Offeror (as the case may be) for the payment of the full underwriting commission shall remain;
- (c) the continued obligation of the Company and/or the Offeror to indemnify the Underwriter; and
- (d) subject thereto, each party hereto shall return any moneys paid without interest thereon to the other party within three (3) Market Days of the receipt of such notice of termination from the Underwriter.

In the event of termination pursuant to the Force Majeure events as set out above, the Company and/or Offeror shall only be liable to pay out-of-expenses provided that the Underwriter may at its discretion waive compliance with or modify any of the provisions of this Clause without prejudice to their powers, rights and remedies under the Underwriting Agreement.

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**5. RISK FACTORS**

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

**5.1 Risks relating to our Shares****5.1.1 There has been no prior trading market for our Shares and a market for our Shares may not develop**

Prior to the Listing, there has been no public market for our Shares. There can be no assurance that an active market for our Shares will develop upon listing on the Main Board of Bursa Securities or, if developed, that such market will be sustained. The IPO Price for our Shares has been determined after taking into consideration a number of factors, including but not limited to, our Group's financial and operating history and conditions, our prospects and the prospects of the industry in which we operate, the management of our Group, the market prices for shares of companies involved in businesses similar to that of our Group and the prevailing economic and market conditions. There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Board of the 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 market price of our Shares subsequent to our listing could also be subject to fluctuations in response to variations of our Group's anticipated or actual operating results, the general conditions of the economy and the oil palm industry, changes in earnings forecast or investment recommendations by analysts, investor perceptions and expectations regarding products and services, plans and strategic position of our Group, our competitors and customers, or other events or factors.

**5.1.2 There may be a delay or failure in our Listing**

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

- (a) Force majeure events or events/circumstances which are beyond our control and the underwriter's control before our listing;
- (b) We and/or our underwriter failing to honour the obligations under the underwriting agreement;
- (c) We are unable to meet the public spread requirements of the Listing Requirements which states that at least 25% of the total number of our Shares must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each at the point of listing; and
- (d) Any or all the selected investors fail for whatever reason to subscribe for/acquire the IPO Shares to be placed out to them.

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**5. RISK FACTORS (Cont'd)**

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Although our Directors will endeavour to ensure compliance by our Company of the various listing requirements, including, inter-alia, the public spread requirements imposed by the SC and/or Bursa Securities, for the successful Listing, no assurance can be given that the above-mentioned factors will not cause a delay in or abortion of the Listing.

**5.2 Risks relating to our Group's business and operations**

Our current principal activities are in the cultivation of oil palm, processing of FFB and sale of related products. Thus, like any other oil palm plantation companies in Malaysia, we are subject to business risks inherent in the palm oil industry. These business risks include, but are not limited to, external risks such as fluctuations in palm oil and fertilizers prices, changes in world demand and supply for edible oils and fats, threat of substitutes for palm oil products, changes in weather conditions, availability of seedlings and changes in general economic and business conditions as well as internal risks such as outbreak of pests and diseases, constraints in labour supply, milling and refinery operations, and rising costs of raw materials.

We keep abreast with the latest developments in the palm oil industry and adopt and implement various strategies including effective risk management practices to mitigate these risks. However, there can be no assurance that unfavourable changes in the business environment will not adversely affect the attractiveness or desirability of our Group.

**5.2.1 We are subject to the fluctuation in demand and supply for and prices of edible oils and fats which are outside our control**

Crude and processed palm oil are commodity products which are susceptible to demand and supply conditions. The prices of CPO and PK fluctuate daily and as such our earnings are subject to market volatility. Further, trade and exports of Malaysia's crude and processed palm oil products are undertaken in USD hence the prices of CPO and PK are highly susceptible to fluctuations of the USD.

In addition to the exchange rate, the prices of CPO and PK are fundamentally dependant on the demand and supply conditions in global markets. Producers of CPO face competition from other edible oils such as soya bean oil and rapeseed oil, hence the prices of CPO fluctuates in accordance to the supplies of world edible oil and consumers' demand.

We constantly analyse and monitor the global demand patterns and trends for oils and fats, particularly palm oil to make prompt and informed decisions regarding our CPO production and sales.

In times of poor CPO prices, field upkeep cost will be kept to minimum without compromising on the quantity as well as the quality of our FFB production. During this time of low CPO prices, weeding will be carried out three rounds a year on a short term basis, instead of the normal four rounds a year. This reduction is not expected to have any adverse effect on FFB yield. In addition, we had also ventured into integrated cattle farming which reduces our weeding costs.

Notwithstanding the above, there is no assurance that adverse movements in the demand and supply and prices of CPO, PK and refined palm oil products will not have an adverse effect on our Group's performance.

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**5. RISK FACTORS (Cont'd)**

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**5.2.2 We are reliant on particular suppliers**

We are reliant on some of our suppliers for the seeds and fertilizers used in our operations. We have taken steps to secure the supply of germinated seeds from different reputable suppliers who can provide high yielding oil palm trees. In addition, we purchase fertilizers by carrying out tenders in order to secure consistent and reasonable pricing of fertilizers at a fixed price, hence hedging the Group against the fluctuation of fertilizer cost. This enables us to select the most appropriate suppliers to buy fertilizers and seeds while preventing overdependence on any single supplier.

We have established and maintained good business relationships with our suppliers and 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 twelve (12) months.

Notwithstanding the above, we regularly review our procurement policies and procedures to ensure that we are purchasing at competitive prices. In addition, we had set up our own oil palm seed garden in collaboration with the MPOB, with production starting in 2006.

Despite these measures, no guarantee can be given of any significant disruption in our supplies which may occur in the future will not severely affect our Group's performance. However, we believe we have the experiences and capabilities to source for alternative supplies of these items should the need arise and there are other suppliers generally available in the market.

**5.2.3 We are reliant on a particular customer**

Currently, there are several palm oil refineries in Sarawak. Due to the geographical proximity of our oil palm mills to BEO's refinery as well as the competitive pricing offered by BEO, all PK and nearly all CPO produced by our Group are sold to BEO for further processing.

We have been supplying CPO and PK to BEO for the past thirteen (13) years and we have not encountered any major problems in dealing with BEO.

Notwithstanding the above, if BEO is not able to purchase CPO and PK from us in the future for whatever reason, we would be able to sell our CPO and PK to other buyers as CPO and PK have ready markets.

**5.2.4 We are dependent on our labour force**

Our business is labour intensive in nature. Oil palm plantations require extensive manpower in the nurturing of seedlings, tree planting, manuring, harvesting as well as other routine maintenance work to ensure optimal yield. The palm oil industry has been facing difficulty in recruiting local labour force and therefore has resorted to the employment of foreign plantation workers. Approximately 59% of our labour force is foreign. We have always strictly adhered to a policy of employing only legal workers. Since the commencement of our palm oil plantation business, labour supply has not been a major problem to us nor has it significantly impacted our operations and results.

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**5. RISK FACTORS (Cont'd)**

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In order to attract and retain our employees, we provide attractive incentives, benefits, welfare schemes and facilities such as clinics, living quarters, schools and sports amenities for our staff members and their families. Our management team and staff are regularly sent for seminars and training to upgrade their knowledge and skills.

In order to improve production efficiency and reduce dependence on labour intensity, we are moving towards mechanisation in many of our plantations practices such as the application of fertilizer, harvesting and weeding. It is envisaged that with full mechanisation, we will be able to reduce our labour force requirements. Nevertheless, no guarantee can be given that any changes in immigration and labour policies by the Government in respect of foreign labour will not affect our operations.

**5.2.5 We are dependent on our key personnel**

We believe that our continued success will depend to a significant extent upon the abilities and continued efforts of our Directors and senior management. While it is unlikely that the loss of any members of the management team will significantly affect the overall operations of our Group, our performance and competitive edge may be affected by the sudden loss of key persons within the management team. Our future success will also depend upon our ability to attract and retain skill personnel and as such, we have made efforts to train our staff so as to groom the younger members of our management to gradually assume more senior responsibilities. This is done to ensure a smooth transition in our management team should changes occur and to maintain our continued ability to compete in the palm oil industry.

**5.2.6 Pests and diseases may affect our operations, production and yield**

Oil palm trees in general are not severely affected by pests and diseases. However, there are occasional outbreaks of pests such as leaf eating insects and diseases. During the younger stages of its life, oil palms are also more susceptible to attack by pests. Any pests and diseases that specifically attack oil palms can materially affect our operations.

We take adequate measures to control the population of pests in the plantation estates by destroying potential breeding grounds of the pests, exterminating the pests by using pest specific pesticides, other natural pest control methods such as biological control and carrying out frequent inspections to ensure that the population of the pests remain below threatening levels.

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

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

As in any other business, the breakout of fire, energy crisis and other emergency risks could adversely affect our business operations and financial performance. For instance, a fire breakout may damage or destroy our palm oil mills, buildings, plant and machinery, whilst a prolonged breakdown in power supply may disrupt our business operations and progress.



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**5. RISK FACTORS (Cont'd)**

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In an effort to mitigate the risk of fire, we place emphasis on proper fire safety procedures being implemented and practised at our premises, keeping sufficient level of water in the field or main drain especially in the peat area to prevent major fire outbreak as well as ensuring that our physical assets (excluding the planted oil palm) have adequate insurance coverage. We have not insured our crops as we believe that insuring the planted crops is not economically beneficial given the risks to planted crops are minimal.

In the event that our FFB productions are disrupted by fire or flood, our Directors believe that we can still source FFB from external parties for any shortfall of FFB for our milling operations. This however may result in lower profit margin as well as underutilising the production and volume capacity of our mills.

Although we have taken the necessary measures to ensure that our assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of all assets of our Group, including but not limited to, the plantation estates and mills or any consequential losses arising therefrom. Nevertheless, we have not experienced any event in relation to insurance coverage that had a significant impact on our operations and results in the past.

**5.2.8 A significant interruption in our operations could reduce our production capacities**

Any significant interruptions to our operations as a result of mechanical failures of our mills or natural disasters could materially and adversely affect our business, financial condition and results of operations. Oil palm activities have many implications for rural communities in Sarawak, including the reallocation of land and resources, investment and new infrastructures, and movements of people and settlements. There may be conflicts between local communities and oil palm companies in particularly relating to land-right issues.

Nevertheless, there have been no significant interruptions in our business which had a significant effect on our operations during the past twelve (12) months. Although we will seek to limit these risks by, among others, complying with the relevant applicable laws and regulations applicable, no assurance can be given that these conflicts, if arisen, would not have a material adverse effect on our business.

**5.3 Risks relating to the industry in which we operate****5.3.1 We face competition from local competitors**

Competition exists in almost all industries and there is no exception in respect of the palm oil industry. However, with years of experience in the palm oil industry, we have developed long-standing good relationships with both our suppliers and customers to ensure that the supply of raw materials to our Group will not be adversely affected and our sales of CPO and PK will remain relatively stable.

Locally, we compete with other plantation companies in the procurement of suitable plantation land when carrying out expansion plans. However, we always apply best practices in valuing and purchasing lands such as procuring the services of third party expert land valuers. We are actively expanding our land bank and we are open to offers from other planters for existing private lands as well as the State Government for procurement of state lands.

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**5. RISK FACTORS (Cont'd)**

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We also compete with other commercial millers for the supply of FFB crops in the same region. Nonetheless, our mills are strategically located and have enjoyed a strong stream of FFB supplies from the surrounding small and medium size plantations which do not have their own mill. The current restrictive policies of Government authorities and MPOB of only approving new palm oil mill licences in line with the availability of FFB supply in the region have reduced the problems of excess capacity.

Notwithstanding the above, our mills cater mainly for our own plantation crops. For the year ended 31 December 2006, around 80% of FFB milled by our mills were obtained from our own plantations. As such, there is no undue reliance by our Group on the supply of FFB from other plantations.

**5.3.2 We face competition from substitute products and foreign competition**

Palm oil faces competition from other vegetable oils such as soya bean and rapeseed oils. No assurances can be given that the palm oil industry will be able to maintain or expand its existing market share in the future.

However, with the continued support from the Government including extensive research, development and marketing promotion undertaken by Governmental bodies such as MPOB and MPOC as well as other incentives given to the industry, Malaysian palm oil producers had in the past, expanded their market share in the world vegetable oil market.

Nevertheless, any significant change in customers' preference towards the substitute oils and fats will affect the demand and prices for palm oil products and may affect the profitability of our Group.

**5.3.3 The industry we are in is subject to its industry life cycle**

Oil palm is a perennial crop and is subjected to physiological stress on a cyclical basis. Oil palm trees produce crops throughout the year but there are seasonal variations. Production also varies with age and condition of the palms and the local environment and weather. Annual FFB yield normally experience a cyclical pattern, with higher yields at certain intervals. An exceptionally high yielding year will be followed by gradually low yielding years, when the trees produce lower output as a result of a period of production stress. For an established estate or plantation where FFB yield has stabilised, the decrease of FFB yield can be significant.

Our Group seeks to mitigate this risk by having a balanced maturity profile of our oil palm trees, whereby steps can be taken to increase or decrease certain ages of such trees such as re-scheduling replanting activities.

**5.3.4 Bad weather conditions may affect our operations**

Weather has strong effects on oil palm production. The weather in Malaysia for the last decade has been affected by open burning within and outside of the country, deforestation due to urban development and agricultural cultivation and weather phenomenon such as haze, El Nino and La Nina.

The ever changing and unpredictable weather pattern requires our management be meticulous and far sighted in terms of our planning. Wet weather condition adversely affects harvesting and crop recovery as plantations become less accessible due to poor road conditions while distinct dry weather will affect the yield of the palms as low rainfall generally equates to lower FFB yields months later.

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**5. RISK FACTORS (Cont'd)**

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Although it is impossible to regulate rainfall patterns, our management takes practical steps to mitigate the effect of excessive rainfall or drought. For example, the application of compost and EFB mulching is performed; whereby a by-product or remnants are laid out in the field to act as a sponge that would trap water and keep grounds moist to minimise the effect of drought. We also constructed silt pits in dry and hilly areas in order to trap water to minimise the effects of dryness to the palms, whilst establishing suitable drainage to flow-out excessive water during the wet seasons.

Notwithstanding that our management is continuously studying and devising ways to ensure consistent yields of FFB during adverse weather condition, there is no guarantee that adverse weather patterns will not have a severe impact on our production of FFB.

**5.4 Risks relating to the ownership of shares****5.4.1 We may be influenced by our substantial shareholders**

Upon completion of the IPO, certain substantial shareholders namely, SFS and CCSB, if acted jointly, own a majority of our Company's issued and paid-up capital. As a result, the substantial shareholders are likely to be able to influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities.

Nevertheless, our Board would include Independent Non-Executive Directors who would act on behalf of our minority shareholders for any Board deliberation. An audit committee comprising Independent Directors which is required to be formed under the Listing Requirements will, inter-alia, monitor any transaction between our Group and our Directors/substantial shareholders and/or persons connected with them to ensure that these transactions are entered into at commercial terms and on an arm's length basis.

**5.4.2 Potential conflict of interest of our substantial shareholders and Directors**

Several of our substantial shareholders and Directors have equity interests and/or sit on the board of other companies which are in the same business as our Group.

In view of the above, there may be conflict of interest situations arising from the Directors' and substantial shareholders' interest in these companies. Conflict of interest situations may arise where these plantation companies may compete with our Group and business decisions are made in favour of these companies leading to negative effects on our performance and results.

Notwithstanding the above, our Board is of the opinion that the shareholdings of our Directors and substantial shareholders in the above mentioned companies would not result in a material conflict of interest situation.

Furthermore, an audit committee comprising a majority of independent directors which is required to be formed under the Listing Requirements will, inter-alia, monitor any transactions between our Group and our Directors and substantial shareholders and/or persons connected with them.

For further details of conflicts of interests and mitigating factors, please refer to Section 13.2.

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**5. RISK FACTORS (Cont'd)**

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**5.5 Other risks****5.5.1 We are dependent on political, economic and government regulations which are outside our control**

Political developments and changing economic conditions in Malaysia and other countries where palm oil is currently being exported to, could affect the financial prospects of our Group. Examples of these political and economic uncertainties include but not limited to changes in labour laws and availability of foreign labour, interest rates, foreign exchange rates, methods of taxation, tariffs and duties. The bilateral relationships between the major trading partners of Malaysia in relation to CPO also play an important factor in demand as these countries represent the biggest buyers of Malaysia's palm oil products.

