Prospective retail investors should be aware that the Final IPO Price will not in any event be higher than the IPO Price of RM2.65 per IPO Share nor lower than the par value of the IPO Shares.

The Final IPO Price and the Institutional Price are expected to be announced within two (2) days from the Price Determination Date in both Bahasa Malaysia and English daily newspapers widely circulated throughout Malaysia. In addition, all successful applicants will be given written notice of the Final IPO Price and the Institutional Price together with the notices of allotment.

4.5.2 Institutional Price

The number of Offer Shares under the Institutional Offering and the Institutional Price will be determined by a bookbuilding process wherein prospective institutional investors will be invited to bid for portions of the Institutional Offering by specifying the number of Offer Shares they would be prepared to acquire and the price they would be prepared to pay for the acquisition. This bookbuilding process has commenced on 10 October 2007 and will end on 25 October 2007. Upon the completion of the bookbuilding process, the Institutional Price will be fixed via agreement between our Company, the Offeror, the Joint Global Co-ordinators and Joint Bookrunners on the Price Determination Date.

4.5.3 Refund Mechanism

In the event that the Final IPO Price is lower than the IPO Price, the difference will be refunded without any interest thereon. The refund in the form of cheques will be despatched by ordinary mail to the address stated in the Application Form or to the address as stated in the Bursa Depository records for applications made via the Electronic Share Application and Internet Share Application, of the successful applicants, within ten (10) Market Days from the final ballot of the application, at the successful applicants' own risk.

Prior to the IPO, there has been no trading market for our Shares within or outside Malaysia. Applicants should also note that the market price of our Shares upon the Listing is subject to the vagaries of market forces and other uncertainties which may affect the price of the Shares. Investors are reminded to consider carefully the Risk Factors as set out in Section 5 of this Prospectus.

4.6 Minimum Subscription

The completion of the Retail Offering, Institutional Offering, Bumiputera Offering and Special Offering are inter-conditional and are subject to the occurrence of the following events:

(a) full subscription of all the Issue Shares; and

(b) the subscription of at least 195,000,000 of the Offer Shares.

If the IPO Shares are not allotted pursuant to the IPO, monies paid in respect of any application for the IPO Shares will be returned in full without interest and if such monies are not returned in full within fourteen (14) days after we and/or the Offeror become liable to do so, then the officers of our Company and the Offeror, shall be jointly and severally liable to return such monies in full with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

4.7 Share Capital

As at the date of this Prospectus, the details of our share capital are as follows:

	No. of Shares	RM
Authorised	**1,000,000,000**	**1,000,000,000**
Issued and fully paid-up		
- Prior to the Acquisitions	2	2
- Issued pursuant to the Acquisitions	749,999,998	749,999,998
Total issued and paid-up	750,000,000	750,000,000
To be issued and fully paid up pursuant to Public Issue	50,000,000	50,000,000
- Enlarged share capital upon Listing	**800,000,000**	**800,000,000**
To be offered pursuant to the Offer for Sale*	250,000,000	250,000,000

Note:

* *The Offer for Sale would not have an effect on our number of issued and paid-up share capital as the Offer Shares consist of Shares that are already in existence prior to the IPO.*

The total market capitalisation of our Company upon Listing is estimated at RM2.12 billion based on the assumption that all Shares are sold at the IPO Price of RM2.65 per Share.

4.8 Classes of Shares and Rankings

As at the date of this Prospectus, we only have one (1) class of shares, namely ordinary shares of RM1.00 each. The Issue Shares will rank and the Offer Shares rank equally in all respects with our other existing issued and paid-up ordinary shares including voting rights and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares and the Offer Shares.

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

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

4.9 Brokerage, Placement and Underwriting Fees

Brokerage is payable by us in respect of the sale of the Issue Shares under the Preferential Allocation Scheme and the Retail Public Offering as described in Sections 4.3.2 (a) and (b) of this Prospectus at the rate of 1.00% of the Final IPO Price (as defined in Section 4.5 of this Prospectus) in respect of successful applications which bear the stamp of either CIMB, a member of the Bursa Securities, a member of the Association of Banks in Malaysia, a member of Malaysia Investment Banking Association or the Issuing House.

Brokerage is payable by the Offeror to CIMB in respect of the sale of the Offer Shares under Restricted Offering as described in Section 4.3.2 (c) of this Prospectus at the rate of 0.5% of the Final IPO Price in respect of successful applications.

We will pay:

(i) the Managing Underwriter and Underwriter a total managing underwriting and underwriting commission of 1.80% of the value of the underwritten Issue Shares under the Preferential Allocation Scheme and Retail Public Offering (being the number of underwritten Issue Shares multiplied by the IPO Price) as stipulated in the retail underwriting agreement ("Underwriting Commission"); and

(ii) a placement fee and discretionary fee of up to 2.10% of the amount equal to the Final IPO Price multiplied by the number of Issue Shares to be placed to the Bumiputera investors to be identified and approved by the MITI under the Bumiputera Offering.

The Offeror will pay:

(i) a placement fee and discretionary fee of up to 2.10% of the amount equal to the Final IPO Price multiplied by the number of Offer Shares to be placed to the Bumiputera investors to be identified and approved by the MITI under the Bumiputera Offering; and

(ii) a placement fee and discretionary fee of up to 1.00% of the amount equal to the Final IPO Price multiplied by the number of Offer Shares to be placed out under the Special Offering.

The Offeror will pay the Joint Co-ordinators and Joint Bookrunners a placement fee and selling commission and a discretionary fee of up to 3.00% of the amount equal to the Institutional Price multiplied by the number of Offer Shares offered pursuant to the Institutional Offering.

4.10 Details of the Underwriting and Lock-up Arrangement

4.10.1 Underwriting

Paragraph 6.23 of the SC Guidelines stipulates, *inter alia,* that underwriting arrangements must be in place before the offering of securities is made, other than those securities in respect of which allocations have been made to certain parties, such as Bumiputera investors, directors and employees, or for which certain shareholders have given written irrevocable undertakings to subscribe.

In relation to the Institutional Offering, a waiver from compliance with Paragraph 6.23 of the SC Guidelines was obtained from the SC on 23 July 2007. The waiver is subject to the condition that the IPO Shares for the Institutional Offering should be underwritten after the completion of the bookbuilding exercise. We will procure underwriting arrangement for the IPO Shares under the Institutional Offering upon completion of the bookbuilding exercise and when the Institutional Price has been determined.

A retail underwriting agreement was entered into between the Company, the Offeror and the Managing Underwriter and the Underwriter on 24 September 2007 to underwrite up to 20,000,000 IPO Shares under the Preferential Allocation Scheme and the Retail Public Offering subject to Clawback and Reallocation.

For further details of the underwriting arrangements, please refer to Section 16 of this Prospectus.

4.10.2 Lock-up

In connection with the IPO, each of our Company, the Offeror and Innoprise will enter into an agreement with the Joint Global Co-ordinators and Joint Bookrunners that it will not, for a period beginning on the date of such agreement and ending on, and including, the date that is 180 days after the date of Listing:

(i) Issue (in respect of the Company only), sell, offer to sell, contract or agree to sell, hypothecate, pledge, mortgage, charge, assign, grant any option to purchase or security over, or otherwise dispose of or agree to dispose of, directly or indirectly, any HSP Shares or any other securities of the Company that are substantially similar to HSP Shares (or any interest therein or in respect thereof), or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing;

(ii) enter into any swap, transaction or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of HSP Shares or any other securities of the Company that are substantially similar to HSP Shares, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of HSP Shares or such other securities, in cash or otherwise; or

(iii) publicly announce any intention to effect any transaction specified in (i) or (ii).

The Joint Global Co-ordinators and Joint Bookrunners in their sole discretion will be permitted to release any of the securities subject to these lock-up agreements at any time without notice.

4.11 Objectives of Our IPO

The objectives of our IPO are as follows:

(i) to achieve listing status for our Company;

(ii) to enable us to access the capital market for cost effective capital raising in order to give us the financial flexibility to pursue growth opportunities;

(iii) to enhance our profile locally and internationally;

(iv) to enhance the liquidity of our Shares;

(v) to enable our existing and continuing shareholders to realise part of their investments; and

(vi) to provide an opportunity for the investing community, including the Malaysian Public, our eligible Directors, employees and persons who have contributed to the success of our Group, to participate in our equity and future performance.

4.12 Utilisation of Proceeds

The expected gross proceeds of approximately RM132.5 million arising from the Public Issue of 50,000,000 Issue Shares at the IPO Price, is expected to be received during the financial year ending 31 January 2008 and will be utilised, during the period of twelve (12) months from the date of this Prospectus, as set forth below:

	RM 000
Part repayment of bank borrowings	123,500
Estimated listing expenses	9,000
Total gross proceeds	132,500

The part repayment of bank borrowings is estimated to result in interest savings of approximately RM1.30 million for financial year ending 31 January 2008.

We shall be responsible and shall pay for all expenses of this IPO, the selling and underwriting commissions, brokerage, registration fees, other expenses and fees incidental to the issue and sale of the Issue Shares save for the selling and underwriting commissions, brokerage, registration fees, other expenses and fees incidental to the Offer for Sale of the Offer Shares which will be borne solely by the Offeror.

If the Final IPO Price differs from the IPO Price, the total gross proceeds may vary accordingly and the difference will be deducted from the amount set aside for the purpose of part repayment of bank borrowings.

4.13 Estimated Expenses of the IPO

The expenses of our IPO (excluding the expenses for the Offer for Sale which will be borne by the Offeror) are estimated to be RM9 million and will comprise the following:

	RM 000
Professional fees	2,500
Fees to authorities pursuant to the IPO	750
Brokerage, placement and underwriting fees	2,800
Issuing House's fees and disbursements	150
Other fees and expenses such as printing, advertising and travelling expenses incurred in connection with the Public Issue	700
Miscellaneous expenses and contingencies	2,100
Total Listing expenses	9,000

All of the expenses of the Public Issue will be borne by us.

The Offeror shall bear all expenses such as selling and underwriting commissions, brokerage, registration fees and other expenses and fees incidental to the Offer for Sale.

4.14 Trading and Settlement in Secondary Market

Upon listing and quotation on Bursa Securities, our IPO Shares that are being offered in the IPO will be traded through Bursa Securities and settled by book-entry settlement through CDS, which will be effected in accordance with the rules of Bursa Depository for the operation of CDS accounts, as amended from time to time and the provisions of the SICDA. Accordingly, we will not deliver share certificates to subscribers for, or purchasers of, the IPO Shares. Bursa Depository operates the CDS.

Beneficial owners of Shares are required under the CDS rules to maintain the Shares in CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in the records of depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective securities accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10.00 payable for each transfer not transacted on the market.

All Shares held in CDS accounts may not be withdrawn from CDS except in the following instances:

(i) to facilitate a share buy-back;

(ii) to facilitate conversion of debt securities;

(iii) to facilitate company restructuring process;

(iv) where a body corporate is removed from the Official List of Bursa Securities;

(v) to facilitate a rectification of any error; and

(vi) in any other circumstances determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the third (3^{rd}) Market Day following the transaction date, and payment for the securities is generally settled on the third (3^{rd}) Market Day following the transaction date.

It is expected that the Shares offered in the IPO will not commence trading on Bursa Securities until approximately ten (10) days after the balloting date. Subscribers of the Shares will not be able to sell or otherwise deal in the Shares (except by way of book-entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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5. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we, and to a large extent our activities, are subject to the legal, regulatory and business environment in Malaysia. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below. The risks and investment considerations set out below are not an exhaustive nor exclusive list of the challenges that we currently face or may develop in the future that may have a significant impact on our current and future performance. 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 Business

As our principal activities are mainly concentrated in the cultivation of oil palm and processing of FFB, we are subject to certain risks inherent in the palm oil industry. These include but are not limited to changes in regulations governing the palm oil industry, fluctuation of prices of CPO, weather conditions, dependency on foreign labour and experienced staff, reliance on key customers, pests and diseases, shortage of storage capacity, expansion and integration risks, adequacy of insurance coverage, foreign exchange fluctuations and risks in connection with land conditions and restrictions.

5.1.1 Regulatory

We are subjected to government and regulatory changes and conditions which are beyond our control and could materially and adversely affect our business, financial conditions, results of operations and prospects.

The palm oil industry in Malaysia is closely regulated. The main legislation governing the palm oil industry is the MPOB Act pursuant to which MPOB was established to regulate the palm oil industry under the purview of the Ministry of Plantation Industries and Commodities. MPOB's roles include formation of policies, administration and regulating the development of the industry. In addition, our operations are subject to licences, registrations, approvals and regulations issued by other authorities under the Environmental Quality Act 1974, Factories and Machinery Act 1967 and Occupational Safety and Health Act 1994. These licences, approvals and permits are valid for a stipulated period of time and are renewable subject to compliance with the requirements and conditions imposed thereunder. Several of our existing licences have expired and although we have made application to renew such expired licences but we have yet to receive the renewal certificates. The requirements and conditions in these licences, permits, approvals, policies and regulations are subject to changes that could affect part of our operations. Our failure to renew, maintain or obtain the required licences and registrations could materially and adversely affect our business operations.

In addition, we may also be affected by the introduction of new regulations that could materially and adversely affect our financial condition, results of operations and prospects. For example, following the soaring prices of CPO, in order to help refiners and to compensate cooking oil manufacturers cope with the price increase, the Malaysian Government introduced the Supply and Cooking Oil Price Stabilisation Scheme, which took effect from 1 June 2007. Under this scheme, oil palm estate owners with more than 40 ha of land will have to pay the Malaysian Government a cess rate of RM2 per tonne of FFB for every RM100 per tonne of CPO price above RM1,500 per tonne within a period of twelve (12) months. The scheme will however be aborted if CPO price drops below RM1,500 per tonne anytime within a twelve (12)-month period.

The environmental aspect of a palm oil mill is regulated by the Department of Environment which monitors waste discharge such as effluent discharge. Depending on the locality, each mill is required to ensure that effluent discharges are below a predetermined bio-oxygen demand level. Repeated violations will result in severe fines, jail sentences for employees and even the suspension of the mill operation licences. We may also be affected by changes to existing regulations and the introduction of new regulations. There can be no assurance that we will be able to comply with such changes or new regulations. Such failure to comply could also result in severe fines, jail sentences and suspension of operation licences which could materially and adversely affect our business, financial conditions and results of operations.

We believe that we have complied with the applicable environmental regulatory requirement and carry out consistent monitoring of our environmental practices to ensure that we meet industrial standards. Although no absolute guarantee is given, we are confident based on our current environmental practices, that we will continue to conform to the requirements of the applicable laws.

5.1.2 Price Fluctuations

CPO prices are affected by global edible oil prices such as soybean, sunflower and rapeseed oils which are substitutes for palm oil. CPO prices tend to be cyclical and fluctuate in accordance with the global supply and demand of major oils and fats. Such fluctuation in the prices of CPO and other palm oil products will accordingly affect our profitability and hence any adverse movements in such prices will have corresponding adverse effects on our performance.

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 sales. Although the movement in the CPO prices is beyond our control, we mitigate the adverse effect of fluctuation in the selling prices of CPO and PK on our operations and results by adopting a prudent management approach in the sale and marketing of our products. For example, we have entered into forward contracts which have fixed pricing, with our major customers to hedge against fluctuations in CPO prices.

Whilst such forward contracts protect our sales margin in the event of falling CPO prices, our ability to benefit from periods of rising spot prices is limited. For further details please refer to Section 8.9.1 of this Prospectus.

The Malaysian Government is supportive of the palm oil industry and, in times of falling CPO prices, the Malaysian Government has introduced many measures, initiatives and promotions such as replanting subsidies, increase in duty-free exports, shipping insurance subsidies and utilisation of excess CPO for power generation.

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

5.1.3 Weather Conditions

Weather conditions such as drought, floods and other natural disasters, have an impact on our operational activities. To mitigate the impact of these factors, we have implemented several measures to alleviate problems encountered as a result of floods and dry weather. For instance, to mitigate issues arising from floods, we have adopted measures to construct bunds and water gates in low lying areas.

During dry weather, fire patrols are constantly on guard for any potential fire hazards. Our palm oil mills and housing quarters are equipped with fire fighting equipment. Checks on the efficacy of such equipment are conducted on a regular basis. Water conservation measures in the form of silt pitting have also been implemented.

We cannot assure you that any of these measures will be effective. Any poor weather conditions could materially and adversely affect our business, financial conditions, results of operations and prospects.

5.1.4 Human Resources

Availability of Labour

Oil palm plantations require extensive manpower in nurturing seedlings, oil palm tree plantings, manuring, harvesting oil palm trees and operating mills as well as other routine maintenance works to ensure optimal yield. Oil palm plantations are also largely dependent on foreign workers. Availability of labour is therefore of concern to local oil palm plantations.

We have adopted measures to ensure the retention of efficient employees by providing formal training, standard operating procedures, competitive remuneration, housing and amenities and a harmonious working environment. Nevertheless, no guarantee can be given that any changes in immigration and labour policies by the Malaysian Government in respect of foreign workers will not affect our operations.

We are also in the process of mechanisation of certain field operations where economically viable to reduce dependency on labour which may be scarce or increasingly costly in the future. Any shortage of labour could materially and adversely affect our business, financial conditions, results of operations and prospects.

Key Personnel

Our continued success will depend upon the continued contributions of our key personnel and experienced employees. Our future success also depends on our ability to retain our existing key personnel or experienced employees and hire and integrate new key personnel or experienced employees essential to provide the required support functions for our successful operations. The loss of any key personnel could affect our ability to compete effectively in the palm oil industry.

We have made continuous efforts to train and groom the younger members of our management to gradually take on more responsibilities as part of our management succession planning. In addition, we have also made efforts to provide a healthy working and living environment with modern infrastructure and amenities to attract new and retain our key personnel. There can be no assurance that we will be successful in attracting new and retaining such personnel and any failure to do so could materially and adversely affect our business, financial conditions, results of operations and prospects.

5.1.5 Customers Concentration

CPO and PK

Currently, there are approximately seven (7) operating refineries in Sabah. We sell our CPO to established refineries such as Sandakan Edible Oils Sdn Bhd and IOI Edible Oil Sdn Bhd and PK to Lahad Datu Edible Oils Sdn Bhd, Leluasa Untung Sdn Bhd and Kwantas Oil Sdn Bhd. Although we enjoy stable relationships with these companies and have not encountered major problems in our dealings with them, there can be no assurance that these customers will continue to purchase CPO and PK from us. If any of these customers significantly reduce their purchases from us, or if we are unable to sell CPO or PK to them on favourable terms or at all, then we would sell our CPO and PK to other refineries and crushers but we will incur higher transportation costs thus resulting in lower profit margins.

FFB

Approximately 95% of our FFB is processed in our mills with the remaining FFB from our Ladang Kawa estate being sold to external parties due to the distance of Ladang Kawa estate from our mills. If we are unable to sell our FFB to external parties for any reasons, we would transport these FFB from our Ladang Kawa estate to our nearest mill but will incur higher transportation costs thus resulting in lower profit margins.

5.1.6 Pests and Diseases

Oil palm plantations are susceptible to pests and diseases. Outbreaks of leaf eating insects such as nettle caterpillars and bagworms are common. Pests such as rodents can cause damage to FFB.

The outbreak of pests and diseases may result in the destruction of oil palm trees and decrease in the production of FFB. The ultimate result is not only loss of crop and lower profitability but also the high expenditure to be incurred by the company to control such outbreaks.

Preventive measures adopted by us to eliminate pests and reduce diseases include planting of beneficial plants to attract predators of insect pests, use of baits and natural predators of rodents, such as snakes, continuous education of employees on the latest pest control methods, adopting and implementing good field hygiene and integrated pest management (IPM) practices.