Notwithstanding this, we have not experienced any significant adverse developments in political and economic conditions in the past that had adversely affected our palm oil operations and results. However, no assurance can be given that there will be no adverse political developments and/or changing economic conditions which will affect our Group's performance.

**5.5.2 We are subject to environmental laws as well as environmental risks**

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

We have always conformed to the environmental regulatory requirements and carry out consistent monitoring of our environmental practices to ensure that we conform and exceed industry standard. Although no guarantee can be given for full compliance with the relevant laws, we are confident that our current environmental practices are sufficient in minimising the likelihood of contravention of these applicable laws.

**5.5.3 We are subject to foreign exchange risk**

Our business involves the cultivation of oil palm and processing and marketing of CPO, PK and FFB, which are transacted in USD. Thus, any fluctuations in foreign exchange rates may have an adverse effect on our financial performance.

Currently our management does not have any hedging policies against foreign exchange exposure. However, future expansion of our operations including overseas will increase the foreign exchange risk faced by our Group. We will, if deemed necessary by our Board, enter into foreign currency forward contracts or other hedging instruments to hedge against adverse foreign currency movements.



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**5. RISK FACTORS (Cont'd)**

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**5.5.4 Our actual results may vary significantly from the consolidated profit forecast in this Prospectus**

Certain information and assumptions used in preparing the consolidated financial forecast based on historical experiences of our Group are subject to inherent uncertainties and contingencies, while some are judgemental in nature. Owing to the subjective judgements and inherent uncertainties of the consolidated financial forecast especially over a prolonged period and because events and circumstances may not take place as expected, actual future results may vary significantly from the profit forecast in this Prospectus.

These differences may be material. Investors should understand the descriptions of the assumptions and uncertainties underlying the consolidated profit forecast contained in this Prospectus. If doubtful, prospective investors should consult their professional advisers before taking any action.

**5.5.5 Our forward-looking statements may not be accurate**

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on our estimates, forecasts and assumptions. Although believed to be reasonable, these estimates, forecasts and assumptions are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include but are not limited to general economic and business conditions, competition, fluctuations in CPO and PK prices and the impact of new laws and regulations affecting our Group.

In light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation by us or our adviser that the plans and objectives of our Group will be achieved.

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## 6. INDUSTRY OVERVIEW

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### 6.1 Malaysian economy for year 2006 and outlook for year 2007

The Malaysian economy strengthened in 2006, with real gross domestic product (GDP) expanding by 5.9%. The robust global growth during the year resulted in strong demand for electronics and primary commodities. Consumer spending remained strong, benefiting from higher disposable incomes arising from strong export earnings, high commodity prices and favourable labour market conditions. Private investment continued to increase, with significant capital expenditure in the manufacturing, services and oil and gas sectors.

The positive investment climate was also reflected in the higher gross foreign direct investments inflows in 2006, with the manufacturing and oil and gas sectors being the main beneficiaries. Favourable corporate earnings over several years now have left companies with stronger financial positions, enabling them to fund the bulk of their capital expenditure internally. The bulk of the expansion in capital spending occurred in the manufacturing, services and upstream oil and gas sectors.

The expansion of production capabilities in the off-estate processing industry also reflected a strong expansion in the commodities-related downstream sector in expectation of strong demand.

During the year, the Federal Government remained committed to implementing development projects that improved socio-economic conditions, both in the rural and the urban areas. Of importance, capital spending for the provision of roads and utilities and the upgrading of educational facilities in rural areas has been accelerated. The bulk of the expenditure in the economic services sector were mainly channeled into improving the transportation and industrial infrastructure as well as broadening the agriculture base.

Rising CPO prices and stronger demand for commodities have encouraged additional capital spending in crop expansion. CPO production continued to expand by 6.1% to 15.9 million tonnes, representing the fourth consecutive year of strong growth. The increase in production was a result of expansion in matured areas (2.0% to 3.7 million hectares), and the rise in yields in terms FFB by 3.8% to 19.6 tonnes per hectare. Better harvesting management and the efficient application of agricultural inputs led to the higher yields. In terms of region, Peninsular Malaysia, which accounted for more than half of the total production, was responsible for the higher increase in output during the year, while output in Sabah grew at a more moderate pace.

Prices of palm oil remained supportive of the industry in 2006 with the CPO delivery price averaging RM1,521 per tonne, or an increase of 8.8%. The increase was fuelled by strong demand for new uses, namely in the production of biodiesel as well as demand from food producers in the United States of America ("USA") to substitute palm oil for other edible oils containing trans fatty acids.

While prices remained range-bound in the region of RM1,400 – RM1,550 per tonne in the first 10 months of the year amidst the strong increase in supply and higher stocks, prices subsequently trended higher to close at RM2,000 at end-2006. Nevertheless, CPO remained competitive against the other major edible oils, with the price discount to soya bean oil and rapeseed oil widening further during the year to USD121 per tonne and USD316 per tonne, respectively.

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**6. INDUSTRY OVERVIEW (Cont'd)**

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Growth in output was matched by a strong export performance during the year. Palm oil exports to China increased substantially due primarily to the abolition of quotas on edible oils as well as the imposition of a flat tariff structure (9.0% rate) across imports of all edible oils effective 1 January 2006. This amendment to the tariff structure has enabled palm oil to compete on a level playing field with other edible oils in the market. Consequently, the share of exports to China increased to account for about one quarter of total exports. Meanwhile, purchases by India declined further due to changes in the import tariff structure that favoured other oils such as soya bean and rapeseed. Demand from the US continued to register strong growth for the third consecutive year, as US food manufacturers increasingly used palm oil in the food industry.

A major development in the palm oil industry during the year has been the strong interest in palm oil-based biodiesel, mainly for the export market. Among the renewable energy resources, palm oil has distinct advantages over other sources both in terms of price competitiveness as well as readily available supply. During the year, the industry had attracted significant investments given the strong external demand for biodiesel and attractive tax incentives provided.

As of end of 2006, the government had approved 84 biodiesel plants with a total annual capacity of 9.45 million tonnes. By the end of 2007, annual biodiesel capacity is expected to reach approximately 1 million tonnes, all of which meets the international standard known as EN 14214. This would enable the palm oil industry to move up the value chain toward downstream processing, creating a new source of export earnings and stabilising palm oil price movements in future.

*(Source: Bank Negara Malaysia Annual Report 2006)*

**6.2 The palm oil industry**

The Malaysian oil palm industry recorded an impressive performance in 2006. Export earnings of oil palm products rose to a record RM 31.8 billion, while palm oil stocks declined and prices firmed up sharply especially during the last quarter of the year. The industry also saw exciting developments shaping up in the local biofuel industry with the Honourable Prime Minister launching the Envo Diesel (palm olein blend with diesel) and the first integrated palm oil biodiesel plant using MPOB technology in March and August 2006 respectively.

The production of crude palm oil increased further by 6.1% to 15.9 million tonnes in 2006 from 15.0 million tonnes the previous year. The increase was mainly attributed to the expansion in matured areas by 2.0% and rise in the average fresh fruit bunches yield per hectare by 3.8% to 19.6 tonnes due to better management and agricultural inputs.

The total exports of oil palm products, constituting of palm oil, palm kernel oil, palm kernel cake, oleochemicals and finished products increased by 8.1% or 1.51 million tonnes to 20.13 million tonnes in 2006 from 18.62 million tonnes recorded in 2005.

Exports of palm oil increased by 7.1 % to 14.40 million tonnes from 13.45 million tonnes in 2005. China maintained its position as the biggest export market for Malaysian palm oil for the fifth consecutive year with off takes totalling 3.58 million tonnes or 24.9% of total palm oil exports, followed by the European Union ("EU"), Pakistan, US, India, Japan and Bangladesh. Together they accounted for 9.32 million tonnes or 64.7% of total Malaysian palm oil exports in 2006.

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**6. INDUSTRY OVERVIEW (Cont'd)**

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The abolishment of the Tariff Rate Quota effective 1 January 2006 for vegetable oils coupled with the price competitiveness of palm oil against soya bean oil had a very significant impact on Malaysian palm oil exports into China. Higher demand for palm oil in the EU came from both the edible and non-edible sectors. The lower import duty on processed palm oil in line with AFTA Commitment was the contributing factor for increased exports to Vietnam. The higher import volume to the USA was driven by the new trans-fat labelling law which came into effect on 1 January 2006, while exports to Jordan increased mainly due to re-exports to the Iraqi market.

The major markets for oleochemicals were the EU, China, USA and Japan. The major oleochemical products exported are fatty acids followed by soap noodles and fatty alcohol.

Exports of finished products increased by 7.4% to 420,319 tonnes from 391,389 tonnes in 2005. The major markets for palm oil finished products in 2006 were Kuwait, Pakistan, Saudi Arabia, the United Arab Emirates ("UAE") and Russia. The major product exported under this group was shortening.

Palm oil stocks closed at 1.51 million tonnes, a drop of 0.1 million tonnes or 6.1% compared to the previous year's closing level of 1.6 million tonnes. The main factor for the decline was the sharp fall in crude palm oil production by 26.3% or 407,605 tonnes in December against the previous month because of the massive floods that disrupted harvesting in some of the major oil palm growing areas. However, palm kernel oil closing stocks rose by 54.6% to 0.36 million tonnes due to larger availability of supplies.

The average prices of oil palm products in the domestic market recovered in 2006. Positive market sentiments arising from the anticipated demand from the biodiesel industry coupled with higher soya bean oil prices were the contributing factors for the upward trend in palm oil prices. In addition, the rise in world crude oil prices also spurred local palm oil market sentiments.

The average CPO price increased by 8.4% or RM116.50 to RM1,510.50 in 2006 against RM1,394.00 the previous year. Prices which traded in the narrow range during the first nine months of 2006 subsequently traded higher during the last quarter of the year.

CPO production in 2007 is projected at 16.5 million tonnes, a small growth considering the impact of the recent floods in the affected oil palm areas and a possible El-Nino weather phenomenon occurring this year. Coupled with this and the projected higher growth in the world oils and fats demand against production, the outlook for palm oil prices in 2007 is expected to be positive.

*(Source: The MPOB website at [www.mpob.gov.my](http://www.mpob.gov.my))*

**6.2.1 Industry growth for the past three (3) years**

The plantation sector in Malaysia has continued to expand expeditiously over the last ten (10) years. Malaysia is one of the leading producers and exporters of palm oil for over a decade. The progressive pursuit of oil palm cultivation has evolved Malaysia from a mere producer of CPO into a more diversified producer of new and value-added downstream food and non-food products.

**6. INDUSTRY OVERVIEW (Cont'd)**

The growth of the palm oil industry in Malaysia for the past three (3) years from 2004 to 2006 is set out below:

**Total oil palm plantation area in Malaysia**

	2004	2005	2006
<b>Plantation Area (000 Ha)</b>			
Mature	3,451	3,631	3,703
Immature	424	420	462
Total planted	3,875	4,051	4,165

**Yield of FFB in Malaysia**

	2004	2005	2006
<b>Yield (MT/Ha)</b>			
FFB	18.60	18.88	19.60

**Production of CPO and PK in Malaysia**

	2004	2005	2006
<b>Production (000 MT)</b>			
CPO	13,976	14,962	15,881
PK	3,661	3,964	4,125

**Extraction rate of palm oil in Malaysia**

	2004	2005	2006
<b>OER (%)</b>	20.03	20.15	20.04
<b>KER (%)</b>	5.25	5.34	5.20

(Source: *Malaysian Oil Palm Statistics 2006 (26th Edition and the MPOB website at [www.mpob.gov.my](http://www.mpob.gov.my) (where relevant))*)

**6.2.2 Plantation area in Malaysia**

The total oil palm planted area registered with MPOB rose by 2.8% to 4.17 million Ha at the end of 2006 as against the previous year. This was due mainly to area expansion in Sabah and Sarawak which collectively experienced a 4.5% increase in planted area while Peninsular Malaysia recorded a marginal increase of 35,639 Ha or 1.6%. Sabah remained the largest oil palm planted state with 1.24 million Ha or 30% of the planted area.

**6. INDUSTRY OVERVIEW (Cont'd)**

A summary of oil palm plantation areas in Malaysia over the past three (3) years from 2004 to 2006 is set out below:

	Oil Palm Plantation Area (000 Ha)		
	2004	2005	2006
Peninsular Malaysia			
- Planted	2,202	2,299	2,334
- Matured	1,964	2,069	2,093
Sabah			
- Planted	1,165	1,209	1,240
- Matured	1,081	1,123	1,140
Sarawak			
- Planted	508	543	591
- Matured	406	440	471
<b>Total</b>			
- Planted	3,875	4,051	4,165
- Matured	3,451	3,632	3,704

**Distribution of Oil Palm Plantation Area in Malaysia  
(As a % of total planted area in Malaysia)**

	2004	2005	2006
Peninsular Malaysia	57%	57%	56%
Sabah	30%	30%	30%
Sarawak	13%	13%	14%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(Source: Malaysian Oil Palm Statistics 2006 (26th Edition))



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**6. INDUSTRY OVERVIEW (Cont'd)**


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**6.3 Industry players and competition**

As palm oil is a globally traded commodity, our Group faces competition from both within and outside the country.

**6.3.1 Competition from other producers**

The following table lists the major palm oil producers in the world and their respective CPO production output (in MT '000) over the past three 3 years:

Year	Malaysia	Indonesia	Nigeria	Others	Total
2004	13,976	12,350	790	3,793	30,909
2005	14,962	14,070	800	3,900	33,732
2006	15,881	15,900	815	4,137	36,733

(Source: *Malaysian Oil Palm Statistics 2006 (26th Edition)*)

**6.3.2 Competition from other edible oils**

Competition in the form of other edible oils comes from mainly soya bean oil, rapeseed oil and sunflower oil. Research advances including genetic modification technologies may reduce the production cost of other oil seeds in time to come.

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

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

**6.3.3 Competition from local producers*****Plantation***

In 2006, smallholders and mini plantation owners contributed 11% or 454,896 Ha of the total oil palm plantation area of 4,165,215 Ha in Malaysia. Private estates accounted for the largest share at 59% or 2,476,135 Ha of the total oil palm cultivated area. Meanwhile, Government schemes (i.e. Federal Land Development Authority ("FELDA"), Federal Land Consolidation and Rehabilitation Authority Berhad ("FELCRA"), Rubber Industry Smallholders Development Authority ("RISDA") and State schemes) accounted for the remaining 30% or 1,234,185 Ha.

(Source: *Review of the Malaysian Oil Palm Industry 2006 (26th Edition)*)

As palm oil is a commodity, there is minimal competition amongst the local plantation owners and smallholders in selling their FFB to the mills at the prevailing prices. Nevertheless, local industry players compete for land and labour. As more and more oil palm estates are being developed, lands for new developments are getting more difficult to procure. This has resulted in higher land prices as well as the cost of development of land with marginally suitable soil. Availability of labour is another concern in the local palm oil industry. All these factors have caused an increase in the production cost per tonne of palm oil.



## 6. INDUSTRY OVERVIEW (Cont'd)

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

Some of the major oil palm plantation industry players in Malaysia are listed below:

Name	Oil Palm Planted Area (Ha)
1. FELDA	690,054 <sup>(1)</sup>
2. Kumpulan Guthrie Berhad	269,571 <sup>(2)</sup>
3. Golden Hope Plantation Berhad	170,333 <sup>(2)</sup>
4. IOI Corporation Berhad	144,055 <sup>(2)</sup>
5. Kuala Lumpur Kepong Berhad	123,462 <sup>(2)</sup>
6. PPB Oil Palms Berhad	104,014 <sup>(2)</sup>
7. Sime Darby Berhad	80,163 <sup>(2)</sup>
Our Group	27,170

### Sources:

(1) *Felda website statistics for year 2004 at [www.felda.net.my](http://www.felda.net.my).*

(2) *Respective annual reports 2006 of the above companies.*

We were specially incorporated as the vehicle company for the privatisation of SLDB's assets. We believe that if there is any competition at all with the major players above, it will be for land availability in Sarawak, whereby, we may have greater advantage over these major players as several of our Directors and substantial shareholders have credible standing in the business community in Sarawak, which will be a valuable factor for our Group in enhancing our competitiveness.

### 6.4 Relevant laws and regulations governing the industry/sector

Malaysia is a major global producer of palm oil which has contributed significantly to the economy over the years. To ensure the industry remain competitive and efficient, the Malaysian Government has taken various measures to support the palm oil industry.

MPOB is the premier government agency entrusted to serve the country's oil palm industry. Its main role is to promote and develop national objectives, policies and priorities for the well-being of the Malaysian palm oil industry.

MPOB was incorporated by an Act of Parliament (Act 582) and established on 1 May 2000, taking over, through a merger, the functions of the Palm Oil Research Institute of Malaysia and the Palm Oil Registration and Licensing Authority. Each of these respective organisations has been involved in the oil palm industry for more than 20 years and it is to render more effective services as well as to give greater national and international focus to the industry that MPOB was instituted.

*(Source: MPOB website at [www.mpob.gov.my](http://www.mpob.gov.my))*

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**7. INFORMATION ON OUR GROUP**


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**7.1 Incorporation**

We were incorporated in Malaysia on 28 October 1997 under the Act as a private limited company under the name of Sarawak Plantation Sdn Bhd. We were converted into a public company on 1 February 2000 and assumed our present name. SPB was specially incorporated as the vehicle company for the privatisation of SLDB's assets. SPB commenced its business in 1997. Please refer to Section 8.1 for information on our history and background.

Our principal activity is investment holding whilst the principal activities of our subsidiaries are set out in Section 7.3 of this Prospectus.

**7.2 Share capital**

Our authorised share capital is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each of which 250,000,000 ordinary shares of RM1.00 each are issued and fully paid-up.

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

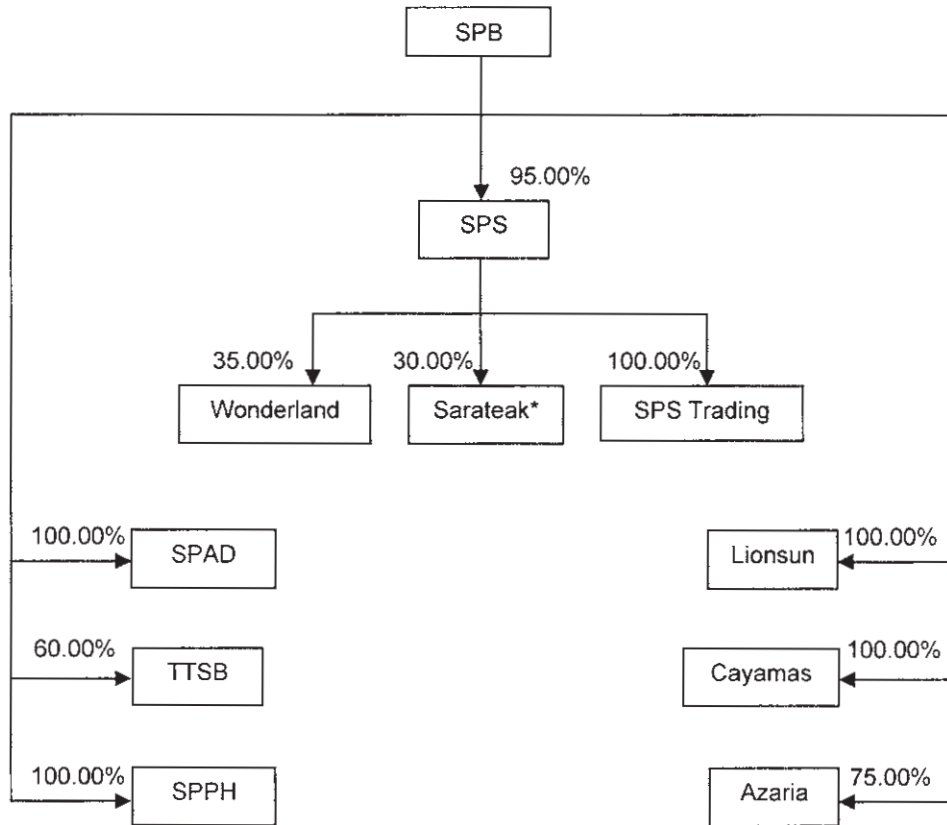
<b>Date of allotment</b>	<b>No of Shares</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Total issued and paid-up ordinary share capital RM</b>
28.10.1997	2	1.00	Cash (Subscribers' shares)	2
05.11.1997	99,998	1.00	Cash	100,000
30.12.1999	134,900,000	1.00	Issued in settlement of amount owing by SPB to SLDB in relation to the privatisation of SLDB's assets	135,000,000
05.07.2007	115,000,000	1.00	Bonus issue	250,000,000

We do not have any outstanding warrants, options, convertibles or uncalled capital.

**7. INFORMATION ON OUR GROUP (Cont'd)**

**7.3 Subsidiaries and associated companies**

The corporate structure of our Group is set out below:



**Note:**

\* Members have resolved to voluntarily wind-up the company and a liquidator has been appointed for this purpose.

## 7. INFORMATION ON OUR GROUP (Cont'd)

Our subsidiaries and associated companies as at the date of this Prospectus are as follows:

Name	Date and country of incorporation	Issued and paid-up capital RM	Effective interest %	Principal activities
Azaria	27.07.1993, Malaysia	4	75.00	Dormant
Cayamas	27.07.1993, Malaysia	4	100.00	Dormant
Lionsun	02.11.1993, Malaysia	100	100.00	Dormant
Sarateak <sup>(1)(3)</sup>	02.10.1996, Malaysia	100,000	28.50	Business of teak nurseries
SPAD	06.02.1995, Malaysia	10,000,000	100.00	Cultivation of oil palm and processing of FFB into CPO and PK
SPPH	13.10.1997, Malaysia	1,000,000	100.00	Property investment
SPS	27.03.1992, Malaysia	100,000	95.00	Provision of management, agronomic, consultancy and marketing services
SPS Trading <sup>(2)</sup>	26.09.1994, Malaysia	2	95.00	Marketing agent and dealer in water tank and farm machineries
TTSB	02.10.1997, Malaysia	2,660,000	60.00	Cultivation of oil palm
Wonderland <sup>(1)</sup>	27.01.1995, Malaysia	1,000,000	33.25	Provision of transportation services

**Notes:**

(1) An associated company of SPS.

(2) A wholly-owned subsidiary of SPS.

(3) Members have resolved to voluntarily wind-up the company and a liquidator has been appointed for this purpose.

### 7.3.1 Azaria

#### (i) History and business

Azaria was incorporated in Malaysia under the Act on 27 July 1993 as a private limited company under its present name and commenced operations in 1994. Azaria is currently dormant.

#### (ii) Share capital

The authorised share capital of Azaria is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 4 ordinary shares have been issued and fully paid-up.

**7. INFORMATION ON OUR GROUP (Cont'd)**

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Resultant issued and paid-up share capital RM
27.07.1993	2	1.00	Subscribers' shares	2
26.10.1993	2	1.00	Cash	4

Azaria does not have any outstanding warrants, options, convertibles or uncalled capital.

**(iii) Substantial shareholders**

The substantial shareholders of Azaria as at 6 July 2007 are as follows:

Name	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares held	%	No. of ordinary shares held	%
SPB	3	75.00	-	-
Ibrahim Baki	1	25.00	-	-
CCSB	-	-	<sup>(1)</sup> 3	75.00
SFS	-	-	<sup>(1)</sup> 3	75.00
TBSB	-	-	<sup>(2)</sup> 3	75.00
Datuk Hasmi	-	-	<sup>(2)</sup> 3	75.00
Datuk Abdul Hamed	-	-	<sup>(3)</sup> 3	75.00

**Notes:**

- (1) Deemed interested pursuant to Section 6A of the Act by virtue of its interest in SPB.
- (2) Deemed interested pursuant to Section 6A of the Act by virtue of his/its interest in CCSB.
- (3) Deemed interested pursuant to Section 6A of the Act by virtue of his interest in CCSB and TBSB.

**(iv) Subsidiary and associated company**

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

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**7. INFORMATION ON OUR GROUP (Cont'd)**


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**7.3.2 Cayamas****(i) History and business**

Cayamas was incorporated in Malaysia under the Act on 27 July 1993 as a private limited company, under its present name and commenced operations in 1994. Cayamas is currently dormant.

**(ii) Share capital**

The authorised share capital of Cayamas is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 4 ordinary shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Resultant issued and paid-up share capital RM
27.07.1993	2	1.00	Subscribers' shares	2
19.10.1993	2	1.00	Cash	4

Cayamas does not have any outstanding warrants, options, convertibles or uncalled capital.

**(iii) Substantial shareholder**

Cayamas is a wholly-owned subsidiary of SPB.

**(iv) Subsidiary and associated company**

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

**7.3.3 Lionsun****(i) History and business**

Lionsun was incorporated in Malaysia under the Act on 2 November 1993 as a private limited company under its present name and commenced operations in 1996. Lionsun is currently dormant.

**(ii) Share capital**

The authorised share capital of Lionsun is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 100 ordinary shares have been issued and fully paid-up.

**7. INFORMATION ON OUR GROUP (Cont'd)**

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Resultant issued and paid-up share capital RM
02.11.1993	2	1.00	Subscribers' shares	2
25.01.1994	98	1.00	Cash	100

Lionsun does not have any outstanding warrants, options, convertibles or uncalled capital.

**(iii) Substantial shareholder**

Lionsun is a wholly-owned subsidiary of SPB.

**(iv) Subsidiary and associated company**

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

**7.3.4 Sarateak****(i) History and business**

Sarateak was incorporated in Malaysia under the Act on 2 October 1996 as a private limited company under its present name. Sarateak is principally involved in the business of teak nurseries. The members of the company have resolved to voluntarily wind-up Sarateak and a liquidator has been appointed for this purpose.

**(ii) Share capital**

The authorised and issued and paid-up share capital of Sarateak is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 ordinary shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Resultant issued and paid-up share capital RM
02.10.1996	2	1.00	Subscribers' shares	2
14.02.1997	1	1.00	Cash	3
28.07.1997	99,997	1.00	Cash	100,000

Sarateak does not have any outstanding warrants, options, convertibles or uncalled capital.



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**7. INFORMATION ON OUR GROUP (Cont'd)**


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**(iii) Substantial shareholders**

The substantial shareholders of Sarateak as at 6 July 2007 are as follows:

Name	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares held	%	No. of ordinary shares held	%
SPS	30,000	30.00	-	-
Musa anak Giri	40,000	40.00	-	-
Ling Nguang Hong @ Ling Ngwang Hong	30,000	30.00	-	-
SPB	-	-	<sup>(1)</sup> 30,000	30.00
CCSB	-	-	<sup>(2)</sup> 30,000	30.00
SFS	-	-	<sup>(2)</sup> 30,000	30.00
TBSB	-	-	<sup>(3)</sup> 30,000	30.00
Datuk Hasmi	-	-	<sup>(3)</sup> 30,000	30.00
Datuk Abdul Hamed	-	-	<sup>(4)</sup> 30,000	30.00

**Notes:**

- (1) Deemed interest pursuant to Section 6A of the Act by virtue of its interest in SPS.
- (2) Deemed interest pursuant to Section 6A of the Act by virtue of its interest in SPB.
- (3) Deemed interest pursuant to Section 6A of the Act by virtue of his/its interest in CCSB.
- (4) Deemed interest pursuant to Section 6A of the Act by virtue of his interest in CCSB and TBSB.

**(iv) Subsidiary and associated company**

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

**7.3.5 SPAD****(i) History of business**

SPAD was incorporated in Malaysia under the Act on 6 February 1995 as a private limited company under the name of Titian Mara Sdn Bhd and subsequently changed to its present name on 11 December 1997. The principal activities of SPAD are cultivation of oil palm and processing of FFB into CPO and PK. SPAD commenced its business in 1997.

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**7. INFORMATION ON OUR GROUP (Cont'd)**


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**(ii) Share capital**

The authorised and issued and paid-up share capital of SPAD is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each of which 10,000,000 ordinary shares have been issued and fully paid-up.

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

<b>Date of allotment</b>	<b>No. of ordinary shares allotted</b>	<b>Par value RM</b>	<b>Consideration</b>	<b>Resultant issued and paid-up share capital RM</b>
06.02.1995	2	1.00	Subscribers' shares	2
30.12.1999	9,999,998	1.00	Issued in settlement of amount owing by SPAD to SPB	10,000,000

SPAD does not have any outstanding warrants, options, convertibles or uncalled capital.

**(iii) Substantial shareholders**

SPAD is a wholly-owned subsidiary of SPB.

**(iv) Subsidiary and associated company**

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

**7.3.6 SPPH****(i) History and business**

SPPH was incorporated in Malaysia under the Act on 13 October 1997 as a private limited company under the name of Giat Cemerlang Sdn Bhd and subsequently changed to its present name on 11 December 1997. The principal activity of SPPH is in property investment. SPPH commenced its business in 1997.

**(ii) Share capital**

The authorised and issued and paid-up share capital of SPPH is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which 1,000,000 ordinary shares have been issued and fully paid-up.

## 7. INFORMATION ON OUR GROUP (Cont'd)

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Resultant issued and paid-up share capital RM
13.10.1997	2	1.00	Subscribers' shares	2
30.12.1999	999,998	1.00	Issued in settlement of amount owing by SPAD to SPB	1,000,000

SPPH does not have any outstanding warrants, options, convertibles or uncalled capital.

**(iii) Substantial shareholder**

SPPH is a wholly-owned subsidiary of SPB.

**(iv) Subsidiary and associated company**

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

### 7.3.7 SPS

**(i) History and business**

SPS was incorporated in Malaysia under the Act on 27 March 1992 as a private limited company under its present name. SPS was incorporated as a 95%-owned subsidiary of SLDB pursuant to the corporatisation of the SLDB's management in October 1993. SPS commenced its business in 1992.

SPS's principal activities are provision of management, agronomic, consultancy and marketing services. SPS also carries out other activities through its subsidiary, SPS Trading and associated companies, Wonderland and Sarateak, details of which are set out in Sections 7.3.8, 7.3.10 and 7.3.4 respectively.

**(ii) Share capital**

The authorised share capital of SPS is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 100,000 ordinary shares have been issued and fully paid-up.

## 7. INFORMATION ON OUR GROUP (Cont'd)

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Resultant issued and paid-up share capital RM
27.03.1992	2	1.00	Subscribers' shares	2
12.05.1992	99,998	1.00	Cash	100,000

SPS does not have any outstanding warrants, options, convertibles or uncalled capital.

### (iii) Substantial shareholder

The substantial shareholders of SPS as at 6 July 2007 are as follows:

Name	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares held	%	No. of ordinary shares held	%
SPB	95,000	95.00	-	-
SFS	5,000	5.00	<sup>(1)</sup> 95,000	95.00
CCSB	-	-	<sup>(1)</sup> 95,000	95.00
TBSB	-	-	<sup>(2)</sup> 95,000	95.00
Datuk Hasmi	-	-	<sup>(2)</sup> 95,000	95.00
Datuk Abdul Hamed	-	-	<sup>(3)</sup> 95,000	95.00

#### Notes:

- (1) Deemed interest pursuant to Section 6A of the Act by virtue of its interest in SPB.
- (2) Deemed interest pursuant to Section 6A of the Act by virtue of his/its interest in CCSB.
- (3) Deemed interest pursuant to Section 6A of the Act by virtue of his interest in CCSB and TBSB.

### (iv) Subsidiary and associated companies

As at the date of this Prospectus, SPS has a wholly-owned subsidiary, SPS Trading, a 35%-owned associated company, Wonderland, and another 30%-owned associated company, Sarateak. Information on SPS Trading, Wonderland and Sarateak are set out in Sections 7.3.8, 7.3.10 and 7.3.4 respectively.

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**7. INFORMATION ON OUR GROUP (Cont'd)**


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**7.3.8 SPS Trading****(i) History and business**

SPS Trading was incorporated in Malaysia under the Act on 26 September 1994 as a private limited company under its present name and commenced operations in 1995. The principal activities of SPS Trading are to carry on business as a marketing agent and dealer in water tank and farm machineries.

**(ii) Share capital**

The authorised share capital of SPS Trading is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Resultant issued and paid-up share capital RM
26.09.1994	2	1.00	Subscribers' shares	2

SPS Trading does not have any outstanding warrants, options, convertibles or uncalled capital.

**(iii) Substantial shareholders**

SPS Trading is a wholly-owned subsidiary of SPS.

**(iv) Subsidiary and associated company**

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

**7.3.9 TTSB****(i) History and business**

TTSB was incorporated in Malaysia under the Act on 2 October 1997 as a private limited company under its present name. TTSB was incorporated pursuant to a joint venture scheme between SPB and SLDB to assist NCR owners to develop NCR lands. TTSB is principally involved in the cultivation of oil palms and commenced its business in 1999.