Since the commencement of our business, we have not experienced any outbreak of pest infestation that has a significant impact on our operations or FFB yield. As the average age of our oil palm trees increases, we expect damage from pests and diseases to decrease as older oil palm trees are less prone to attacks. However, no assurance can be given that there will be no major outbreaks of pest infestation and diseases in the future that could materially and adversely affect our business, financial conditions, results of operations and prospects.

5.1.7 Expansion and Integration

We compete with other plantation companies in the procurement of suitable plantation land for the purpose of expansion. The availability of suitable land and rising cost of land due to the high growth experienced by the industry may restrict our ability to expand our business within the vicinity of our current plantation. As such, we may pursue acquisition of plantation land outside our present locality. Hence there is no assurance that we will be able to enjoy the economies of scale currently experienced by our existing estates being located on a single block of contiguous land or successfully integrate such new acquisitions with our existing operations and as a result our profitability and prospects may be adversely affected.

We intend in the future to expand into downstream refining activities by constructing or acquiring a refinery. If such construction or acquisition is not completed on schedule or within budget, this may have a material and adverse effect on our business, financial condition, results of operations and prospects. Even if we successfully construct or acquire a refinery, there is no assurance we could sell our production from such refinery profitably.

5.1.8 Insurance Coverage

We do not have any insurance coverage for business interruption and destruction or damage to our oil palm trees because we are of the opinion that the likelihood of occurrence of such risks associated with our oil palm trees is remote and hence it is not economical to insure. Although we have taken necessary measures to ensure that our other assets such as buildings, mills, plants and machineries are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of all of our assets. A significant uninsured or underinsured claim would materially and adversely affect our business, financial conditions, results of operations and prospects.

5.1.9 Foreign Exchange Fluctuations

Our financial statements are presented in Ringgit. However, our sales revenues are indirectly linked to the US dollars and a certain portion of our costs and expenses (such as fuel and fertiliser) are also exposed to fluctuation of the US dollar exchange rate.

We believe that a weaker Ringgit in general tends to have a beneficial effect on our operating results and conversely a strengthening of the Ringgit against the US dollar tends to have an adverse effect on our operating results. There can be no assurance that significant future fluctuations in exchange rate will not adversely affect our operating results.

5.1.10 Land

We rely on numerous land titles under which we hold our plantation and estate land, for the continued operation of our business. Some of those land titles contain complex conditions relating to the use of our land and native title issues. Currently, we are not in compliance with some of the conditions of certain of our land titles, including conditions relating to the use of our land and native ownership of a certain percentage of the affected land.

Although our management has submitted the necessary applications to the relevant authorities for approvals, waivers and/or extensions of time to comply with these conditions, there can be no assurance that such approvals, waivers and/or extensions will be obtained by us. Failure to comply with these conditions may result in written orders to comply, suspension or revocation of our land titles or may require us to sell some of our land. We believe, the risk of such failure to comply is only in relation to a small proportion of our total plantation. Please refer to Section 9.3 of this Prospectus for further details.

There can no assurance that we will be able to comply with all the conditions of our land titles in the future.

5.1.11 Storage

Storage risk is a result of unexpected high production of FFB, stock piling of CPO and PK to meet anticipated price increase and shortage of customers' storage capacity.

In order to mitigate such risk, we have implemented measures such as:

(i) increasing our storage capacities for CPO and PK; and

(ii) arranging for regular sales and shipments in order to maintain sustainable stock levels including through forward sale contracts.

Furthermore, we monitor our customers' storage situation and transporters' facilities to minimise storage risks. However, no assurance can be given that our storage facilities would be sufficient to keep a high volume of inventory.

5.2 Risks Relating to Our Shares

5.2.1 No Prior Trading Market for Our Shares

Currently there is no prior trading market for our Shares within or outside Malaysia. There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares. While the SC has approved the IPO and given approval for the Listing of our Shares, we will make an application to Bursa Securities for the quotation of the Shares on the Main Board of Bursa Securities. There can be no assurance that our Shares will be accepted for listing of and quotation on the anticipated date. In the event that our Shares are not admitted to the Official List, we will withdraw our application for Admission and we will return the monies paid in respect of any application for Shares without interest.

Our Shares could also trade at prices that may be lower than the IPO Price depending on many factors, including prevailing economic, political and financial conditions in Malaysia, our operating results and the market for similar securities. Neither we nor the Underwriter has any obligation to make a market for our Shares.

5.2.2 Continued Control by Existing Shareholders

Upon Listing, we will have 800,000,000 issued and paid-up Shares, of which at least 50.83% of our total issued and paid-up share capital will be held by HSCB. Depending on how HSCB chooses to vote and as a result of its shareholding, HSCB will generally be expected to have significant influence on the outcome of certain matters requiring the vote of our shareholders unless HSCB is required to abstain from voting by law and/or as required by the relevant authorities. HSCB's interests may differ from or conflict with the interests of other shareholders. Nevertheless, as a step towards good corporate governance, we have appointed three (3) Independent Directors and set up an Audit Committee to ensure that, *inter-alia*, all future transactions involving related parties are entered into on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the third parties and are not to the detriment of our minority shareholders.

In addition, our Shares will be tradable on the Main Board of Bursa Securities without restriction following our Listing. If HSCB sells or is perceived as intending to sell a substantial amount of our Shares, the market price for our Shares could be adversely affected.

5.2.3 The Volatility of the Market Price of Our Shares

The market price of our Shares could be affected by numerous factors, including:

(i) general market, political and economic conditions;

(ii) changes in earnings estimates and recommendations by financial analysts;

(iii) changes in market valuations of listed shares in general and other securities in the same industry in particular;

(iv) changes in government policy, legislation or regulation; and

(v) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares.

The Malaysian and global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Such fluctuations may adversely affect the market price of our Shares.

5.2.4 Delay or Failure in Our Listing

The occurrence of certain events, including the following, may cause a delay in or termination of our Listing:

(i) the identified investors failing to subscribe to the portion of Shares intended to be placed to them;

(ii) the Underwriter exercising its rights pursuant to the retail underwriting agreement to discharge itself from its obligations thereunder;

(iii) we are unable to meet the minimum public spread requirements of the Bursa Securities at the point of Listing; or

(iv) any force majeure event(s) beyond our control occurring before our Listing.

After the IPO Shares have been allocated or transferred to investors' CDS accounts, which would occur at least two (2) clear Market Days prior to the anticipated date of our Listing, it may not be possible to recover monies paid in respect of these IPO Shares from us or the Offeror in the event the Admission and the commencement of trading on the Main Board of Bursa Securities do not occur. Delays in the admission and the commencement of trading of shares on the Main Board of Bursa Securities have occurred previously.

In respect of Issue Shares following their allotment, a return of monies to all holders of Shares could be achieved by way of a cancellation of capital pursuant to the relevant provisions of the Act and the rules made pursuant thereto. Such cancellation would require the sanction of our shareholders by special resolution in general meeting and confirmation of the High Court of Malaya. There can be no assurance that monies can be recovered within a short period of time in such circumstances.

5.3 Other Risks

5.3.1 Proforma Consolidated Financial Information

The proforma consolidated financial information in this Prospectus is not audited and is presented for illustrative purposes only and is not necessarily indicative of what our actual financial position or results of operations would have been, had the Acquisitions, the Public Issue and Offer for Sale been completed on the dates indicated. The historical proforma financial information in this Prospectus does not give effect to the interest costs and one-time charges expected to result from the Acquisitions.

The foregoing could cause both our proforma historical financial position and results of operations and our future financial position and results of operations, to differ materially from those presented in the proforma financial information in this Prospectus.

5.3.2 Political, Economic and Social Developments in Malaysia

Given the nature of the industry in which we operate, demand for our products and the growth of our business are dependent on the Malaysian economy and the economies of neighbouring countries. Any adverse developments or uncertainties in the political and social developments in Malaysia and neighbouring countries may adversely affect our performance. These include, but are not limited to, risk of war, riots, nationalisation, renegotiation or nullification of existing contracts and arrangements, inflation, global economic downturn and unfavourable changes in governmental policy such as changes in interest rates and methods of taxation, currency exchange controls and changes in regulations or other legal, administrative, political, economic or social developments. Any adverse revision to Malaysia's credit ratings for domestic and international debt by international rating agencies may increase the cost for companies in Malaysia to raise financing.

There can be no assurance that any changes to these factors will not have an adverse effect on our business and financial performance. The success of the IPO also depends to a certain extent on the prevailing market conditions which are unpredictable and volatile.

5.3.3 Significant Variation in the Profit Forecast

Our consolidated profit forecast for the financial year ending 31 January 2008 is set out in Section 12.1 of this Prospectus. The consolidated profit forecast is based on the assumptions made by our Directors and is presented on a basis consistent with the accounting policies adopted by us. Furthermore, it reflects the current judgement of our Directors regarding expected conditions which is subject to change.

The forecast financial information set out in this Prospectus are predicated upon certain assumptions and forecasts regarding CPO market prices, yield per hectare and extraction rates as well as assumptions on general business and economic conditions and local tax policies, the outcome of which cannot be predicted with any expectation of certainty by us or any other person. In addition, our actual results could vary from the forecast if there are changes in the political, legal, regulatory, fiscal policies or economic conditions in Malaysia or elsewhere, or changes in regulations or legislation governing the palm oil industry in Malaysia that materially adversely affects our business or operations. The assumptions upon which the forecast are based are inherently subject to significant uncertainty due to factors including, but not limited to those identified in Section 12.1 of this Prospectus and actual results are expected to differ, perhaps materially, from those forecast. Many of these factors are not within our control and some of the assumptions with respect to future business decisions and strategies are subject to change. Our actual results may differ from such forecast and such differences may be material and may affect the market price of our Shares and any dividend that may be contemplated.