**(ii) Share capital**

The authorised share capital of TTSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 2,660,000 ordinary shares have been issued and fully paid-up.

## 7. INFORMATION ON OUR GROUP (Cont'd)

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Resultant issued and paid-up share capital RM
02.10.1997	2	1.00	Subscribers' shares	2
29.12.1999	2,659,998	1.00	RM1,861,998 in cash and RM798,000 other than cash	2,660,000

TTSB does not have any outstanding warrants, options, convertibles or uncalled capital.

### (iii) Substantial shareholder

The substantial shareholders of TTSB as at 6 July 2007 are as follows:

Name	Direct		Indirect	
	No. of ordinary shares held	%	No. of ordinary shares held	%
SPB	1,596,000	60.00	-	-
Pelita Holdings Sdn Bhd	1,064,000	*40.00	-	-
CCSB	-	-	<sup>(1)</sup> 1,596,000	60.00
SFS	-	-	<sup>(1)</sup> 1,596,000	60.00
TBSB	-	-	<sup>(2)</sup> 1,596,000	60.00
Datuk Hasmi	-	-	<sup>(2)</sup> 1,596,000	60.00
Datuk Abdul Hamed	-	-	<sup>(3)</sup> 1,596,000	60.00
LCDA	-	-	<sup>(4)</sup> 1,064,000	*40.00

#### Notes:

\* The 30% shareholdings of the NCR participants in TTSB are held by LCDA through Pelita Holdings Sdn Bhd.

(1) Deemed interest pursuant to Section 6A of the Act by virtue of its interest in SPB.

(2) Deemed interest pursuant to Section 6A of the Act by virtue of his/its interest in CCSB.

(3) Deemed interest pursuant to Section 6A of the Act by virtue of his interest in CCSB and TBSB.

(4) Deemed interest pursuant to Section 6A of the Act by virtue of its interest in Pelita Holdings Sdn Bhd.



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**7. INFORMATION ON OUR GROUP (Cont'd)**


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**(iv) Subsidiary and associated company**

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

**7.3.10 Wonderland****(i) History and business**

Wonderland was incorporated in Malaysia under the Act on 27 January 1995 as a private limited company under its present name. The principal activities of Wonderland are in the business of provision of transportation services in respect of CPO and PK. Wonderland commenced its business in 1995.

**(ii) Share capital**

The authorised share capital of Wonderland is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares have been issued and fully paid-up.

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

<b>Date of allotment</b>	<b>No. of ordinary shares allotted</b>	<b>Par value RM</b>	<b>Consideration</b>	<b>Resultant issued and paid-up share capital RM</b>
27.01.1995	500,000	1.00	Subscribers' shares	500,000
29.06.2001	250,000	1.00	Otherwise than in cash	750,000
29.06.2002	250,000	1.00	Otherwise than in cash	1,000,000

Wonderland does not have any outstanding warrants, options, convertibles or uncalled capital.

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**7. INFORMATION ON OUR GROUP (Cont'd)**


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**(iii) Substantial shareholder**

The substantial shareholders of Wonderland as at 6 July 2007 are as follows:

Name	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares held	%	No. of ordinary shares held	%
Wonderland Leisure Sdn Bhd	550,000	55.00	-	-
SPS	350,000	35.00	-	-
SALCRA	100,000	10.00	-	-
SPB	-	-	<sup>(1)</sup> 350,000	35.00
CCSB	-	-	<sup>(2)</sup> 350,000	35.00
SFS	-	-	<sup>(2)</sup> 350,000	35.00
TBSB	-	-	<sup>(3)</sup> 350,000	35.00
Datuk Hasmi	-	-	<sup>(3)</sup> 350,000	35.00
Datuk Abdul Hamed	-	-	<sup>(4)</sup> 350,000	35.00
Keripin anak Nangkai	-	-	<sup>(5)</sup> 550,000	55.00
Musa anak Giri	-	-	<sup>(5)</sup> 550,000	55.00
Joshua anak Patrick Uding	-	-	<sup>(5)</sup> 550,000	55.00

**Notes:**

- (1) Deemed interest pursuant to Section 6A of the Act by virtue of its interest in SPS.  
(2) Deemed interest pursuant to Section 6A of the Act by virtue of its interest in SPB.  
(3) Deemed interest pursuant to Section 6A of the Act by virtue of his/its interest in CCSB.  
(4) Deemed interest pursuant to Section 6A of the Act by virtue of his interest in CCSB and TBSB.  
(5) Deemed interest pursuant to Section 6A of the Act by virtue of his interest in Wonderland Leisure Sdn Bhd.

**(iv) Subsidiary and associated company**

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

## 7. INFORMATION ON OUR GROUP (Cont'd)

### 7.4 Approvals, major licenses and permits

The material licenses of our Group together with its salient conditions and status of compliance are as follows:

Licences and Permit Held By	Type of Licence/Permit	Location	Issuing Authority	Effective date	Expiry date of licence	Salient conditions	Status of Compliance
SPB	(i) Trading licence	Corporate office, Kuching	BPTLO	22.11.2006	21.11.2007	Renewable every year	Complied
	(ii) Trading licence	Head office, Miri	BPTLO	20.05.2007	19.05.2008	Renewable every year	Complied
SPAD	(i) Trading licence	Corporate office, Kuching	BPTLO	22.11.2006	21.11.2007	Renewable every year	Complied
	(ii) Trading licence	Head office, Miri	BPTLO	20.05.2007	19.05.2008	Renewable every year	Complied
	(iii) Licence to sell, buy and transfer of FFB, sell and transfer of CPO, sludge palm oil ("SPO") and PK, milling of FFB, and storage of CPO, SPO and PK	Mukah Mill and Niah Mill	MPOB	01.10.2006	30.09.2007	Processing of FFB not exceeding MPOB limit of 570,000 MT per annum. It is renewable every year	Complied

## 7. INFORMATION ON OUR GROUP (Cont'd)

Licences and Permit Held By	Type of Licence/Permit	Location	Issuing Authority	Effective date	Expiry date of licence	Salient conditions	Status of Compliance
SPAD (Cont'd)	(iv) Licence to occupy and use the premises	Mukah Mill and Niah Mill	Department of Environment	01.07.2007	30.06.2008	Processing FFB not exceeding the approved rated throughput of 60 tonnes per hour	Complied
						Standard limit for POME discharge to watercourse or land application	Complied
						Particulate emission from boiler chimney not exceeding 0.4 gram per normal meter cube	Complied
						10% of effluent may be utilised for mixing with compost	Complied
	(v) Oil palm seedlings production	Mukah 3 and Subis 2 Estates	MPOB	01.10.2006	30.09.2007	Renewable every year	Complied
	(vi) Selling and transport of FFB	Bukit Peninjau, Sungai Tangit, Ladang 3, Ladang Surea, Ladang Kosa, Subis 1, Subis 2, Subis 3, Sawai, Melugu, Mukah 1, Mukah 3 and Sri Duan Estates	MPOB	01.05.2007	30.04.2008	Renewable every year	Complied

## 7. INFORMATION ON OUR GROUP (Cont'd)

Licences and Permit Held By	Type of Licence/Permit	Location	Issuing Authority	Effective date	Expiry date of licence	Salient conditions	Status of Compliance
SPAD (Cont'd)	(vii) The State Sales Tax Regulations 1998 Certificate for Registration	Corporate office, Kuching	State Treasury Department Sarawak	19.10.1998	No expiry date indicated	Taxable business for the sale of CPO	Complied
SPS	(i) Trading licence	Corporate office, Kuching	BPTLO	22.11.2006	21.11.2007	Renewable every year	Complied
	(ii) Trading licence	Head office, Miri	BPTLO	03.10.2006	02.10.2007	Renewable every year	Complied
SPPH	Trading licence	Head office, Miri	BPTLO	20.05.2007	19.05.2008	Renewable every year	Complied
SPS Trading	Trading licence	Head office, Miri	BPTLO	13.01.2007	12.01.2008	Renewable every year	Complied
TTSB	(i) Trading licence	Head office, Miri	BPTLO	25.06.2007	24.06.2008	Renewable every year	Complied
	(ii) Selling and transport of FFB	TTSB (Sawai)	MPOB	01.04.2007	31.03.2008	Renewable every year	Complied
Wonderland	Trading licence	Wonderland's office, Kuching	BPTLO	01.04.2007	31.03.2008	Renewable every year	Complied

## 7. INFORMATION ON OUR GROUP (Cont'd)

### 7.5 Listing Scheme

In conjunction with our Initial Public Offering, we undertook a restructuring exercise involving the following:

#### 7.5.1 Dividend

Our Board had recommended a net dividend of RM125,000,000 for the financial year ended 31 December 2005. Our Board had recommended an additional dividend of RM15,000,000 after the approval of the SC, to make up to a total of RM140,000,000.

A net dividend of RM80,000,000 had been paid to our existing shareholders on 8 August 2006 during the financial year ended 31 December 2006. As such, the remaining net dividend of RM60,000,000 forms part of our listing scheme which was approved by the SC via its letter dated 2 February 2007. The remaining net dividend of RM60,000,000 had been paid on 21 May 2007.

#### 7.5.2 ESS

The Offerors, together with us implemented a share scheme for the benefit of the employees of our Company and our subsidiaries. The ESS involved the sale of 135,000 Shares by the Offerors, on a proportionate basis to their then existing shareholdings in our Company to the eligible employees of our Company and our subsidiaries.

The Offerors offered a total of 135,000 Shares to the eligible and selected employees of our Company and our subsidiaries at the offer price of RM1.90 per Share as part of a reward and incentive scheme for employees. The net proceeds of the sale of the Shares pursuant to the ESS were forwarded to the Offerors based on their respective contributions.

Details of the number of Shares sold by these shareholders under the ESS are set out below:

	No. of Shares held before ESS	%	No. of Shares sold pursuant to the ESS	%
CCSB	68,850,000	51.00	68,850	51.00
SFS	66,050,001	48.93	66,051	48.93
SLDB	99,999	0.07	99	0.07
	135,000,000	100.00	135,000	100.00

We implemented the ESS to reward the plantation/mill employees such as clerks, survey assistants, mechanics, laboratory assistants, engine drivers, electricians, boilermen, process assistants, junior and field supervisors. These employees are basically belonging to the lower income group of our Company and our subsidiaries who are involved in the day-to-day operations of our Company and our subsidiaries. Accordingly, the ESS will allow the eligible employees to participate more actively in our operations and future growth and encourage them to contribute to the future growth through their equity participation in us at a cheaper entry point.

These employees under the ESS are not eligible to participate in the Offer for Sale on those Shares allocated for the eligible Directors and employees of our Company and our subsidiaries.



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**7. INFORMATION ON OUR GROUP (Cont'd)**


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The ESS was completed after the Dividend but prior to the Bonus Issue. As such, our Shares under the ESS was not entitled to the Dividend but was entitled to the Bonus Issue. The ESS was completed on 18 June 2007.

**7.5.3 SFS Divestment**

One of our substantial shareholders, SFS, had on 19 June 2007 (which is after the Dividend and ESS have been completed but prior to the implementation of the Bonus Issue), disposed of its 18,800,001 Shares to the following persons at the price of RM2.00 per Share:

	<b>No. of Shares</b>
Dayak CF	6,266,667
YBMS	6,266,667
YS	6,266,667
	<hr/>
	<b>18,800,001</b>

The Shares under the SFS Divestment was not entitled to the Dividend but was entitled to the Bonus Issue. These shareholders will not participate in the Offer for Sale.

**7.5.4 Bonus Issue**

Subsequent to the ESS and SFS Divestment but prior to the Initial Public Offering, we implemented a bonus issue of 115,000,000 new Shares to be issued to all our shareholders then on the basis of about 0.8519 new Shares for every one (1) Share held after the ESS and SFS Divestment.

After the completion of the Bonus Issue, our issued and paid-up share capital increased from RM135,000,000 comprising 135,000,000 Shares to RM250,000,000 comprising 250,000,000 Shares.

The Bonus Issue was capitalised partly from the share premium and retained earnings of our Company.

The Bonus Shares rank equally in all respects with our existing Shares. The Bonus Issue was completed on 5 July 2007.

**7.5.5 Initial Public Offering**

We and the Offerors are undertaking an initial public offering comprising the Offer for Sale and Public Issue, the details of which are included in Section 4.

**7.5.6 Listing**

Upon completion of the Dividend, ESS, SFS Divestment, Bonus Issue and Initial Public Offering, our entire enlarged issued and paid-up share capital of RM280,000,000 comprising 280,000,000 Shares will be listed and quoted on the Main Board of Bursa Securities.

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## 8. HISTORY AND BUSINESS OVERVIEW

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### 8.1 Our history and background

We were incorporated in Malaysia on 28 October 1997 under the Act as a private limited company under the name of Sarawak Plantation Sdn Bhd. We were converted into a public company on 1 February 2000 and assumed our present name. SPB commenced its business in 1997. SPB was specially incorporated as the vehicle company for the privatisation of SLDB's assets, via an agreement dated 25 November 1999 between SLDB (as vendor) and, SFS and CCSB (as purchasers of our Shares). Our Group Managing Director and several of our key management personnel were the shareholders of CCSB at that time. Since 20 July 2005, the substantial shareholders of CCSB include, collectively, Datuk Abdul Hamed, Datuk Hasmi and TBSB.

SLDB is a body corporate established by the Sarawak Land Development Board Order, 1972, under the Land Development Ordinance 1956. The primary functions of SLDB are the development of large-scale agriculture in the form of oil palm plantations in Sarawak with the objective of creating employment opportunities, increase income and improve the standard of living of the rural community.

The privatisation of SLDB's assets to us comprising oil palm plantations, milling facilities and related assets was effected through the transfer of SLDB's assets in exchange for new Shares. With this privatisation, all principal assets of SLDB are now owned and managed by SPB, SPAD and SPPH.

The transfer of SLDB's assets to SPB, SPAD and SPPH was evidenced through an SPA dated 29 March 1998 executed between SLDB and SPB, SPAD and SPPH. The main features of the SPA are:

- (i) SLDB sells all its lands and assets to SPB, SPAD and SPPH; and
- (ii) SLDB undertakes to pursue the application for unalienated lands with due diligence and to procure the issue of the documents of title to these unalienated lands to our relevant subsidiaries.

The following summarises the activities of our Group:

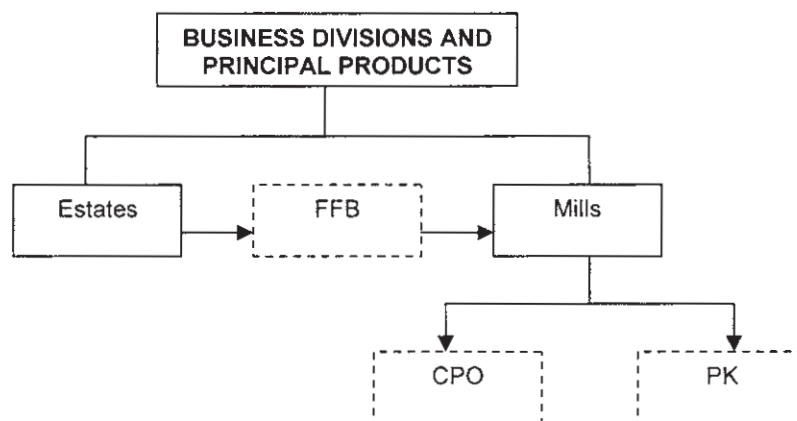
- (1) develop, cultivate and manage oil palm plantation on large scale;
- (2) milling of FFB into CPO and PK;
- (3) property investments;
- (4) laboratory services for oil palm; and
- (5) act as an investor to cultivate NCR land into oil palm estates.

## 8. HISTORY AND BUSINESS OVERVIEW (Cont'd)

### 8.2 Our products and principal markets

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

- (i) Estates which produce FFB; and
- (ii) Mills which process FFB into CPO and PK.



#### 8.2.1 Products

We are in the business of producing CPO and PK. CPO is extracted from the mesocarp of the fruits, whilst PK is derived from the nuts of the fruits. Our production of CPO and PK for the past three (3) years ended 31 December 2006 are as follows:

Production (MT)	-----Years ended 31 December----->		
	2004	2005	2006
CPO	86,090	89,144	84,078
PK	21,060	23,272	20,824

#### 8.2.2 Principal markets

Our products are sold to refiner, feedmiller and poultry farms in Sarawak. The main buyer of our CPO and PK is BEO. We believe that BEO is currently one of the largest oil refiners and PK crushers in Sarawak.

We do not export our products to other countries.

**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

Our CPO and PK sales for the past three (3) years are set out below:

Year	<-----BEO----->		Others including feedmiller and poultry <-----farms----->		<-----Total----->	
	CPO	PK	CPO	PK	CPO	PK
	MT	MT	MT	MT	MT	MT
2004	84,462	20,529	627	-	85,089	20,529
2005	89,261	23,836	1,236	-	90,497	23,836
2006	78,261	19,077	3,259	-	81,520	19,077

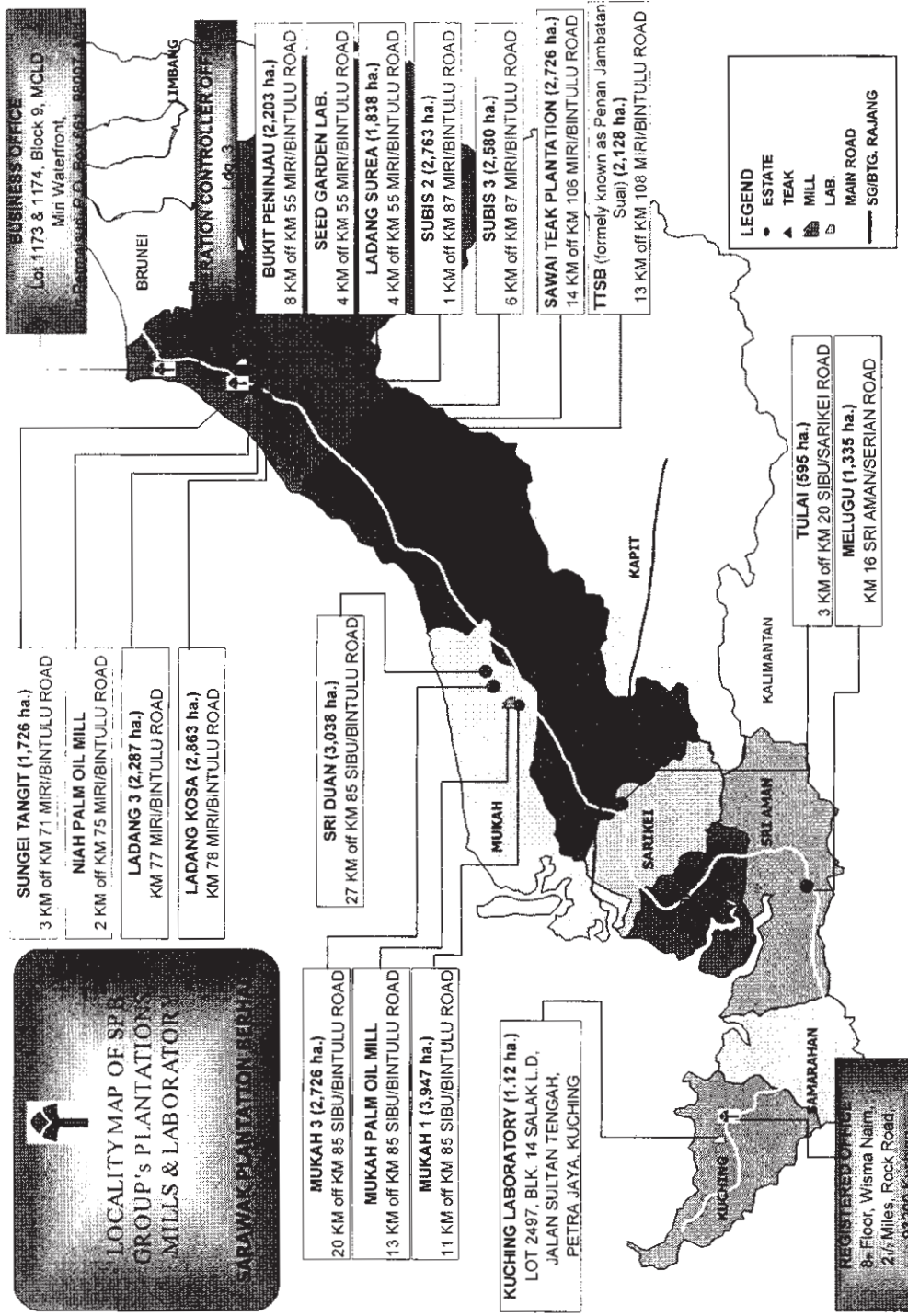
Please refer to Section 8.6 for details of our major customers.

**8.3 Our operations and production****8.3.1 Location of operations**

The details of our registered office and business office are set out in Section 1 of this Prospectus.

8. HISTORY AND BUSINESS OVERVIEW (Cont'd)

The map showing the location of our mills and estates are set out below. Please refer to Section 12 for further details.





## 8. HISTORY AND BUSINESS OVERVIEW (Cont'd)

### 8.3.2 Plantation

We are one of the main players in oil palm plantation in Sarawak. As at 31 December 2006, SPAD, our wholly-owned subsidiary, has a land bank of 30,627 Ha and owns thirteen (13) oil palm estates with a total planted area of 25,315 Ha.

For the year 2006, we produced a total of 351,682 MT of FFB. These oil palm plantations were supported by our own palm oil mills located at Niah and Mukah, which are within close proximity of our plantations.

In response to the State Government's policy on NCR land development, we through our subsidiary, TTSB, has started to develop 1,855 Ha of NCR land in Sarawak into oil palm plantation. As at 31 December 2006, this 1,855 Ha of NCR land have been fully planted with oil palm.

With these, our combined planted hectareage in 2006 totalled 27,170 Ha. In 2006, our mills produced 84,078 MT of CPO representing about 5.6% of Sarawak's total CPO production of 1,503,122<sup>(1)</sup> MT in 2006.

**Note:**

(1) Source: *Malaysian Oil Palm Statistics 2006 (26th Edition)*.

The details of our plantation hectareage and maturity of crops as at 31 December 2006 are as follows:

Plantation	Immature (less than 3 years) Ha	Young mature (3 to less than 7 years) Ha	Prime mature (7 to less than 27 years) Ha	Old mature (27 years onwards) Ha	Total area planted Ha	Road, buildings, utilities and others Ha	Total area Ha
SPAD	5,638	5,560	11,556	2,561	25,315	5,312	30,627
TTSB	-	1,031	824	-	1,855	273	2,128
<b>Total</b>	<b>5,638</b>	<b>6,591</b>	<b>12,380</b>	<b>2,561</b>	<b>27,170</b>	<b>5,585</b>	<b>32,755</b>

The FFB from our estates located along the Miri-Bintulu Highway and the Sibumukah Road, are transported to our mills located in Niah and Mukah. The distance from our estates to our mills ranges from 4 km to 50 km. As these mills are within close vicinity of the estates, we are able to move the FFB to our mills within 24 hours after harvesting.



**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

The total production of FFB from our matured areas and the average yield per hectare for the past three (3) years ended 31 December 2006 and for the three (3) months ended 31 March 2007 are as follows:

	<-----Year ended 31 December----->			For three (3) months period ended 31 March 2007
	2004	2005	2006	
FFB Production (MT)	385,468	374,314	351,682	64,049
Net weighted average mature hectareage	20,792	19,626	20,135	20,182
<b>Average yield per hectare (MT/Ha)</b>				
Our Group	18.54	19.07	17.47	3.17
Sarawak <sup>(1)</sup>	13.92	14.69	15.48	Not available
Malaysia <sup>(1)</sup>	18.60	18.88	19.60	Not available

**Note:**

(1) Source: Malaysian Oil Palm Statistics 2006 (26th Edition)

**8.3.3 Milling**

We currently have two (2) mills, namely, Mukah Mill located in the Mukah Division and Niah Mill, which is located in the Miri Division, both in Sarawak. Both mills were handed over to us in 1998 under the privatisation of SLDB's assets.

Mukah Mill was commissioned in 1981 with the capacity of 25 MT/hour. This mill was upgraded to 60 MT/hour in 2004 (which represents the current capacity) with the addition of one (1) new processing line.

Niah Mill was commissioned in 1976 with the capacity of 60 MT/hour. This mill is being upgraded to 120 MT/hour in 2007. The current capacity of the Niah Mill is 60 MT/hour.

The FFB throughput for the Niah Mill and Mukah Mill for the year 2006 were 314,743 MT and 91,161 MT respectively. These represented around 87% and 25% of the maximum capacity of each mill of 360,000 MT per annum.

**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

The production records of our two (2) mills for the past three (3) financial years ended 31 December 2006 and for the three (3) months financial period ended 31 March 2006 and 2007 are as follows:

	<-----Year ended 31 December----->			For three (3) months period ended 31		
	2004	2005	2006	<----- March -----> 2006	2007	
<b>Intake of FFB (MT)</b>						
Niah Mill	317,314	329,238	314,743	72,240	60,576	
Mukah Mill	97,748	99,813	91,161	17,486	13,084	
<b>Total</b>	<b>415,062</b>	<b>429,051</b>	<b>405,904</b>	<b>89,726</b>	<b>73,660</b>	
<b>Output of CPO (MT)</b>						
Niah Mill	67,311	69,722	65,581	15,013	12,106	
Mukah Mill	18,779	19,422	18,497	3,404	2,541	
<b>Total</b>	<b>86,090</b>	<b>89,144</b>	<b>84,078</b>	<b>18,417</b>	<b>14,647</b>	
<b>Output of PK (MT)</b>						
Niah Mill	15,941	17,623	15,939	3,752	2,865	
Mukah Mill	5,119	5,649	4,885	959	676	
<b>Total</b>	<b>21,060</b>	<b>23,272</b>	<b>20,824</b>	<b>4,711</b>	<b>3,541</b>	
<b>OER average extraction rate (%)</b>						
Niah Mill	21.21	21.18	20.84	20.78	19.98	
Mukah Mill	19.21	19.46	20.29	19.47	19.43	
<b>Weighted average</b>	<b>20.74</b>	<b>20.78</b>	<b>20.71</b>	<b>20.53</b>	<b>19.89</b>	
<b>Kernel average extraction rate (%)</b>						
Niah Mill	5.02	5.35	5.06	5.19	4.73	
Mukah Mill	5.24	5.66	5.36	5.48	5.17	
<b>Weighted average</b>	<b>5.07</b>	<b>5.42</b>	<b>5.13</b>	<b>5.25</b>	<b>4.81</b>	
	<b>OER average extraction rate (%)</b>			<b>Kernel average extraction rate (%)</b>		
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Our Group	20.74	20.78	20.71	5.07	5.42	5.13
Sarawak <sup>(1)</sup>	21.11	21.58	21.49	4.31	4.64	4.51
Malaysia <sup>(1)</sup>	20.03	20.15	20.04	5.25	5.34	5.20

**Note:**

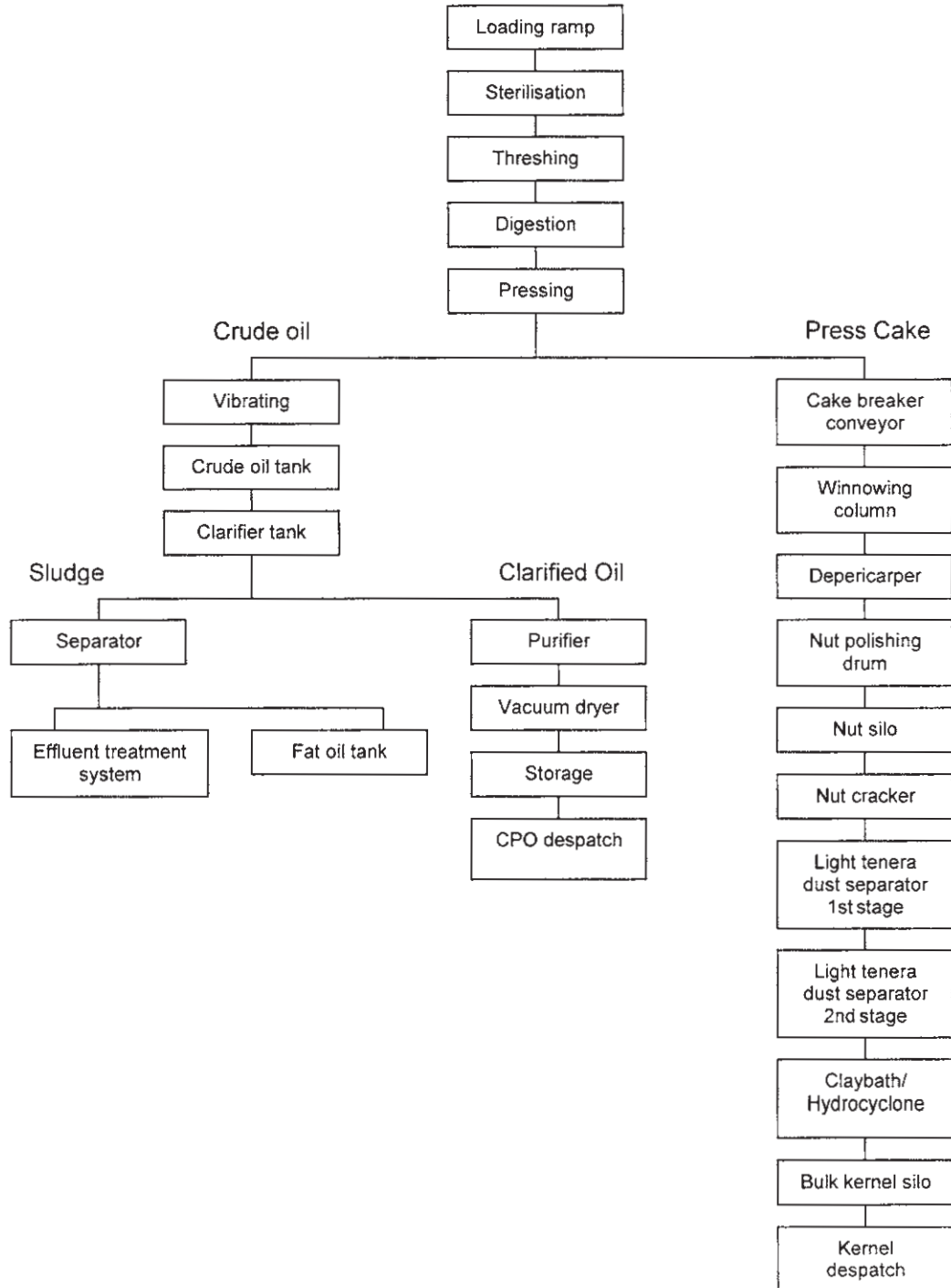
(1) Source: Malaysian Oil Palm Statistics 2006 (26th Edition) and MPOB statistic at [www.mpob.gov.my](http://www.mpob.gov.my) (where relevant)

8. HISTORY AND BUSINESS OVERVIEW (Cont'd)

8.3.4 Milling process

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

The extraction of CPO and PK involves the following processes:



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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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

**(1) FFB reception at the mill**

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

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

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

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

**(2) Sterilisation of FFB**

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

The cycle time for the sterilisation process is 90 minutes under a temperature of 145°C and pressure of three (3) barg. The main objectives of sterilisation are:

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

**(3) Threshing**

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

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

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

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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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**(4) Disposal of EFB**

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

**(5) Fruit digestion**

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

In the digester, the fruits are mashed by sets of stirring arms which creates relative circular and vertical movement of fruits. Steam is injected to maintain the temperature at between 95°C to 100°C.

The aim of this process is to:

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

**(6) Pressing**

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

**(7) Crude oil purification and clarification**

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

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

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

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

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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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

**(8) Oil storage tank**

The purified and dried oil (now known as CPO) is then conveyed via pipes and stored in the oil storage tanks before despatch. The oil in the storage tank is heated using closed steam coils to maintain a temperature of 55°C. A constant homogeneity is maintained by using circulation pumps. Our mills have twelve (12) tanks with total storage capacity of about 15,000 MT.

**(9) Separation of sludge**

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

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

**(10) Depericarper**

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

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

**(11) Nut drying silo**

The cleaned nuts are then sent to the nut silo for drying. The moisture content of the nuts is reduced from 25% to 12% within a time span of 14 hours. The temperature of the hot air used for drying of the nut is regulated to prevent discolouration of the kernel. Drying will detach the kernel inside the nut from the nut shell, and this will facilitate cracking and separation at a later stage.