Accordingly, the forecast is not necessarily indicative of future performance, neither our Company nor any other person assumes any responsibility for their accuracy. The actual results of operations during the forecast period may vary from the forecast, and such variations may be material. Therefore, no representation is made or intended, nor should any be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and you should not place undue reliance on the forecast set out herein. If actual results are less favourable than those shown or if the assumptions used in formulating the base case and the sensitivity analysis included in the forecast as set out in Section 12.3 of this Prospectus prove to be incorrect, our ability to pay our operating expenses, declare and pay dividends and our ability to fulfill our financial obligations may be materially and adversely affected.

Under no circumstances should the inclusion of the profit forecast be regarded as a representation, warranty or prediction with respect to its accuracy or the accuracy of the underlying assumptions, or that we had or will achieve or are likely to achieve any particular result.

We do not intend to provide any updated or otherwise revised profit forecast. The profit forecast should be reviewed in conjunction with the description of the business, the historical financial information and the other materials contained in this Prospectus, including the information included elsewhere in this Prospectus.

5.3.4 Forward-looking Statements

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategy, plans and objectives of the management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, *inter-alia*, general economic and business conditions, competitions, the impact of new laws and regulations affecting us and the industry, changes in interest rates and changes in foreign exchange rates.

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

6. THE MALAYSIAN ECONOMY

Except as otherwise indicated, we have extracted verbatim the statistics and information contained in this entire section from Annual Report 2006 published by the Bank Negara Malaysia and Economic Report 2007/2008 published by the Ministry of Finance, Malaysia. This information has not been independently verified by us, our advisers, the Managing Underwriter and Underwriter, the Placement Agent nor the Joint Global Co-ordinators and Joint Bookrunners. We do not make any representation as to the accuracy of this information.

6.1 Overview of the Malaysian Economy in 2006

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. This strong external environment was supported by strong domestic activity as private consumption rose in line with income and private investment increased to expand productive capacity to meet demand. As a result of the expansion in domestic and external demand, employment also strengthened as reflected in the decline in retrenchments and the acceleration in job creation. The unemployment rate remained unchanged at 3.5% while nominal wages increased. Real GDP strengthened in 2006, underpinned by robust domestic demand and continued strong exports.

In spite of the robust growth in output and wages, the economy remained on a balanced growth path in 2006. A number of indicators confirmed the sustainability of the growth momentum. The output gap was negligible in 2006 and productivity growth exceeded wage growth and hence helped contain inflationary pressures. The only significant source of inflation in 2006 was from supply factors, most notably, the adjustments to a number of administered prices as subsidies were partially removed. As the impact of these adjustments receded during the course of the year, the headline inflation rate also moderated.

The key economic indicators of Malaysia are set out in the table below:

	2004	**2005**	**2006**
Population (million persons)	25.6	26.1	26.6
Labour force (million persons)	10.8	11.3	11.5
Employment (million persons)	10.5	10.9	11.1
Per capita income - (RM)	16,638	18,040	19,764
Per capita income - (USD)*	4,796	5,200	5,697
Real GDP (RM billion)	249.3	262.2	277.7
Real GDP (USD billion)*	71.9	75.6	80.1
Real GDP (% change)	7.2	5.2	5.9
Real gross national product (RM billion)	233.4	246.2	261.9
Real gross national product (USD billion)*	67.3	71.0	75.5
Private expenditure (excluding stocks) (% change)	13.9	9.1	7.6
- Consumption (% change)	10.5	9.2	7.0
- Investment (% change)	30.2	8.5	9.7
Public expenditure (excluding stocks) (% change)	-3.3	3.6	7.2
- Consumption (% change)	6.2	5.4	7.9
- Investment (% change)	-11.0	1.9	6.5
Gross national savings as a percentage over gross national product (%)	37.3	37.0	38.1
Consumer price index (2005 = 100) (% change)	1.4	3.0	3.6
Producer price index (2004 = 100) (% change)	8.9	6.8	6.7

Note:

* *These statistical information are prepared for illustrative purposes and has not been independently verified by us, our advisers, the Managing Underwriter and Underwriter, the Placement Agent nor the Joint Global Co-ordinators and Joint Bookrunners.*

6.1.1 Domestic Demand

The aggregate domestic demand recorded a stronger growth of 7.4% in 2006, driven mainly by the continued expansion in private sector activity. Consumer spending remained strong, benefiting from higher disposable income 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. Meanwhile, the public sector continued to support growth with the Government committed to improving the infrastructure and the provision of Malaysian Government services mainly in education and health especially for the rural areas.

6.1.2 Private Consumption

Private consumption expenditure remained resilient, increasing by 7% in 2006 (2005: 9.2%), in spite of concerns over rising prices, especially during the first half of year. Major consumption indicators confirmed the strong trend in spending, with double-digit growth rates recorded for consumption imports, loans approved and disbursed for consumption credit, as well as credit card spending. The main factor that contributed to the strength in consumer spending was the steady income growth arising from firm commodity prices, strong export earnings and stable employment conditions. Prices of major commodities such as rubber and CPO were sustained at a high level throughout 2006. These developments benefited both the rural and urban households' disposable income and supported consumers' optimistic outlook.

6.1.3 Private Investment

Robust domestic demand was driven mainly by continued expansion in private investment activity, particularly in the manufacturing and oil and gas sectors. The public sector continued to provide a supportive environment.

As income and job prospects improved, consumer confidence and spending also strengthened. The Malaysian Institute of Economic Research's ("MIER") Consumer Sentiment Index ("CSI"), which measures consumers' assessment of their personal finances and the economy, reflected the improving sentiments during the year. The CSI dipped below the 100-point confidence threshold level in the first quarter of 2006, reflecting concern over higher prices. Over the course of the second half of the year, stable labour market conditions, coupled with bonus payments to civil servants, provided a positive impetus to consumer confidence. As a result, the CSI rose to 110.9 points in the fourth quarter, the highest level for the year.

In spite of some concerns regarding business prospects early in the year due to higher CPO prices, the sustained favourable economic conditions supported a 9.7% growth in private investment. MIER's Business Conditions Index, which has remained above the 100-point threshold level since the first quarter of 2005, underscored the positive business sentiments. The positive investment climate was also reflected in the higher gross foreign direct investment 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. In addition, the financial system continued to support private investment activity. In 2006, private debt securities issued for new activities during the year increased to RM21 billion (2005: RM17.7 billion), and formed the bulk of the total debt securities issued. The bulk of the expansion in private capital spending occurred in the manufacturing, services and upstream oil and gas sectors.

Manufacturers' expenditure on new machinery and equipment remained strong, as reflected in the higher imports of these items during the year. In view of the strong demand for resource-based products from abroad and sustained high capacity utilisation levels, manufacturers undertook a significant expansion in capacity. The expansion of production capabilities in the off-estate processing industry also reflected strong expansion in the commodities-related downstream sector in expectation of strong demand. In 2006, the MITI approved 1,077 manufacturing projects worth RM46 billion (2005: RM31.1 billion) mainly for investment in the petroleum products, chemical products, electrical and electronics products industries. The bulk of the approved projects were new and mainly concentrated in biodiesel production, which is in line with the Malaysian Government's aspiration to promote the development of biofuels. At the same time, there was an increase in capital spending to expand current production lines, mainly in the electronics sector, where foreign participation is more prominent. For the projects approved during the year, capital investment per employee also rose, pointing to the shift towards more capital-intensive and higher value-added projects.

6.1.4 Public Consumption

Public consumption grew at a stronger rate of 7.9% in 2006 (2005: 5.4%), due mainly to continued high expenditure on emoluments and supplies and services. The increase in emoluments expenditure reflected the Government's continued effort to enhance human capital development in order to strengthen the nation's productivity and competitiveness. Meanwhile, expenditure on supplies and services rose largely due to the Malaysian Government's emphasis on improving the public sector's administrative machinery and delivery system.

In spite of higher public consumption, public sector savings rose significantly to RM101.7 billion or 19.3% of gross national product ("GNP") (RM70.5 billion or 15% of GNP in 2005) due to the larger operating surpluses generated by the non-financial public enterprises. This contrasted with the more stable pattern in private sector savings. As a result, the gross national savings rose by 15.1% to RM200.7 billion or 38.1% of GNP. In the private sector, the high level of savings (RM99 billion or 18.8% of GNP) was due to higher disposable income and cash flows arising from strong export earnings, firm commodity prices and stable employment conditions during the year. Banking sector deposits held by individual rose significantly by RM25.4 billion during the year (RM15.2 billion in 2005), underlining the strength of household balance sheets.

6.1.5 Public Investment

Public investment rose by 6.5% in 2006 (2005: 1.9%). During the year, our Federal Government remained committed to implement development projects that improved socio-economic conditions, both in the rural and 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 channelled into improving the transportation and industrial infrastructure as well as broadening the agriculture base. Capital expenditure on the social services sector was mainly for improving essential services sector such as education and health, with a larger allocation for higher education, industrial training as well as medical facilities and equipment.

Nevertheless, in spite of higher investment by both the private and public sectors, the more significant increase in the gross national savings led to a larger savings-investment balance in 2006. The balance which is equivalent to the current account on the balance of payments, recorded a larger surplus of RM91.2 billion or 17.3% of GNP.

6.1.6 Inflation

The consumer price index ("CPI") increased from 3% in 2005 to 3.6% in 2006. The level of headline inflation rate was within the Bank Negara Malaysia's forecast range of 3.5% to 4.0%. The core inflation rate rose at a more modest pace of 2.1% (2% in 2005), over the same period. The core inflation rate, a measure of CPI inflation which excludes transitory factors such as price-volatile items and price-administered items, reflects the underlying changes in prices induced by demand pressures. The divergence between headline inflation and the core inflation rate over the course of the year suggests that transitory factors were significant contributors to the buildup of price pressures. In particular, the adjustments to the administered prices of retail petroleum products and utilities during the year had a significant impact on the rate of inflation.