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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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**(12) Ripple mill and winnower**

Dried nuts are fed into ripple mills to crack the shells. The cracked mixtures comprising kernel and shell is fed into first stage winnowers where the lighter shell fragments and any remaining fibre are blown off for boiler fuel.

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

The broken kernel and shell mixtures are then fed into a hydrocyclone and/or claybath via a conveyor.

**(13) Hydrocyclone**

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

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

**(14) Kernel drying silo**

The kernels are dried in hot air heated by steam in a heat exchanger in the kernel silo. The drying time and temperature is regulated to give proper dryness consistency and moisture content.

**(15) Kernel bulking silo**

The dried PK is stored in a bulking silo before despatch. The total storage capacity for the mills are 500 MT.

**(16) Power plant**

The power plant consists of the steam boiler and steam turbine generator. Fibre and shells are burnt in the boiler as fuel to generate steam which will in turn drive the turbine to produce electricity. The electricity is used to run the mills, offices and staff quarters. Diesel generators are only used as standby units, and are run to provide electricity for the mills' office and mill maintenance during non-processing hours.

**8.3.5 Revenue and production cycle**

The revenue of the palm oil industry is closely related to the movement in prices of edible oils and fats. Also, the movement in prices of edible oils and fats corresponds with the movement in demand and supply factors. The decrease in palm oil stock level and the increase in demand would raise the price of commodity and vice-versa. The cyclical trend has a direct correlation with the changes in the prices of palm oil.

Palm oil is a perennial crop and is subjected to physiological stress on a cyclical basis. Please refer to Section 5.3.3 for further details.

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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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**8.4 NCR land development**

**8.4.1 NCR land**

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

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

Provided that:

- (i) until a document of title has been issued in respect thereof, such land shall continue to be state land and any native lawfully in occupation thereof shall be deemed to hold by licence from the state government and shall not be required to pay any rent in respect thereof unless and until a document of title is issued to such person; and
- (ii) the question whether any such right has been acquired or has been lost or extinguished shall, save in so far as the Sarawak Land Code makes contrary provision, be determined by the law in force immediately prior to the 1st day of January, 1958.

*(Source: Laws of Sarawak, Land Code, Chapter 81, Compiled in the State Attorney-General's Chambers, Kuching)*

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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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**8.4.2 NCR land development scheme for oil palm plantation**

The NCR land development scheme involves bringing together NCR landowners with their land and the private sector with their financial resources and technological expertise, to develop idle and under-utilised NCR land for large-scale development notably for plantation development on a joint venture basis.

The NCR land development scheme helps to develop the idle land of the NCR landowners into modern plantation estates with the provision of adequate infrastructure facilities such as roads, buildings, factories, schools and other amenities that will increase the value of their land as well as their standard of living.

In order to facilitate the formation of such joint ventures and to safeguard the interests of both landowners and the investor, the State Government will appoint its agency such as LCDA or SLDB as Trustee to manage the interests of the landowners.<sup>(1)</sup>

The government agency will hold in trust the interests of the NCR landowners. The trustee will form a Joint Venture Company ("JVC") with a well established private sector company approved by the State Government. Land title will be issued to the JVC for a period of sixty (60) years (2 plantation cycles) for an agreed value. The monetary value generated by the use of the land will be used for two (2) types of investments:

- (a) as 30% equity in the JVC (long term investment); and
- (b) as cash for investment in unit trusts (investment with fast return).<sup>(1)</sup>

**Note:**

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

We have been involved in the development of NCR land for oil palm plantation since 1999. A subsidiary company was incorporated under TTSB to undertake the development of 1,855 Ha of communal reserve land allocated to the Penan community for oil palm plantation. This is a joint venture project between us as developer and investor, LCDA as trustee and the Penan community as landowners and NCR participants.

The equity structure of the project has been determined by the State Government on the basis of 60% SPB (as investor), 30% NCR (as participants) and 10% LCDA (as trustee) respectively. The 30% shareholdings of the NCR participants in TTSB are held on behalf of them by LCDA through Pelita Holdings Sdn Bhd. The site of the oil palm estate is within Sawai Land District, Ulu Niah, Miri. It is located approximately 50 km from the Niah Mill in Miri. The project is expected to benefit the Penan community living within Kampong Penan of Jambatan Suai Miri.

## 8. HISTORY AND BUSINESS OVERVIEW (Cont'd)

### 8.5 Ancillary activities

#### 8.5.1 Integrated cattle farming

We have also initiated cattle integration farming in our oil palm estates.

Cattle integration farming has to some extent assist our estates in its weeds management programme and will eventually contribute to significant weeding cost reduction once unwanted noxious weed not consumed by the cattle are being eradicated. Lesser use of weedicides is favourable for the environment.

#### 8.5.2 Planting of teak (*Tectona Grandis*) trees

*Tectona Grandis*, commonly known as teak is commonly used in the furniture industry.

In December 1997, we planted 585 hectares of teak trees at Sawai Teakwood Estate in Sawai Land District in Miri, where the hilly and broken topography of the landscape of the area is unsuitable for the planting of our palms.

### 8.6 Our major customers

Our Group's major customer (those individually contributing 10% or more of sales) for the three (3) financial years ended 31 December 2006 and for the three (3) months financial period ended 31 March 2007 is set out in the table below:

Customer	Nature of business	Length of relationship (years)	Revenue for the financial year ended 31 December						For three (3) months period ended 31 March	
			<-----2004----->		<-----2005----->		<-----2006----->		<-----2007----->	
			RM 000	%	RM 000	%	RM 000	%	RM 000	%
BEO	Sale of CPO	8 years	135.77	99	121.76	99	116.43	96	26.14	98
BEO	Sale of PK	8 years	20.00	100	22.01	100	15.47	100	4.35	100

Due to the geographical proximity of our oil palm mills to BEO's refinery as well as the competitive pricing offered by BEO, all PK and the nearly all CPO and PK produced by the our Group are sold to BEO for further processing.

We have been supplying CPO and PK to BEO for the past eight (8) years and we have not encountered any major problems in dealing with BEO.

Notwithstanding the above, if BEO is not able to purchase CPO and PK from us in the future for whatever reason, we would be able to sell our CPO and PK to other buyers as CPO and PK have ready markets.



**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)****8.7 Our major suppliers**

Our Group has long-term relationships with our suppliers mainly for the procurement of seeds for planting materials and fertilizers. Our Group's major suppliers (those individually contributing 10% or more of purchases) for the three (3) financial years ended 31 December 2006 and for the three (3) months financial period ended 31 March 2007 are set out in the table below:

Supplier	Length of relationship (years)	Purchases for the financial year ended 31 December						For three (3) months period ended 31 March	
		<-----2004----->		<-----2005----->		<-----2006----->		<-----2007----->	
		RM 000	%	RM 000	%	RM 000	%	RM 000	%
Hap Seng Sasco Fertilizers Sdn Bhd (formerly known as SASCO Sdn Bhd)	8	9,345	62	10,560	57	4,737	37	-	-
Asean Bintulu Fertilizer Sdn Bhd	8	2,571	17	3,464	19	-	-	-	-
Behn Meyers & Co (M) Sdn Bhd	8	1,669	11	3,232	18	441	3	-	-
Evergreen Fortune Synergy Sdn Bhd	1	-	-	-	-	2,449	19	-	-
Bio Agro Product Sdn Bhd	1	-	-	-	-	3,728	29	-	-

There is a change in the supply from our suppliers throughout the past three (3) years as the current suppliers are able to offer us better pricing for the fertilizers under a pricing tender process, as compared to the previous suppliers.

In addition, we had set up our own oil palm seed garden in collaboration with the MPOB, with production starting in 2006. We regularly review our procurement policies and procedures to ensure that we are purchasing at competitive prices.

**8.8 Our quality control**

Our milling and plantation processes are governed by strict quality control systems. Every stage in the process is guided by its own set of quality control procedures and work instructions as outlined in the plantation operation manuals. As quality of FFB input determines the mills' performances, FFB are graded by bunch weight, ripeness and year of planting in accordance to MPOB's recommended guidelines and practices. Our graders are trained to identify the various categories of FFB classifications.

Our quality control includes ensuring optimal harvesting rounds, cutting the ripe fruit bunches only and collecting loose fruit and prompt delivery of FFB to mills. In addition, our mills grade the FFB and provide feedbacks to our estates on the grading results. Co-ordination and co-operation between our estates and our mills is vital for achieving good OER.

The quality of CPO is determined by the level of FFA, DOBI value, moisture and impurities present in the oil. FFA build-up in FFB, and subsequently presence in CPO, is primarily due to enzymatic hydrolysis of the oil inside the ripened fruits which are not harvested and/or processed at optimal time. Therefore the level of FFA present in the CPO will depend on the quality of FFB delivered to the mills. FFA is undesirable because it increases solubility of metals such as iron and copper in the oil thereby promoting oxidation of the oil.

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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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We adopt the following measures to ensure quality products:

- (i) The FFB crops harvested from our estates are despatched to our mills on the same day to maintain crop quality;
- (ii) Our people only harvest ripe fruit bunches (including collection of loose fruits) and at the right intervals;
- (iii) At the ramp, FFB handling is minimised in order to reduce oil losses and to achieve lower levels of FFA;
- (iv) The sterilisation cycle selection is based on crop ripeness. A longer sterilisation time will be selected for under-ripe and extraordinary big bunches to ensure that the steam permeates into the core thoroughly, which in turn facilitates the subsequent threshing process. A shorter sterilisation time is selected for overripe and small bunches;
- (v) Digestion efficiency is checked closely as poorly mashed fruitlets give rise to higher oil losses in the extraction units while excessive digestion will lead to reduced pressing efficiency;
- (vi) All the milling processes are closely monitored to ensure minimal losses in the processing lines. For the storage of CPO and PK, circulation, ventilation and temperature are constantly checked and controlled to maintain their freshness; and
- (vii) All machinery are under stringent maintenance programmes to ensure operational efficiency.

Samples of CPO and PK produced are taken from the mills regularly and are analysed by our laboratories in accordance to guidelines published by MPOB. This is to ensure that the CPO and PK produced comply with relevant standards and technical specifications, especially the levels of acidity, moisture and impurities in the CPO and PK.

Other samples from the intermediate process line are also taken to check the operations conform to the specifications and control parameters. Before delivery to the refinery, CPO and PK are checked again for quality on each tanker load.

We also regularly engage professional agronomists and plantation consultants to conduct analyses and studies on the palm nutrient status, palm leaves, palm appearance, ground conditions, pests and diseases, EFB application, pruning, yields, manuring plan and fertilizer programme.

**8.9 Our R&D**

Our R&D objectives are as follows:

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



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## **8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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Our palm oil mills currently have laboratory for process control and quality determination purposes. The laboratory is capable of analysing all milling process parameters such as FFA, DOBI value, oil content, moisture, kernel qualities and bio-chemical oxygen demand. It has an engineering workshop capable of fabrication, welding, machining and repairing work. We are constantly researching new process systems to enhance our operational capability and efficiency.

We have also benefited, directly and indirectly, from various researches undertaken by various government agencies like MPOB which has enabled us to increase the quantity and improve the quality of our products.

We are collaborating with MPOB to carry out R&D to improve our business both in the upstream and downstream activities, such as establishing seed garden to produce oil palm seeds for both in-house and outside parties, conducting fertilizer trials to optimise fertilizer usage and implementing integrated pest management system to improve on our pest and disease control.

### **8.10 Our prospects**

#### **8.10.1 Diversity of end product**

The end products of palm oil comprise a wide range of basic necessity products such as cooking oil, shortening, margarine, confectionary fats, detergents, vitamin E, pharmaceutical products, animal feed, cosmetic products, plastic products and emulsifiers.

The potential increase in the usage of palm oil products, palm oil by-products and palm oil wastes, will provide new opportunities for us to diversify into various downstream activities.

#### **8.10.2 Strengths and competitive advantages**

Our strengths and competitive advantages include the following:

**(i) Availability of existing resources for future expansion**

We are currently replanting on approximately 4,272 Ha of our estates and plan to replant approximately 2,560 Ha in the next two (2) years. Once completed, these estates may not require any replanting over the next seven (7) to ten (10) years.

Our current immature areas will enable us to increase FFB production in the next few years as these planted areas mature. The yield will also increase in line with the age of the trees. This is expected to improve our earnings capacity in the next few years.

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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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**(ii) Capability to increase yield and efficiency**

In 2006, our Group achieved an average FFB yield of 17.47 MT per Ha which is 13% higher than the average FFB yield in Sarawak of 15.48<sup>(1)</sup> MT per Ha. This achievement was a result of effective and efficient plantation management practices and relatively larger area of prime mature palms over the total mature area.

**Note:**

(1) Source: *Malaysian Oil Palm Statistics 2006 (26th Edition)*.

In addition, our Group also uses planting methods such as high density planting, mechanisation, mulching and fertilization, as well as quality planting materials in order to improve the FFB quality and yields, and to reduce our planting and operating costs.

**(iii) Strategic location of plantation estates and palm oil mills**

Our estates are situated relatively close to Bintulu, Miri, Sibul and Mukah, the major towns in Sarawak and along the main Trans-Borneo highway linking Miri to Bintulu, and Mukah to Bintulu. Our estates have access to good infrastructure, thus reducing transportation costs and time from our estates to our mills and from our mills to the refinery.

**(iv) Experienced management team**

Our Directors and top management have extensive experience in the management of plantation operations. They are aptly supported by an experienced management team. Our senior management team have more than twenty (20) years experience in the cultivation of oil palm.

Please refer to Section 9 of this Prospectus for information on our people.

**(v) Strong corporate standing in Sarawak**

Our Board believes that several of our Directors and substantial shareholders have credible standing in the business community in Sarawak, which will be a valuable factor for our Group in enhancing our competitiveness.

**8.10.3 Market access/barriers to entry for new entrants**

Palm oil plantations are by nature capital intensive ventures as significant capital outlays are required for acquiring and developing the plantation land. Consequently, a big proportion of the oil palm cultivation is operated by private estates and government schemes and agencies.

The palm oil industry is characterised by the following characteristics:

- high initial capital outlay;
- long gestation period;
- competitive market for palm oil products and by-products; and
- skilled personnel and labour intensive.

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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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The main players in the market for oil palm and the level of competitiveness and saturation of the market are described in Section 6.3.3 of this Prospectus.

**8.11 Our future plans**

Our future plans are to ensure growth and to position us as a main player in the oil palm business participating in both up-stream and down-stream activities in Sarawak. It is our vision to increase our production capacity and venture into both up-stream and down-stream activities. Our short term and longer term plans are set out below:

**(a) Short term plans**

Our short term plans include the following:

**(1) Expansion of plantation hectarage**

We plan to increase our plantation hectarage through various methods, including, but not limited to, development of our own land bank, participation in NCR land development on a joint venture basis and procurement of additional land bank in Sarawak. This will enable us to increase our production of FFB and consequently increase our production of FFB into CPO and PK. We plan to develop and commence cultivation of oil palm on such lands of a total of approximately 7,000 Ha by 2008.

We have applied to the relevant authorities for alienation of certain state lands which are suitable for oil palm plantation. Some of the lands have already been alienated to us while others are being processed by the relevant authorities.

In addition, we are actively identifying other lands which are suitable for oil palm plantation which may include state lands and non-state lands. Once the preliminary study shows suitability and acceptability, we will proceed to, inter-alia, make the necessary applications to procure the alienation of lands to us and/or enter into agreements with third parties to acquire such lands. Upon obtaining the necessary land titles, we will commence work on these lands.

We will also continue to participate in the development of NCR lands. In this regard, we have registered our interest with the relevant authorities to develop certain lands earmarked by the authorities for development into oil palm plantation on a joint venture basis. With our expertise and experience, we believe that we will be able to further promote the development of NCR lands for the benefits of the local natives.

**(2) Increasing the capacity of our mills**

As mentioned in Section 8.3.3, we plan to upgrade the capacity of our Niah Mill from 60 MT/hour to 120 MT/hour in 2007 to cater for the expected increase of crops from our own plantation, as well as other smallholders and nearby estates. With this upgrade and our Mukah Mill, our total milling capacity will be 180 MT/hour. We have already started the upgrading works and we expect it to be completed by end of 2007.

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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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**(b) Long term plans**

Our long term plans comprise the following:

**(1) Further expansion of plantation hectarage**

We plan to increase our plantation hectarage and develop more oil palm plantations to a total of 40,000 Ha by 2010. This will be carried out through various methods, as mentioned in Section 8.11(a)(1) above.

**(2) Expansion of up-stream activities**

We already own 200 Ha of seeds garden which are currently capable of producing 0.5 million seeds. This enables us to reduce our reliance on external seeds suppliers whereby we can produce good quality of seedlings with higher oil yields.

We plan to increase our seed garden's capacity to a total of 4 million seeds by year 2011. This would enable us to have high quality seeds for our expansion plans and to support the increase in development of oil palm plantations in Sarawak.

**(3) Venture into down-stream activities**

We are also considering diversifying our business into various down-stream activities. Some of the activities include the following:

**(i) Biodiesel and co-generation from POME**

In view of the future prospects and great potential of biodiesel, we are eager to venture into the production of biodiesel from CPO as part of our expansion of down-stream activities. Our management team has visited some biodiesel plants in Europe and the United States of America in early 2006 to explore the possibility of procuring a biodiesel plant.

Biological treatment of POME generates gases such as methane, carbon dioxide and hydrogen sulphide where methane can be harnessed as fuel for gas engine to generate electricity. Currently, methane gas produced by the anaerobic digestion of POME in our effluent treatment ponds is released to the atmosphere as a potent greenhouse gas. Recently, there is a new technology introduced from overseas which has state-of-the-art equipment to capture and purify the methane gas to run the gas fired engine.

We are carrying out preliminary studies to assess the commercial viability of these products.

**(ii) Production of animal feed from palm fronds**

We can recycle wastes arising from our regular pruning of oil palm trees, into nutritious animal feeds which can support the requirements of growing cattle. This innovative technology means that we can recycle our wastes arising from our operations for other uses which may be profitable.

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**8. HISTORY AND BUSINESS OVERVIEW (Cont'd)**

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**(iii) Extraction of antioxidants from water-soluble fractions of palm oil and extraction of Vitamin E from palm fatty acid distillate**

There is a process available to recover valuable antioxidants with nutraceutical potential applications from the water-soluble fractions of palm oil. The crude extract (i.e. the palm fruit juice recovered through a process) is rich in phenolic antioxidants including flavonoids, polyphenols and phenolic acids and water-soluble vitamins and organic acids which may be consumed as fruit juices blended with other food ingredients.

We can also extract Vitamin E (tocopherols and tocotrienols) from fatty acids distillate after pre-treatment or refining process of CPO.

Our Directors believe that these two (2) products can potentially be marketed commercially which may be profitable. We are carrying out preliminary studies to assess the commercial viability of these products.

**(iv) Production of compost from EFB**

Our mills produce a large volume of EFB arising from our operations. We are considering venturing into composting the EFB in order to utilise wastes effectively and economically. Composting is a biological degradation of organic components of waste under controlled condition to produce a stable end product with high plant nutritional value and the application of conventional fertilizers in plantation area can be partly substituted. With the production of compost, not only will it benefit our own estates, it can be marketed for other uses such as new housing estates, golf course, organic farms and home gardens.

**8.12 Key achievements, milestones and awards**

Our key achievements, milestones and awards include the following:

- (i) Both our oil palm mills have been the recipient of the MPOB's palm oil milling certificates since 1988, in recognition of our competence in complying with all the MPOB's operating standards. Our mills are being audited by MPOB once in every two (2) years; and
- (ii) Our Mukah Mill received the MPOB's OER award for Malaysia in 1995 for good practice.

**8.13 Business interruption**

For the past twelve (12) months, there has been no significant interruption in our business which had a significant effect on the operations of our Group.



## 9. MANAGEMENT

### 9.1 Board of Directors

#### 9.1.1 Shareholdings

Based on our Register of Directors and Directors' Shareholdings as at 6 July 2007, the direct and indirect interests of our Directors in our Shares, before and after the Initial Public Offering are as follows:

Name	<-----As at 6 July 2007----->				<-----After Initial Public Offering----->			
	<---Direct--->		<-----Indirect----->		<---Direct--->		<-----Indirect----->	
	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
<b>Directors</b>								
Datuk Hasmi	-	-	<sup>(1)</sup> 127,372,500	50.95	<sup>(3)</sup> 250,000	0.09	<sup>(1)</sup> 103,816,297	37.08
Dato Sri Ahmad Tarmizi	-	-	-	-	<sup>(3)</sup> 200,000	0.07	-	-
Datuk Abdul Hamed	-	-	<sup>(2)</sup> 127,372,500	50.95	<sup>(3)</sup> 200,000	0.07	<sup>(2)</sup> 103,816,297	37.08
Haji Mohamad Bolhair	-	-	-	-	<sup>(3)</sup> 300,000	0.11	-	-
Haji Chaiti	-	-	-	-	<sup>(3)</sup> 100,000	0.04	-	-
Bolhan bin Berawi	-	-	-	-	<sup>(3)</sup> 150,000	0.05	-	-
Haji Yahya Haji Daud	-	-	-	-	<sup>(3)</sup> 150,000	0.05	-	-
Haji Abdul Hamid Ibrahim	-	-	-	-	<sup>(3)</sup> 150,000	0.05	-	-
YB Haji Hamden	-	-	-	-	<sup>(3)</sup> 50,000	0.02	-	-
Datu Haji Mohammed Sepuan	-	-	-	-	<sup>(3)</sup> 50,000	0.02	-	-
Azizi Morni	-	-	-	-	<sup>(3)</sup> 50,000	0.02	-	-
Polit Hamzah	-	-	-	-	<sup>(3)</sup> 50,000	0.02	-	-
Umang Nangku Jabu	-	-	-	-	<sup>(3)</sup> 50,000	0.02	-	-

**Notes:**

- (1) Deemed interest pursuant to Section 6A of the Act by virtue of his interest in CCSB.
- (2) Deemed interest pursuant to Section 6A of the Act by virtue of his interest in TBSB and CCSB.
- (3) Represents the number of Offer Shares to be allocated pursuant to the Reserved Offering and on the assumption that he/she will subscribe in full the Offer Shares allocated to him/her.

#### 9.1.2 Profiles

The profiles of our Directors are as follows:

**Datuk Hasmi**, aged 54, a Malaysian, was appointed as our Director on 30 August 2005. He is currently our Chairman. He graduated with a BSc in Estate Management from London South Bank University, United Kingdom in 1978. He is a member of The Institution of Surveyors Malaysia, a Senior Certified Valuer with International Real Estate Institute, USA and a member of The International Real Estate Federation (FIABCI). He began his career in 1979 as a valuer in the Land and Survey Department of Sarawak. Since 1982, he has been involved in a wide range of businesses, including valuation, project management, property development and management, timber, construction and publishing. He has been the Managing Director of Naim Cendera Holdings Berhad since 25 July 2003 as well as holding various directorships in other companies.



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**9. MANAGEMENT (Cont'd)**

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**Dato Sri Ahmad Tarmizi**, aged 44, a Malaysian, was appointed as our Director on 30 August 2005. He holds a Bachelor of Science (Business Administration) and a Masters of Business Administration. His current and previous employments include as the State Financial Secretary of Sarawak from 2004, Chief Executive Officer with Amanah Saham Sarawak Berhad between 1993 and 2002 and as an Investment Manager with both American International Assurance Co. Limited and Arab-Malaysian Merchant Bank Berhad.

Dato Sri Ahmad Tarmizi is the Chairman of Kuching Water Board, a Board Member of several Sarawak Government Agencies and Government Linked Companies such as SLDB, Sarawak Economic Development Corporation, Bintulu Development Authority, Sarawak Tourism Board, SALCRA, Sarawak Foundation and LCDA. In the corporate sector, amongst others, he is the Chairman of Sacofa Sdn Bhd and a Director of Amanah Saham Sarawak Berhad, Syarikat SESCO Berhad and Borneo Housing Mortgage Finance Berhad.

**Datuk Abdul Hamed**, aged 58, a Malaysian, was appointed as our Director on 30 August 2005. He holds a Bachelor of Science degree from University of Malaya and a Bachelor of Forestry from Australia National University. He also holds a Masters degree in Forest Products Utilisation from the Oregon State University.

He has been a substantial investor in a number of oil palm companies for about 10 years including such names as Ladang Selezu Sdn Bhd, Sebu Sdn Bhd, Medan Sepadu Sdn Bhd and Butrasemari Sdn Bhd. He is very active in timber, property/construction, trees planting as well as oil palm business. He has been the Executive Chairman of Ta Ann Holdings Berhad, a resource-based group since 1999, the Chairman and a substantial shareholder of Naim Cendera Holdings Berhad and the Chairman of SEB, a company that owns 100% of a power-generating company in Sarawak namely Syarikat SESCO Berhad. Ta Ann Holdings Berhad, Naim Cendera Holdings Berhad and SEB are listed on the Main Board of Bursa Securities.

**Haji Mohamad Bolhair**, aged 50, a Malaysian, has been our Group Managing Director since October 1997. His professional qualifications include being a Member of the Chartered Institute of Cost and Management Accountants, United Kingdom and a member of the Malaysian Institute of Management and he holds a Certificate in the KLCE Commodity Futures Trading since 1991. He started his career as an Accountant with Malaysia LNG Sdn Bhd in 1982. In 1987, he joined ASEAN Bintulu Fertiliser Sdn Bhd as a Financial Accountant and in 1988, he was promoted to Management Accountant with the same organisation. He left ASEAN Bintulu Fertiliser Sdn Bhd in 1990 to become the Deputy General Manager of SLDB. He was the General Manager of SLDB since 1992 until the appointment as Managing Director of SPS in October 1993. He was a Director of Suai Plantation Sdn Bhd from 1992 to 2004, Board Member of BEO from 1991 to 2004, Board Member of Palm Oil Research Institute of Malaysia from 1991 to 1992, Council Member of Malaysian Palm Oil Growers Council and Committee Member of United Planting Association of Malaysia. He is currently in the Board of MPOB, Advisor for Universiti Teknologi MARA and Convener and Committee Member for East Malaysia Planters Association, Sarawak Branch.

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**9. MANAGEMENT (Cont'd)**

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**Haji Chaiti**, aged 53, a Malaysian, was appointed as our Director on 30 August 2005. He is currently the Permanent Secretary, Ministry of Land Development and Ministry of Rural Development Sarawak. He graduated from University Sains Malaysia in the field of Social Science and obtained Master's Degree in Public Administration from the University of Southern California, Los Angeles, USA in 1988. He had also attended Senior Executive Fellow Program (SEF) at Harvard University, USA in 2002.

**Bolhan bin Berawi**, aged 54, a Malaysian, was appointed as our Director on 1 May 2007 and is currently the Chief Financial Officer of the Group. He has been a Director of SPAD and SPPH since March 1999. He holds a Master of Business Administration from the University of the Sunshine Coast, Australia and a Bachelor of Arts (Accounting) from Newport University, California. His previous employments include being the Accounts and Administration Manager for TAB Timbers (S) Sdn Bhd, Manager Financial Accounting for Malaysia LNG Sdn Bhd (Petronas), Manager Finance and Services for Malaysia LNG Dua Sdn Bhd (Petronas) and Financial Controller for SALCRA. He has considerable experience in areas of accounting and finance in timber logging operation, oil and gas industry and in plantation development and operation.

**Haji Yahya Haji Daud**, aged 55, a Malaysian, was appointed as our Director on 1 May 2007. He graduated from Institut Teknologi Kebangsaan Malaysia with a First Class Diploma in Mechanical Engineering in 1973 and has a First Grade Steam Engineer Certificate from Jabatan Kilang dan Jentera in 1978. He joined SLDB as a Technical Assistant in 1973 and served as Engineer/Manager and Senior Engineer before being promoted to the position of Visiting Engineer in 1992. He is responsible for the operations of all our Group's palm oil mills, building and road constructions. He managed the implementation of infrastructure works for rural growth centres for the State Government of Sarawak as part of the function of SLDB when SPS was managing SLDB. He is a Fellow of the Institution of Certified Engineers Malaysia and also a Director of Azaria.

**Haji Abdul Hamid Ibrahim**, aged 54, a Malaysian, was appointed as our Director on 1 May 2007. He obtained his Diploma in Agriculture from Universiti Putra Malaysia in 1975 and is a Member of Incorporated Society of Planters. He started his career in SLDB as a Scheme Supervisor (Oil Palm) in 1975, Assistant Manager in 1978, Estate Manager in 1987, Group Manager in 1992 and Operation Controller Surveillance 1 in 1994. In 1996 he was seconded to SALCRA as Field Operation Controller and as one of the management team managing the organisation. Currently, he is the Operation Controller of our Group and a Director of TTSB.

**YB Haji Hamden**, aged 59, a Malaysian, was appointed as our Director on 1 May 2007. He is a Chartered Accountant of the Malaysian Institute of Accountants and a Fellow of the Association of Chartered Certified Accountants (FCCA).

He began his career as a Chief Accountant with Sarawak Land Development Board from 1978 to 1982. He set up his own accounting firm in 1983. He is currently an elected member of Dewan Undangan Negeri Sarawak and a Senior Independent Non-Executive Director of Naim Cendera Holdings Berhad. He holds directorship in several private limited companies.

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**9. MANAGEMENT (Cont'd)**

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**Datu Haji Mohammed Sepuan**, aged 61, a Malaysian, was appointed as our Director on 1 May 2007. He graduated with a BSc (Hons) in Agricultural Engineering from the University of Cranfield, United Kingdom in 1977. He started work as an Assistant Agricultural Officer in Simunjan in 1968. He has wide experiences in agriculture developments especially in the establishment of crops like oil palm, rubber, fruit crops and rice in the smallholders sector. He was appointed as a Director of the Integrated Agriculture Development Project Samarahan in 1994 and then served as Director of Agriculture in 2001 until the end of his tenure in March 2006. His last assignment was as an Agriculture Advisor in the Ministry of Modernisation of Agriculture. His term expired on 30 April 2007.

**Azizi Morni**, aged 34, a Malaysian, was appointed as our Director on 1 May 2007. He graduated from the University of Malaya with Bachelor of Laws Degree with Honours in 1999 and was admitted to the High Court of Sabah and Sarawak in October 2000. He began his legal career with Messrs. Sim & Yee Advocates and later joined Messrs. Khaider Zaidell & Company Advocates as a partner in 2001 before setting up his sole proprietor practice under the name of Azizi Ariffin Advocates & Solicitors in 2003. In January 2006, his sole proprietor practice Messrs. Azizi Ariffin Advocates & Solicitors merged with Messrs. Chen Chieng Ning & Company to form Messrs Chen Ching Ning & Azizi Advocates.

Azizi Morni's work over the years has covered civil litigation and conveyancing, servicing private and corporate clients such as Malayan Banking Bhd, CIMB Bank, RHB Bank Bhd, Bank Islam Malaysia Bhd, Syarikat SESCO Berhad, Sarawak Economic Development Corporation, Dewan Bandaraya Kuching Utara, Pusat Pembangunan Kemahiran Sarawak and Housing Development Corporation.

**Polit Hamzah**, aged 57, a Malaysian, was appointed as our Director on 1 May 2007. He graduated with BSc (Hons) in Geology from University of Malaya in 1975. He worked for twenty years (1975-1996) in the oil and gas exploration and production company (Petronas Carigali Sdn Bhd) in various technical and management positions with the last position being the General Manager in-charge of the Sabah Operations.

From 1997-2001, he headed the LCDA, a body responsible for planning and development of lands for large scale commercial agriculture (oil palm, sago) plantations and property development throughout the State of Sarawak through partnerships with listed and private companies. In 2002-2003 took position as the General Manager of the Sarawak Economic Development Corporation.

From 2003 till to date, he continues to get involved in the Boards of various government and private owned companies in Sarawak and at the federal level, he is a member of the Board of Lembaga Pergalakan Pelancongan Malaysia (Tourism Malaysia), a body corporate under the Ministry of Tourism, Malaysia.

**Umang Nangku Jabu**, age 30, a Malaysian, was appointed as our Director on 1 May 2007. She graduated from RMIT University in Melbourne, Australia in 2003 with a degree of Master of Finance. Prior to that, she completed her studies at Monash University in Melbourne, Australia with a Graduate Diploma in Industrial and Employee Relations in 1999 and subsequently with a Master of Management in Human Resource Management in 2000. Her undergraduate was in Bachelor of Business (Business Information System) from RMIT University Melbourne, Australia in 1999 where she graduated with a Distinction.