Notwithstanding the fact that oil and other commodities are important inputs into the production process and significant movements in their prices had affected producers' overall costs and induced cost-push pressures, their importance for producer price inflation has diminished over time. In 2006, the Department of Statistics of Malaysia announced a rebasing of the producer price index ("PPI") to year 2000 and a revision of the weights of items in the PPI basket in proportion to their contribution to the total value of output in the economy. Compared to the previous weights, the weights of non-commodity related items such as machinery and transport equipment and manufactured goods were significantly higher in the new PPI. The new weights are therefore more reflective of the current state of the Malaysian economy, which has evolved from one based on commodities to one which is based on manufacturing. All things considered, inflation was reasonably benign in light of the limited pass-through impact from high oil prices.

6.2 Outlook of the Malaysian Economy in 2007

Supported by sustained global growth and resilient domestic demand, the Malaysian economy is expected to register solid growth in 2007, with real GDP expanding by 6%. This pace is consistent with the expansion in productive capacity following the strengthening of the recovery in capital formation.

In 2007, investment, particularly private investment, is expected to play a major role in sustaining growth as strong domestic and external demand, coupled with high levels of capacity utilisation, induced firms to expand their capacity. In addition, investment activity by the public sector is also expected to expand substantially with the commencement of work on infrastructure and other projects under the Ninth Malaysia Plan. Firm-level investment is also expected to benefit from the reduction in the corporate tax rate that was announced in the 2007 budget, while ample liquidity in the financial system will ensure funding would be adequate.

The year will also see broad-based growth as the mining and construction sectors, which had contracted in 2006, are expected to register positive growth. The growth momentum during the year will be influenced by both external and domestic factors. On the domestic front, a number of major developments are expected to impact growth, mainly towards the latter part of the year. These include the more rapid implementation of public projects, the start of production at the Kikeh oil field and the significant increase in tourist arrivals for the Visit Malaysia Year 2007 during the peak summer travel season. Reflecting these factors, the Malaysian economy is expected to enjoy stronger growth in the second half-year.

6. THE MALAYSIAN ECONOMY *(Cont'd)*

The forecast key economic indicators of Malaysia are set out in the table below:

	2007
Population (million persons)	27.2
Labour force (million persons)	11.8
Employment (million persons)	11.4
Per capita income - (RM)	20,900
Per capita income - (USD)*	6,025
Real GDP (RM billion)	294.4
Real GDP (USD billion)*	84.9
Real GDP (% change)	6.0
Real GNP (RM billion)	275.7
Real GNP (USD billion)*	79.5
Private expenditure (excluding stocks) (% change)	7.2
- Consumption (% change)	6.4
- Investment (% change)	10.4
Public expenditure (excluding stocks) (% change)	7.7
- Consumption (% change)	4.1
- Investment (% change)	11.4
Gross national savings as a percentage over GNP (%)	38.1
CPI	2.0 – 2.5
PPI	Not available

Note:

* *These statistical information are prepared for illustrative purposes and has not been independently verified by us, our advisers, the Managing Underwriter and Underwriter, the Placement Agent nor the Joint Global Co-ordinators and Joint Bookrunners.*

6.2.1 Domestic Demand

Aggregate domestic demand is projected to remain resilient, with a growth rate of 7.4% in 2007. The private sector will remain as the main driver. However, the public sector is expected to play a more significant role as public investment projects under the Ninth Malaysia Plan are implemented.

6.2.2 Private Consumption

Private consumption is expected to remain resilient, increasing by 6.4% in 2007. As a result of sustained growth in recent years, which has increased job creation, households are expected to enjoy income growth and better employment prospects. In addition, high commodity prices have significantly boosted rural income and spending. These same trends are expected to be sustained in 2007. Apart from sustained income growth, other factors that will provide support for sustained household consumption include the lower inflation rate, a conducive financing environment of low and stable interest rates, and the high rate of savings. In particular, the households' balance sheet remains relatively strong, as shown by the stable debt levels and the decreasing debt-service burden. As a result, consumption growth can be expected to remain robust, exceeding the overall GDP growth for the eight (8) consecutive years.

6.2.3 Private Investment

Private investment, in particular, will be a major driver of growth and is expected to increase by 10.4%, due mainly to higher capital spending in the manufacturing, services and oil and gas sectors. The reduction in income tax to 27% announced in 2007 budget would also stimulate private capital spending. Capital spending in the manufacturing sector would largely be driven by efforts to improve efficiency and expand capacity, especially in higher value added projects that employ higher levels of technology and a more knowledge base workforce. In the services sector, sustained high capital expenditure is expected in the utilities, telecommunications and transportation sub-sectors. The expenditure would be for the development of power plants and water-related improvement projects, enhancement of network quality and providing additional broadband facilities. In the transportation sector, shipping and air services providers are expected to spend on fleet expansion. Meanwhile, higher capital spending is expected in the oil and gas sectors with the discovery of new oil and gas fields in recent years as well as continued exploration and survey activities in the deepwater areas.

6.2.4 Public Consumption

Public consumption is expected to increase moderately by 4.1% in 2007, particularly for expenditure on supplies and services. The increase is due, in part to our Government's emphasis on improving the delivery system to support private sector activity.

6.2.5 Public Investment

Public investment is forecast to grow significantly by 11.4%, driven by the higher development expenditure of the Federal Government on the Ninth Malaysia Plan projects. The Federal Government's allocation for development expenditure in the economic services sector is mainly for improving the agriculture sector, providing support for industrial growth and infrastructure development. In the social services sector, the bulk of expenditure is for the provision of essential services such as education and health and the development of housing projects.

In addition to investment undertaken directly by the Federal Government, public investment would gain further support from the strong planned capital outlays by non-financial public enterprises. For example, the Tenaga Nasional Berhad is expected to continue investing in its electricity transmission and distribution infrastructure, as well as expanding its power generation capacity.

6.2.6 Inflation

Headline inflation, which was driven by higher energy prices in early 2006, has since eased and is likely to moderate further in 2007. The average inflation rate is expected to moderate to 2.0-2.5% for the year as a whole. Headline inflation is expected to be significantly lower in 2007 than in 2006, and price pressures are expected to be well-contained. In the short run, the main contributing factor to lower inflation rate would be the lapse of the impact of the upward adjustment in the prices of retail petroleum products that took place in 2006. In addition, global energy prices have declined from their peak levels, and if sustained, would contribute towards alleviating cost pressures. Importantly, the moderating trend in inflation observed during the second half of 2006 has contained the public's inflation expectations for 2007.

6. THE MALAYSIAN ECONOMY *(Cont'd)*

6.3 Outlook of the Malaysian Economy in 2008

Growth prospects for the global economy remain favourable in 2008. The world economy is projected to expand by 5.2% (2007: 5.2%) supported by broad-based and balanced expansion across the regions. Growth will be led by emerging markets and developing countries, in particular, China, India and Russia. The upturn in the US economy and sustained growth in the Euro area will further reinforce the continued expansion in world growth. World trade is expected to grow at a faster pace of 7.4% (2007: 7.1%), underpinned by strong demand for commodities, continued expansion in trade in services and supported by sustained demand for electronics. Inflationary pressure are expected to be manageable, cushioned in part by higher productivity growth, softening US dollar as well as proactive measures taken by major economies to contain inflation.

Despite the positive outlook, several downside risks remain, which would derail the growth momentum of the world economy. These include, among others, lower-than-expected growth of the US economy, prolonged subprime mortgage crisis, widening global imbalances, oil price shocks leading to higher world inflation, geopolitical tensions as well as pandemic diseases. Notwithstanding the external challenges, the Malaysian economy is expected to remain resilient on the back of a well-diversified and broad-based structure as well as strong macroeconomic fundamentals, which have strengthened over the years.

The Malaysian economy is anticipated to strengthen further to 6.0-6.05% in 2008 (2007: 6.0%) with positive contribution from all sectors of the economy. Domestic demand will be the main driver of the economy, while external demand is expected to pick up in tandem with improved prospects in world trade. Private investment and consumption spending are expected to remain robust, while public expenditure continues to expand. Inflation is anticipated to remain low despite strong expansion in the economy as output growth is still below potential level. Coupled with increased productivity, the economy would be able to absorb higher demand expenditure. In line with higher output and firm commodity prices, nominal GNP per capita is expected to rise 6.8% to RM23,864 in 2008 (2007: 7.2%). In terms of Purchasing Power Parity ("PPP"), per capital income is expected to increase 6.9% to reach USD14,206 (2007: 13.9%, USD13,289), reflecting improved quality of life of the *rakyat (the people of Malaysia)*.

6. THE MALAYSIAN ECONOMY *(Cont'd)*

The forecast key economic indicators of Malaysia are set out in the table below:

	2008
Population (million persons)	27.7
Labour force (million persons)	12.0
Per capita income - (RM)	23,864
Per capita income - (USD)*	6,978
Real GDP (RM billion)	543.52
Real GDP (USD billion)*	158.92
Real GDP (% change)	6.0 – 6.05
Real GNP (RM billion)	661.73
Real GNP (USD billion)*	193.49
Private expenditure	
- Consumption (% change)	7.9
- Investment (% change)	9.5
Public expenditure	
- Consumption (% change)	5.5
- Investment (% change)	10.8

Note:

* *These statistical information are prepared for illustrative purposes and has not been independently verified by us, our advisers, the Managing Underwriter and Underwriter, the Placement Agent nor the Joint Global Co-ordinators and Joint Bookrunners.*

6.3.1 Domestic Demand

The growth momentum in 2008 is expected to strengthen, driven by positive developments that supported domestic economic activity in 2007. Aggregate domestic demand expenditure (excluding change in stocks) is expected to expand 6.8%, strengthened by private sector expenditure, which is envisaged to grow by 8.2%. The role of private sector as the key engine of growth is reflected by its high contribution of 5.1 percentage points to GDP growth. Meanwhile, contribution to GDP growth by the public sector is expected to moderate to 0.8 percentage points in 2008 following slower growth in public expenditure by 3.2%.

6.3.2 Private Consumption

Private consumption is expected to increase 7.9% on account of higher disposable income arising from firm commodity prices and sustained domestic economic activity as well as stable employment conditions. Pay hike for civil servants effective July 2007 leading to increase in permanent income is expected to further enhance propensity to consume. Positive wealth effects from the equity and property markets will also enhance the propensity to consume. As a result, share of private consumption to GDP will increase to 50.8% in 2008.

6. THE MALAYSIAN ECONOMY *(Cont'd)*

6.3.3 Private Investment

In tandem with favourable business sentiment and better external environment in 2008, private investment is forecast to increase markedly by 9.5%, accounting for 11.9% of GDP. Investment activity is expected to strengthen following various measures taken by the Government to improve the business climate, including further reduction of another one percentage point in corporate tax to 26.0% in 2008. Measures to strengthen intellectual property rights including the setting up of additional special courts are expected to boost investor confidence and generate more R&D activities. In addition, greater participation of the private sector in the implementation of Iskandar Development Region, Northern Corridor Economic Region and other economic corridors is expected to accelerate investment activities. The implementation of the trans peninsular-oil pipeline across the northern region, integrated petroleum terminal in Tanjung Bin, Johor as well as greater upstream activity is expected to increase investment outlay in the oil and gas industry. In addition, multinational companies are expected to increase capacity utilisation in anticipation of higher external demand, particularly in the E&E (*Electrical and Electronics*) sector. With significant number of DDI (*Direct Domestic Investment*) approvals coming onstream in various sectors, greater small and medium enterprises involvement in domestic economic activity is envisaged to further enhance capital outlay. Consequently, investment activity is expected to further strengthen in 2008 and add to the productive capacity of the economy, thereby increasing Malaysia's potential output in the medium and long term.

6.3.4 Public Consumption

Public consumption is projected to increase 5.5% in 2008, following higher expenditure for emolument in tandem with increased productivity in the public service. Share of public consumption to GDP is expected to be sustained at 13.4% in 2008 (2007: 13.5%).

6.3.5 Public Investment

Public investment growth is expected to be 0.5%, with a share of 10.8% to GDP, supported by development allocation of Federal Government expenditure as well as higher capital outlay by Non-Financial Public Enterprise.

7. INDUSTRY OVERVIEW

Except as otherwise indicated, we have extracted the statistical and certain other information contained in the following description from various publications, including Bank Negara Malaysia Annual Report 2006, MPOB website at www.mpob.gov.my, the Economic Report 2007/2008 published by the Ministry of Finance, Malaysia and Oil World September 2007 (a publication of ISTA Mielke GmbH, German). We do not make any representation as to the accuracy of this information. This information has not been independently verified by us, or our advisers, the Managing Underwriter and Underwriter, the Placement Agent nor the Joint Global Co-ordinators and Joint Bookrunners. For the purposes of this Section 7, "palm oil" is a generic term of oil extracted from the oil palm fruit and encompasses all forms of oil derived from CPO as explained in the second paragraph of Section 7.1 below.

7.1 Introduction

Oil palm yield principally palm oil and kernel oil which have different downstream uses. Palm oil is a versatile vegetable oil with a number of important edible and industrial applications. Over the last decade, improved palm oil quality and new technological developments have increased the number of uses of palm oil for edible purposes. Palm oil contains antioxidants including carotene and relatively high levels of vitamins A and E.

Further processing of CPO in refineries, yields refined bleached and deodorised palm oil, a major ingredient in margarines, shortenings and ice cream, and palm fatty acid distillate. In addition, refined bleached deodorised palm oil can be fractionated (i.e. the process of separating liquids from solids) to produce refined bleached deodorised stearin (solid form) and refined bleached deodorised olein (a liquid).

Refined bleached deodorised olein is used by food producers to fry processed foods. Refined bleached deodorised stearin is used to make margarine and shortenings as well as in the production of soaps and detergents. Palm oil and PK oil can also yield basic oleochemicals comprising fatty acids and glycerols.

A sample of the downstream uses of palm oil products are highlighted in the following table:

Palm oil	**PK oil**	**Oleochemicals**
Refined bleached deodorised olein	Cocoa butter substitutes	Methyl Esters:
Margarine	Specialty fats	Plastics
Shortenings	Shortenings	Textile processing
Ice cream	Ice cream	Metal processing
Bakery fats	Coffee whiteners and creams	Lubricants
Instant noodles	Sugar confectioneries	Emulsifiers
Soaps and detergents	Biscuit cream fats	Pharmaceutical products
Cocoa butter extenders	Filled milk	Detergents
Chocolate and coatings	Imitation cream	Plasticisers
Specialty fats	Soaps and detergents	Glycerine:
Dry soup mixes	Shampoos	Cosmetics
Sugar confectioneries	Cosmetics	Explosives
Biscuit cream fats	**PK meal**	Pharmaceutical products
Filled milk	Animal feeds	Food protective coatings
Textile oils		
Vitamin E		

7.2 Global Oil and Fats Overview

7.2.1 Production of Oils and Fats

There are three (3) main categories of oils and fats: vegetable oils, animal fats and marine oils. Within each category, oils and fats can be categorised into "edible" or "industrial", depending on the relative proportion of saturated and unsaturated fatty acids in each category. Vegetable oils contain saturated and unsaturated fraction. Most industrial applications tend to use the saturated fraction of oils, such as stearin. Olein has a lower proportion of saturated oil than stearin and is mainly used for edible purposes. In edible applications, vegetable, animal and marine oils possess a fair degree of interchangeability depending on their relative proportion of these fatty acids.

World Production of Major Oils and Fats by Oil Type

	<------ Year ended 31 December ------>					Compound Annual Growth Rate*
	2002	2003	2004	2005	2006	2002-2006
		(in thousand of tonnes)				
Vegetable oils:						
Palm	25,407	28,257	30,985	33,846	37,135	9.95%
Soybean	29,850	31,242	30,730	33,611	35,270	4.26%
Rapeseed	13,343	12,698	15,088	16,296	18,449	8.44%
Sunflower	7,595	8,899	9,400	9,760	11,127	10.02%
Cotton Seed	4,221	3,987	4,367	4,996	4,901	3.80%
Groundnuts	5,178	4,508	4,705	4,496	4,390	-4.04%
PK	3,044	3,347	3,581	3,976	4,342	9.29%
Coconut	3,098	3,270	3,036	3,237	3,083	-0.12%
Olive	2,773	2,904	3,110	2,944	2,826	0.47%
Corn	2,016	2,017	2,025	2,133	2,264	2.94%
Sesame	807	810	831	868	861	1.63%
Linseed	581	594	635	626	686	4.24%
Castor	438	425	500	540	532	4.98%
Total	**98,351**	**102,958**	**108,993**	**117,329**	**125,866**	**6.36%**
Animal fats:						
Tallow and grease	8,062	8,015	8,227	8,381	8,546	1.47%
Lard	7,014	7,227	7,336	7,561	7,843	2.83%
Butter	6,331	6,394	6,476	6,667	6,746	1.60%
Total	**21,407**	**21,636**	**22,039**	**22,609**	**23,135**	**1.96%**
Marine oils:						
Fish	946	1,005	1,129	989	982	0.94%
Total oils and fats	**120,705**	**125,598**	**132,160**	**140,928**	**149,983**	**5.58%**

(Source: Oil World September 2007)

Note:

* *The compound annual growth rate has been computed for illustrative purposes.*

To meet increasing demand, world production of oils and fats has been growing over the last few years, from an aggregate of 120.71 million tonnes for the year ended 31 December 2002 to 149.98 million tonnes for the year ended 31 December 2006, representing a compound annual growth rate of 5.58%. The largest factor contributing to this growth has been the increase in production of vegetable oils from 98.35 million tonnes for the year ended 31 December 2002 to 125.87 million tonnes for the year ended 31 December 2006, representing a compound annual growth rate of 6.36% per annum.

Palm oil and PK oil registered amongst the highest growth rates of major oils and fats. From 2002 to 2006, palm oil and PK oil recorded compound annual growth rates of 9.95% and 9.29% respectively, higher than the average 6.36% recorded for vegetable oils and 5.58% for all major oils and fats. Palm oil and PK oil represented 29.50% and 3.45% respectively of total vegetable oils production and 24.76% and 2.89% respectively of total major oils and fats production for the year ended 31 December 2006.

7.2.2 Production of Palm Oil

Oil palm is the highest oil-producing crop per hectare of all oil-producing crops. Therefore, oil palm requires a smaller area of plantation hectarage compared to other oil-producing crops to produce the same amount of oil. Taking into account both palm oil and PK oil, average palm oil yield per hectare are several times those of other oil-yielding crops. Palm oil also costs less per tonne of oil to produce.

World Production of Palm Oil

	<---------- Year ended 31 December ---------->				
	2002	2003	2004	2005	2006
	(in thousand of tonnes)				
Malaysia	11,907.7	13,353.8	13,974.0	14,960.7	15,880.7
Indonesia	9,370.0	10,600.0	12,380.0	14,100.0	16,050.0
Nigeria	775.0	785.0	790.0	800.0	815.0
Thailand	600.0	690.0	735.0	700.0	855.0
Colombia	528.4	526.6	631.8	660.7	711.0
Others	2,226.1	2,301.7	2,474.3	2,624.6	2,823.1
Total	**25,407.2**	**28,257.1**	**30,985.1**	**33,846.0**	**37,134.8**

(Source: Oil World September 2007)

The pattern of global production of palm oil has evolved with South East Asia currently accounting for 90% of the world's palm oil output in 2006 from an insignificant portion of the world's palm oil output in the 1960s. The ecological requirements for the cultivation of palm oil exist in certain suitable zones in West Africa, Central America, South America and South East Asia, including Malaysia and Indonesia. Of these suitable zones, only Malaysia and Indonesia have shown substantial increases in palm oil production levels. Malaysia is currently the world's second largest producer of palm oil as shown by the table above.

For the year ended 31 December 2006, palm oil production in Malaysia reached 15.88 million tonnes or 42.77% of the world's total palm oil production. However, the country's overall share of world palm oil production has gradually declined due in part to increased production in other countries, such as Indonesia, and the decreasing available supply of additional agricultural land in Malaysia that is suitable for palm oil production and the conversion of some oil palm plantations to industrial, commercial and residential uses.