**9. MANAGEMENT (Cont'd)**

She commenced her working career in Australia as a Human Resources Officer for a company in Melbourne in March 2000. She returned to her home town, Kuching, Sarawak, Malaysia in 2003 to explore business opportunities. Since then, she has been involved in private business sector as directors of a number of companies. The companies she is involved are predominantly in the sector of construction and health services. She is also currently involved with the Dewan Usahawan Bumiputera Sarawak as the Penolong Bendahari Agung.

**9.1.3 Directorships and substantial shareholdings in other public limited companies**

Save as disclosed below, none of our Directors has any Directorships and/or substantial shareholdings in other public limited companies, held in the two (2) years preceding 6 July 2007:

**(i) Datuk Hasmi**

Company	Principal Activities	Directorship	<-----Direct----->		<-----Indirect----->	
			No. of ordinary shares held	%	No. of ordinary shares held	%
Interhill Agriculture Bhd	Dormant	-	1	33.33	-	-
Naim Cendera Holdings Berhad	Investment holding	Director	28,918,850	11.57	49,292,600	<sup>(1)</sup> 19.72
Naim Incorporated Berhad	Dormant	Director	-	-	2	<sup>(2)</sup> 100.00

**Notes:**

(1) Deemed interest pursuant to Section 6A of the Act by virtue of his indirect interest in Island Harvest Sdn Bhd, Lambaian Kukuh Sdn Bhd, Hasmi & Associates Management Sdn Bhd and Custodev Sdn Bhd.

(2) Deemed interest pursuant to Section 6A of the Act by virtue of his indirect interest in Naim Cendera Sdn Bhd.

**(ii) Dato Sri Ahmad Tarmizi**

Company	Principal activities	Directorship	<-----Direct----->		<-----Indirect----->	
			No. of ordinary shares held	%	No. of ordinary shares held	%
Amanah Saham Sarawak Berhad	Unit trust management	Director	-	-	-	-
Borneo Housing Mortgage Finance Berhad	Providing housing finance	Director	-	-	-	-
Syarikat SESCO Berhad	Generation, transmission and distribution of electricity	Director	-	-	-	-



**9. MANAGEMENT (Cont'd)****(iii) Datuk Abdul Hamed**

Company	Principal Activities	Directorship	<-----Direct----->		<-----Indirect----->	
			No. of ordinary shares held	%	No. of ordinary shares held	%
SEB	Investment holding	Director	800,000	0.05	-	-
Ta Ann Holdings Berhad	Investment holding	Director	19,671,552	9.16	47,685,040	<sup>(1)</sup> 22.22
Naim Cendera Holdings Berhad	Investment holding	Director	12,150,000	4.86	32,897,700	<sup>(2)</sup> 13.16

**Notes:**

- (1) Deemed interest pursuant to Section 6A of the Act by virtue of his interest in Mountex Sdn Bhd, Woodhead Sdn Bhd and Naim Cendera Sdn Bhd.
- (2) Deemed interest pursuant to Section 6A of the Act by virtue of his indirect interest in Tapak Beringin Sdn Bhd, Lembah Rakyat Sdn Bhd and Custodev Sdn Bhd.

**9.1.4 Remuneration and benefits**

The aggregate remuneration and benefits paid and proposed to be paid to our Directors for services rendered to us in all capacities were RM1,080,000 for the financial year ended 31 December 2004, RM1,343,000 for the financial year ended 31 December 2005, RM978,000 for the financial year ended 31 December 2006 and forecasted at RM2,100,000 for the financial year ending 31 December 2007.

The remuneration which would comprise our Directors' fees and allowances as well as the benefits of our Directors must be considered and recommended by our Nomination and Remuneration Committee and subsequently approved by our Board. Our Directors' fees must be further approved/ endorsed by our shareholders at a general meeting.

The remuneration and benefits paid to our Directors are as follows:

Remuneration band:	For financial year ended/ending 31 December			
	2004 (Actual) Number of Directors	2005 (Actual) Number of Directors	2006 (Actual) Number of Directors	2007 (Forecast) Number of Directors
Below RM50,000	3	6	6	5
Between RM50,001 to RM100,000	-	-	-	2
Between RM100,001 to RM150,000	-	-	-	2
Between RM150,001 to RM200,000	-	-	-	-
Between RM200,001 to RM250,000	-	-	-	-
Between RM250,001 to RM300,000	-	-	-	2
Above RM300,000	2	2	1	2

Save for the above and the dividend payment by our Company of RM140 million to our shareholders, we have not paid or given or intend to pay or give any amount or benefits to our Directors within the two (2) years preceding the date of this Prospectus.

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**9. MANAGEMENT (Cont'd)**


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**9.1.5 Audit committee**

Our present Audit Committee was constituted on 11 November 2000 and its members are appointed by our Board. The scope and responsibilities of the Audit Committee include:

- Reviewing reports from internal and external auditors and report the same to our Board;
- Evaluating existing policies, establishing audit quality and ensuring compliance with our Company and Group's policies;
- Providing assurance that our Group's goals and objectives are achieved and assets are safeguarded;
- Ensuring that proper processes and procedures are in place to comply with all laws, regulations and rules established by all relevant regulatory bodies;
- Reviewing any related party transactions and conflict of interest situations that may arise;
- Reviewing and approving the annual audit plan proposed by the internal auditors;
- Reviewing the quarterly results and year end financial statements of our Group prior to the approval by our Board;
- Reviewing the findings of the external auditors in relation to audit and accounting issues arising from the audit, and updates of new developments on accounting standards issued by MASB;
- Reviewing all audit reports presented by the internal auditors on their findings and recommendations with respect to system and control weaknesses; and
- Ensuring the adequacy of the scope, functions and resources of the internal audit functions and that it has necessary authority to carry out its work.

Our Audit Committee currently comprises the following members:

<b>Name</b>	<b>Position</b>	<b>Directorship</b>
YB Haji Hamden	Chairman	Independent Non-Executive Director
Datuk Abdul Hamed	Member	Non-Independent Non-Executive Director
Datu Haji Mohammed Sepuan	Member	Independent Non-Executive Director
Azizi Morni	Member	Independent Non-Executive Director
Polit Hamzah	Member	Independent Non-Executive Director



## 9. MANAGEMENT (Cont'd)

### 9.1.6 Nomination and Remuneration Committee

Our present Nomination and Remuneration Committee was established on 1 May 2007 and its members are appointed by our Board. It is primarily responsible to evaluate and recommend candidates for appointments to our Board, management committees, and key management positions as well as re-appointment or re-election of existing Directors. It is also responsible for reviewing and recommending remuneration packages for our Executive Directors and changes to staff remuneration policies, ensuring that the remuneration packages commensurate with industry standards, retention needs and staff motivation.

Our Nomination and Remuneration Committee currently comprises the following members:

Name	Position	Directorship
Datuk Abdul Hamed	Chairman	Non-Independent Non-Executive Director
Datuk Hasmi	Member	Non-Independent Non-Executive Chairman
Haji Chaiti	Member	Non-Independent Non-Executive Director
Azizi Morni	Member	Independent Non-Executive Director

## 9.2 Key management personnel

### 9.2.1 Shareholdings

Based on our Register of Members as at 6 July 2007, the direct and indirect interests of our Group's key management personnel in our Shares, before and after the Initial Public Offering are as follows:

Name	Designation	-----As at 6 July 2007-----				-----After Initial Public Offering-----			
		-----Direct-----		-----Indirect-----		-----Direct-----		-----Indirect-----	
		No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Haji Mohamad Bolhair	Group Managing Director	-	-	-	-	<sup>(1)</sup> 300,000	0.11	-	-
Bolhan bin Berawi	Chief Financial Officer	-	-	-	-	<sup>(1)</sup> 150,000	0.05	-	-
Haji Yahya Haji Daud	Visiting Engineer	-	-	-	-	<sup>(1)</sup> 150,000	0.05	-	-
Haji Abdul Hamid Ibrahim	Operation Controller	-	-	-	-	<sup>(1)</sup> 150,000	0.05	-	-
Mohammed Tahir bin Chie	Human Resource and Administration Manager	-	-	-	-	<sup>(1)</sup> 44,000	0.02	-	-
Liew Men Khian	Marketing Manager	-	-	-	-	<sup>(1)</sup> 52,000	0.02	-	-

**Note:**

(1) Represents the number of Offer Shares to be allocated pursuant to the Reserved Offering and on the assumption that he will subscribe in full the Offer Shares allocated to him.

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**9. MANAGEMENT (Cont'd)**

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**9.2.2 Profiles**

Save as disclosed under Section 9.1.2 of this Prospectus, the details of our Group's key management personnel are as follows:

**Haji Mohamad Bolhair**, please refer to Section 9.1.2 for his personal profile.

**Bolhan bin Berawi**, please refer to Section 9.1.2 for his personal profile.

**Haji Yahya Haji Daud**, please refer to Section 9.1.2 for his personal profile.

**Haji Abdul Hamid Ibrahim**, please refer to Section 9.1.2 for his personal profile.

**Mohammed Tahir bin Chie**, aged 49, graduated with a Bachelor Degree in Business Administration majoring in Finance from Western Michigan University, USA. He has a Diploma in Public Administration from UiTM and Certificate in Human Resource from National University Singapore. He was an Assistant Manager (Personnel) with Telecom Malaysia, prior to joining Petronas, where he served for 13 years. He joined our Group on 3 January 2005. He has 15 years of work experience in managing human resource in established large organisations, and is responsible for managing all aspects of human resource and administration for the Group, as the Human Resource and Administration Manager. He is a Director of TTSB.

**Liew Men Khian**, aged 58, graduated with a Diploma in Rubber Technology and Processing from Rubber Research Institute of Malaysia (RRIM) in 1969. He passed the KLCE Commodity Futures Trading Examination in 1993 and is a Qualified Officer to trade on the KLCE Commodity Futures Trading. He was a Cadet Supervisor/Factory Supervisor (Rubber Operation) from 1969 till 1971 with Sarawak Development Finance Corporation before taking up a position with SLDB in 1972. He started his career with SLDB as Factory Manager (Rubber Operation) since 1972 and has been our Marketing Manager since 1993, whereby he manages the Marketing Department of our Group. Amongst his responsibilities are to assist the Group Managing Director in effective marketing of all SPAD's palm oil products. He is a Director of SPS Trading.

**9.3 Our people**

Our Group Managing Director and senior management have vast experience and are professionally qualified with many years of service in the industry. The profiles of our Group Managing Director and key management personnel are set out in Sections 9.1.2 and 9.2.2 respectively in this Prospectus.

**9.3.1 Our total workforce**

The oil palm plantation industry is labour intensive. As at 30 June 2007, our Company and our subsidiaries employ a total of 544 staff at both managerial and support levels. Our management and staff are centralised in SPS and are allocated to various subsidiaries and operating units based on their respective requirements.

Such centralisation of human resources in SPS enables us to achieve a synergistic team management approach, thus enabling us to utilise our management expertise with greater effectiveness and maintain human resources costs to the minimum.

## 9. MANAGEMENT (Cont'd)

Our Company and our subsidiaries as at 30 June 2007 also employs about 2,953 local and foreign skilled and general plantation workers to undertake various tasks in the estates and mills. These workers are not in our payroll and are not regarded as our permanent or contractual employees. They are paid as and when their services are rendered either on a daily or pro-rated basis.

We endeavour to attract and retain the right people to work in our organisation by providing attractive remuneration packages, good facilities, training and development, and career advancement opportunities.

As at 30 June 2007, we have a total work force of 479 permanent and 65 contractual employees, where on average they have served our Company and our subsidiaries for 10 years or more.

The breakdown of our Company and our subsidiaries' permanent, temporary and contractual employees and their average number of years of service by categories as at 30 June 2007 are as follows:

Category of employee	Number of staff			Average no. of years of service
	Permanent	Temporary	Contractual	
Managerial	21	-	6	13
Executive	81	-	4	7
Non-executive	377	-	55	10
Total	479	-	65	10

### 9.3.2 Our people who are members of unions

There is no employee union for our people. No industrial dispute has happened in the past.

### 9.3.3 Our training and development programmes

One of the key success factors of our Group is our ability to retain a team of highly skilled and knowledgeable workforce. It is with this objective that continuous employees training and development is conducted by our Group to improve productivity, quality and knowledge as well as a platform for career advancement within the organisation.

Each year numerous functional and developmental training programmes are organised. These include information technology, finance and auditing, integrated crop management, land development, plantation management, cost reduction, human resource, palm oil milling and health and safety. We plan to hold more courses/seminars aimed at enhancing employees' skills as well as developing positive work attitude and motivation.

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## 9. MANAGEMENT (Cont'd)

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### 9.4 Management succession plans

We recognise the need to ensure continuity in our management in order to maintain our competitive edge over our competitors. We believe that the continuity of our success depends, among other things, on the support and dedication of our key personnel. We have in place human resources strategies which include, amongst others, competitive compensation packages and structured succession planning.

Our initiatives on succession planning include:

- A formal induction program which is carried out for all new management staff where our history, business objectives, business policies and plans are communicated to the staff;
- Identifying key competencies and requirements for key personnel. Job and candidate profiles are developed for management positions in line with our business goals, strategies and culture; and
- Taking a proactive approach towards addressing talent management to ensure our organisation has talent readily available from a capability perspective to undertake position throughout our organisation.

In addition, our middle management are constantly exposed to various aspects of our Group's business activities in order to ensure that they have a full understanding of the responsibilities and the decision making process and are equipped with the knowledge necessary for them to progress to senior management positions.

### 9.5 Family relationships or associations between substantial shareholders/Promoters, Directors and key management personnel

Save as disclosed below and Section 10.1, as at the Latest Practicable Date, there are no family relationships or associations between our substantial shareholder/Promoter, Directors and our Group's key management personnel:

- (i) Datuk Abdul Hamed, Datuk Hasmi and Haji Mohamad Bolhair, who are our Directors, are also the Directors and substantial shareholders of CCSB. CCSB is our substantial shareholder; and
- (ii) Datuk Abdul Hamed and Datuk Hasmi are also Directors and shareholders of TBSB. Datuk Abdul Hamed is the substantial shareholder of TBSB. TBSB is a substantial shareholder of CCSB, which in turn is our substantial shareholder.

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## 9. MANAGEMENT (Cont'd)

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### 9.6 Other matters

#### 9.6.1 Declaration

None of our Directors and our key management personnel is or was involved in the following events:

- (i) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) any judgement was entered against him involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) he was the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

#### 9.6.2 Service agreements

Save as set out below, there are no existing or proposed service agreements between our Company or our subsidiaries and associated companies and our Directors and our key management personnel apart from the normal employment contracts between our Company or our subsidiaries and associated companies and our employees:

We are proposing that service agreements be entered into between our Company and Haji Mohamad Bolhair, Bolhan bin Berawi, Haji Yahya Haji Daud and Haji Abdul Hamid Ibrahim, our Directors. We are expecting that these service agreements will be entered into in the next three (3) months from the date of this Prospectus. The salient terms of these service agreements are set out below:

- (i) The appointment of each Director is for a term of three (3) years, unless earlier determined.
- (ii) If either party wishes to relinquish the appointment, a six (6) months notice to the other party is to be served.
- (iii) The service agreement will automatically terminate without notice or payment in lieu of notice in the event that a Director is prohibited by law from acting as such (which includes any of the provisions of the Act, Listing Requirements, SCA and Securities Industry Act 1973), suffers from a mental disorder, or is convicted of a criminal offence. There are further provisions for termination without notice in the event that the Director is guilty of any gross misconduct, commits an act of criminal breach of trust or dishonesty, breaches any terms of the agreement, or becomes bankrupt or makes any arrangement or composition with his or her creditors.

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**9. MANAGEMENT (Cont'd)**

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- (iv) Additionally, we may terminate with notice if any Director commits any act that is reported in general or trade press or otherwise achieves general notoriety which involves conduct that is likely to be regarded as illegal, immoral or scandalous or which may result in discredit either to him or herself or to us, or, if in the reasonable opinion of our Board of Directors, he or she is incompetent in the performance of his or her duties.
- (v) No Director shall, during the period of his employment or for a 12 month period thereafter, solicit any of our customers or clients, nor shall a Director carry on (except for existing businesses) any business which is in competition with our Group.
- (vi) The Director shall be entitled to a certain gratuity in the event of any take-over or merger, or if the Director dies or becomes ill or disabled to such extent that they are unable to perform their duties for a sustained period of time.

**9.6.3** None of our executive Directors and key management personnel is involved in other businesses/corporations outside our Group in an executive capacity.

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