7.2.3 World Disappearance of Palm Oil

	<---Year ended 31 December				--->	Compound Annual Growth Rate*
	2002	2003	2004	2005	2006	2002-2006
		(in thousand of tonnes)				
PR China	2,649.8	3,283.1	3,680.6	4,339.8	5,449.9	19.76%
European Union	3,394.7	3,569.8	3,892.9	4,386.5	4,568.1	7.70%
Indonesia	3,027.1	3,169.5	3,347.0	3,546.1	3,711.3	5.23%
India	3,548.9	4,150.8	3,395.9	3,308.7	3,073.7	-3.53%
Malaysia	1,501.1	1,568.3	1,781.6	1,964.7	2,160.8	9.53%
Pakistan	1,350.0	1,349.4	1,341.8	1,546.3	1,549.8	3.51%
Nigeria	970.0	984.5	995.0	1,010.0	1,025.8	1.41%
Egypt	473.6	641.0	664.8	620.1	608.0	6.44%
Others	8,504.8	9,516.6	10,949.0	12,704.1	14,021.8	13.31%
Total	**25,420.0**	**28,233.0**	**30,048.6**	**33,426.3**	**36,169.2**	**9.22%**

(Source: Oil World September 2007)

Note:

* *The compound annual growth rate has been computed for illustrative purposes.*

Disappearance is defined as visible opening stock plus production and imports, minus exports and visible ending stocks. Disappearance of palm oil rose at a compound annual growth rate of 9.22% from the year ended 2002 to 2006. PR China is currently the largest as well as fastest growing consumer of palm oil and recorded a compound annual growth rate of 19.76% from the year ended 2002 to 2006. The European Union, Indonesia, India, Malaysia and Pakistan are other key consumer markets.

7.3 The Malaysian Palm Oil Industry

The Malaysian agriculture and forestry sector continues to expand, and is in fact the third largest contributor to Malaysian economy in 2006, in terms of contribution to the GDP (83%), export revenue (7.1%) and employment (12.5%).

Key statistics of the performance of the Malaysian palm oil industry for the past three (3) years:

	<------------------------Year ended 31 December	------------------->	
	2004	**2005**	**2006**
Planted area (000 ha)			
Area	3,875	4,051	4,165
Yield – Malaysia			
FFB (tonnes /ha)	18.60	18.88	19.60
Oil Extraction Rate (%)	20.03	20.15	20.04
Kernel Extraction Rate (%)	5.25	5.34	5.20
Yield – Sabah			
FFB (tonnes /ha)	21.40	22.99	23.10
Oil Extraction Rate (%)	21.31	21.34	21.12
Kernel Extraction Rate (%)	4.71	4.86	4.71
Production (000 tonnes)			
CPO	13,976	14,962	15,880
PK	3,661	3,964	4,125
Export (000 tonnes)			
Palm Oil	12,582	13,446	14,404
PK Oil	780	851	933
Closing stock (000 tonnes)			
Palm Oil	1,490	1,604	1,506
PK	167	174	161
Annual average price (RM/tonne)			
CPO (local delivered)	1,610	1,394	1,511
PK (ex-mill)	1,063	1,017	892

(Source: Statistics 2006 from MPOB website at www.mpob.gov.my)

Statistics show that the total oil palm planted area has been increasing steadily. An increase of 2.81% was recorded as the planted area in 2005 rose from approximately 4,051,374 ha to 4,165,215 ha in 2006, with Sabah remaining the largest oil palm planted state at 29.76% of the total planted area in Malaysia.

Prices for CPO tend to fluctuate and are influenced by a number of international and regional factors, primarily supply and demand for the products. CPO prices are also affected by the supply and demand of other vegetable oil, most notably soybean oil and rapeseed oil, because these oils may to some extent be substituted for each other. The average price of CPO increased by 8.36% or averaging RM1,510.50 per tonne in 2006. This is attributed to the developments in the industry, namely the higher production of biodiesel, the increase in price of soybean oil and the increase in awareness of trans fatty acids which resulted in US food producers importing more palm oil to substitute other edible oils containing the trans fatty acids.

The average yield of FFB in Malaysia for the year 2006 saw an increase of 3.81% from 18.88 tonnes per hectare from 2005 to 19.60 tonnes per hectare. The yield of FFB in Sabah in particular for the year 2006 rose by 0.48% from 22.99 tonnes per hectare to 23.10 tonnes per hectare.

The production of PK in 2006 recorded an increase of 4.06% from 3,964,031 tonnes in 2005 to 4,125,124 tonnes.

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

The table below sets out a summary of the CPO production volume for the past three (3) years in Malaysia:

State	2004 Tonnes	2005 Tonnes	2006 Tonnes
Sabah	4,765,561	5,333,764	5,405,617
Johor	2,592,338	2,570,267	2,821,040
Pahang	2,025,803	2,132,524	2,292,902
Perak	1,597,833	1,620,522	1,724,472
Sarawak	1,116,546	1,336,638	1,503,122
Selangor	596,610	592,141	615,493
Negeri Sembilan	413,608	443,484	491,354
Terengganu	389,326	419,491	406,693
Kelantan	209,514	226,471	233,283
Kedah	135,150	157,456	221,964
Melaka	81,954	80,751	105,792
Pulau Pinang	51,939	48,145	59,054
Malaysia	**13,976,182**	**14,961,654**	**15,880,786**

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

CPO production in 2006 rose 6.14% to a record of 15,880,786 tonnes from 14,961,654 tonnes in the previous year. Sabah maintained its position as the top producer of CPO for the year, contributing 34.04% to the 2006 production.

The table below sets out the summary of the export of the oil palm products from Malaysia:

Product	<------2004------>		<------2005------>		<------2006------>	
	Tonnes	RM million	Tonnes	RM million	Tonnes	RM million
Palm Oil	12,581,792	22,175.6	13,445,511	20,033.7	14,423,168	22,687.0
PK Oil	780,375	1,972.4	850,790	2,182.2	930,676	2,157.8
PK Cake	1,795,918	351.3	2,031,995	353.6	2,134,690	424.9
Oleochemicals	1,770,220	5,040.0	1,834,178	5,137.8	2,159,257	5,605.4
Finished Products	374,602	850.2	391,389	829.1	420,650	896.3
Others	57,639	54.0	67,816	63.3	91,452	79.3
Total	**17,360,546**	**30,443.5**	**18,621,679**	**28,599.7**	**20,159,893**	**31,850.7**

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

There has been an increase in the total exports of oil palm products, which constitute palm oil, PK oil, PK cake, oleochemicals and finished products. The total exports in tonnage and earnings in 2006 were 20.16 million tonnes and a record RM31.85 billion respectively, as compared to 18.62 million tonnes and RM28.60 billion in 2005.

Exports of CPO recorded an increase by 7.27% to 14.42 million tonnes in 2006. The biggest export market for Malaysian CPO is PR China with exports totalling 3.58 million tonnes (24.83% of the total exports).

The European Union was the major importer of oleochemicals from Malaysia, recording 0.61 million tonnes out of the total exports in 2006. PR China, US and Japan were the next major markets at 0.27 million tonnes, 0.23 million tonnes and 0.19 million tonnes respectively.

Malaysian export of PK oil in 2006 totalled 930,676 tonnes, an increase of 79,886 tonnes or approximately 9.39% over 850,790 tonnes recorded in 2005. The increase was mainly due to higher export to PR China which recorded an increase by approximately 96.86% from 48,050 tonnes in 2005 to 94,590 tonnes in 2006 whilst export to the US recorded an increase of 14.74% from 198,093 tonnes in 2005 to 227,301 tonnes in 2006.

7.4 Industry Players and Competition

7.4.1 Competition from Other Edible Oils

Although the major competitors of palm oil are soybean oil, rapeseed oil and sunflower oil, their production costs are higher than that of palm oil on a per hectare basis, thus making palm oil an attractive alternative to the other types of edible oils. Of the seventeen (17) oils and fats which the world produces, soybean oil and rapeseed oil are the closest rivals, whilst other vegetable oils include sunflower oil, cottonseed oil, groundnut oil, PK oil, coconut oil, olive oil, corn oil, sesame oil, linseed oil and castor oil. The animal fats produced are tallow, lard, butter and fish oil. Palm oil production also registers a steady increase, over taking soybean oil production from 2004.

7.4.2 Competition from Local Producers

Plantation

The Malaysian oil palm industry is mainly operated by private estates, government schemes and agencies.

In 2006, private estates accounted for the majority of operators with approximately 59.45% or 2,476,135 ha out of the total planted area of 4,165,215 ha. Meanwhile, smallholders contributed 10.92% or 454,896 ha of the total oil palm plantation. The remaining 1,234,184 ha of the total planted area or 29.63% is operated under the following Government schemes:

(a) Federal Land Development Authority;
(b) Federal Land Consolidation and Rehabilitation Authority Berhad;
(c) Rubber Industry Smallholders Development Authority; and
(d) Other State schemes.

(Source: Review of the Malaysian Oil Palm Industry 2006)

The local industry players compete for land, planting material and labour. The competition for land bank has been the main concern in the industry as there is increasing difficulty in procuring suitable land for new development due to the increase in the cultivation of oil palm.

The oil palm industry players also face competition in obtaining superior planting material. It is crucial for us to source our planting material from reliable and reputable suppliers in order to ensure that we replant our estates with higher yield oil palm trees. However, we often face competition from other players in the industry in obtaining limited supply of planting material of superior quality. In order to minimise our reliance on our suppliers for superior planting material, our Group has embarked on a programme to plant tissue culture palms and high yield clonal seeds and have also diversified our supplier base.

Further to the above mentioned competition, the plantation industry players also compete in recruiting qualified technical personnel in their palm oil mills in Sabah.

The table below sets out some oil palm plantation industry players of Malaysia in their respective financial years:

	Name	Planted area (ha)	FFB produced (tonne)	Yield per hectare (tonne)	Oil extraction rate (%)
1.	Golden Hope Plantations Berhad*	170,333	3,300,000	22.12	21.32
2.	IOI Corporation Berhad*	144,055	3,674,483	26.93	21.38
3.	Kuala Lumpur Kepong Berhad*	123,462	2,422,487	24.15	20.50
4.	PPB Oil Palms Berhad	104,014	1,512,000	22.40	22.13
5.	Sime Darby Berhad*	80,163	1,850,963	22.50	19.70
6.	Boustead Holdings Berhad*	76,694	1,262,000	17.80	20.10
7.	HSP	32,752	768,716	25.37	21.87

Note:

* *The above statistics are based on the respective annual reports 2006 except for HSP which is based on the financial year ended 31 January 2007.*

Based on the table set out above, we achieved an oil extraction rate of approximately 21.87% in the financial year ended 31 January 2007. Although our total mature area is less than other industry players, we are competitive in terms of yield per hectare and oil extraction rate. We believe that a combination of factors including stringent quality control, integrated operations, modern facilities, strategic location and our experienced management skill has enabled us to remain competitive.

Further, our current plantation age profiles enable us to achieve continuous increase in total FFB production, resulting in higher yields from the mature palms. Based on the table set out above, we believe our FFB yield is one of the highest amongst private estates in Malaysia with a production of 25.37 tonnes per mature hectare.

Milling

There are a total of 397 palm oil mills (commercial and plantation mills) operating throughout Malaysia with a total annual capacity of 86.24 million tonnes of FFB at the end of 2006.

The table below sets out the number of existing mills and capacity in Sabah and Malaysia in 2006.

State	**No. existing mills**	**Capacity (Tonnes FFB/ per year)**
Malaysia#	397	86,243,600
Sabah#	112	26,578,200
HSP	4	840,000*

Notes:

* *Computed based on the theoretical assumption that our mills run 300 days a year and operate sixteen (16) hours per day, with a production of at least 175 tonnes of FFB per hour.*

\# *Source: Review of the Malaysian Oil Palm Industry 2006.*

Our mills have milling capacity of 840,000 tonnes of FFB per year which represents approximately 3.16% of total oil palm mills' capacity of 26,578,200 tonnes of FFB per year in Sabah and approximately 0.97% of the total oil palm mill's capacity of 86,243,600 tonnes of FFB per year in Malaysia.

We do not face competition from other mills for the supply of FFB, as almost all of the FFB processed at our mills are from our own estates.

The strategic location of our mills within our plantation estates minimises our transportation costs and enables the collected FFB to be despatched to our mills within the shortest time possible to ensure high quality of our CPO.

7.5 Prospects and Outlook of the Industry

The average domestic price of CPO rose by approximately 25.28% in the second quarter of 2007 to RM2,418 per tonne from RM1,930 per tonne in the first quarter 2007.

(Source: Simple average domestic price of CPO published by MPOB at www.mpob.gov.my)

CPO prices rose rapidly in the second quarter of 2007 due to various factors such as floods in oil palm plantations in parts of Malaysia and Indonesia which resulted in low stocks, the second quarter being the seasonal low crop period, an increase in the offtakes of CPO mainly by the European Union and PR China and the increase in the prices of other competing edible oils.

The growth rates of CPO and PK oil are highest amongst the world's vegetable oils for the past five (5) years. This is likely due to its versatility and the increase of its uses in a variety of products ranging from food, to personal care products such as soap and cosmetics, domestic and industrial detergent and bio-diesel.

PR China has consistently been the largest importer of Malaysian palm oil (i.e. 3.57 million tonnes or 24.9% of the total palm oil export in 2006). The abolishment of Tariff Rate Quota on vegetable oils in January 2006 coupled with the price competitiveness of palm oil against soybean oil has also significantly contributed to the 20% increase of palm oil export to PR China for the year 2006 compared to year 2005. It is expected that this upward trend will continue. The European Union and US have also respectively recorded higher volume of import, possibly driven by the developments in the biofuel industry and the trans-fat labelling law in the US which came into effect in January 2006.

With the increase of CPO prices and the increase in domestic demand from producers of palm oil based bio-diesel, the Malaysian agriculture sector is expected to expand by 3.2% in 2007. CPO production in Malaysia for 2007 is projected at 16.5 million tonnes, a small growth considering the impact of the floods end of last year and the effect of El Nino occurring in 2006. Coupled with the projected higher growth in world oils and fats demand against production, the outlook of CPO prices is expected to be positive and this bodes well for the palm oil industry.

(Source: Statistics 2005 and 2006 from MPOB website at www.mpob.gov.my and Bank Negara Malaysia)

The global stock of palm oil is expected to decrease in 2007 due to lower supply and increased demand from major markets in particular PR China, coupled with higher demand from the biodiesel industry. The palm oil stock in Malaysia for the first six (6)-month averaged 1.3 million tonnes, a drop of 17.9% (January – June 2006: 1.6 million tonnes).

The projection of higher world demand for vegetable oils and fats and palm-based biofuel industry as well as tight supply are expected to push CPO prices to higher levels. The average CPO price for the first seven (7) months for 2007 registered an increased of 60.4% to RM2,266 per tonne as against RM1,413 per tonne in the corresponding period of 2006. The local delivered CPO price soared to an all-time high of RM2,886 per tonne in June 2007. The surge in the price of CPO was largely due to tight supply and increasing global demand for edible oils and biodiesel as well as increased prices of substitutes, particularly soya bean and rapeseed oils.

India, one of the world's largest edible oil importers, slashed import duties on crude and refined palm oil as part of the efforts to contain rising inflation. In the US, more food producers and fast-food chains are switching to trans-fatty acid-free oil such as palm oil. Following the ban by New York City on the use of trans-fatty acids in eateries effective 1 July 2007, other cities in US are expected to take similar action. These developments will have positive impact on the price of CPO which is estimated to remain high at RM2,400 per tonne in 2007.

(Source: Economic Report 2007/2008)

7.6 Regulatory Regime of the Palm Oil Industry in Malaysia

Ministry of Plantation Industries and Commodities

The Ministry of Plantation Industries and Commodities is responsible for the development of the primary commodity sector of the economy, including production, processing, and marketing as well as research. The Ministry's responsibilities extend to rubber, palm oil, coconut oil, timber, cocoa, tobacco, pepper, pineapples, tin and other minerals (except mineral oil). The Ministry of Plantation Industries and Commodities is empowered to make regulations for the palm oil industry of Malaysia, including:

- prescribing the manner of applying for licences, certificates, permits and approvals under MPOB Act, the particulars to be supplied by an applicant, the manner of licensing and certification, the fees payable therefor, the conditions to be imposed and the form of licences, certificates, permits and approvals;
- prescribing the standards of processing and methods of preserving, grading or packaging oil palm products;
- prescribing the standards or grades of oil palm products and making provision for giving effect to such standards and grades, including provisions for or relating to labelling;
- prescribing the procedure to be followed by exporters in exporting oil palm products;

- providing for the maintenance of proper standards of conduct in the carrying out of the oil palm product trade and oil palm industry and for dealing with infringements thereof;
- providing for the registration of contracts relating to the sale and purchase of oil palm products and the details of such contracts; and
- prescribing the records and documents to be kept and the returns to be submitted.

MPOB

In an effort to consolidate the regulatory environment, MPOB was established on 1 May 2000 to take over the functions of the Palm Oil Research Institute and the Palm Oil Registration & Licensing Authority. The objectives of MPOB are to promote and develop the oil palm industry of Malaysia, and to develop national objectives, policies and priorities for the orderly development and administration of the oil palm industry of Malaysia. The functions of the MPOB include:

- the implementation of policies and developmental programmes to ensure the viability of the oil palm industry of Malaysia;
- the conduct and promotion of research and development activities relating to the planting, production, harvesting, extraction, processing, storage, transportation, use, consumption and marketing of oil palm and oil palm products;
- the regulation, registration, co-ordination and promotion of all activities relating to the planting, supply, sale, purchase, distribution, movement, storage, surveying, testing, inspecting, brokering, export and import of oil palm products and milling of oil palm fruit;
- the provision of technical, advisory and consultancy services to the oil palm industry;
- the development and maintenance of markets for oil palm products;
- functioning as the resource and information centre of the oil palm industry; and
- the conduct of research and development in any other area benefiting the oil palm industry.

Under the MPOB Act, MPOB is vested with powers:

- to undertake and co-ordinate activities relating to research and development into the planting, production, harvesting, extraction, processing, storage, transportation, use, consumption and marketing of oil palm and oil palm products including oil palm and oil palm product wastes, and services related thereto;
- to commission any person or body to carry out research or development, or both;
- to award certificates of proficiency in respect of training and accredited programmes;
- to regulate the oil palm industry, including by the implementation of registration and licensing schemes; and
- to prescribe the standards or grades of oil palm and oil palm products.

Licensing Regime

The MPOB regulates the licensing of the palm oil industry by virtue of the Palm Oil Industry (Licensing) Regulations 2005 ("Palm Oil Licensing Regulations"). The Palm Oil Licensing Regulations regulate the sale, movement, purchase and milling of palm fruit as well as the sale, movement and purchase of palm oil and palm kernel through licensing and registration requirements. The other subsidiary legislations governing other aspects of the palm oil industry include:

- Malaysian Palm Oil Board (Quality) Regulations 2005
- Malaysian Palm Oil Board (Registration of Contracts) Regulations 2005
- Malaysian Palm Oil Board (Compound) Regulations 2005

Other relevant legislations include the Environmental Quality Act 1974 and the Occupational Safety and Health Act 1994 including the following regulations:

- Occupational Safety and Health (Employers' Safety and Health General Policy Statements) (Exception) Regulation 1995
- Occupational Safety and Health (Control of Industrial Major Accident Hazards) Regulations 1996
- Occupational Safety and Health (Safety and Health Committee) Regulations 1996
- Occupational Safety and Health (Classification, Packaging and Labeling of Hazardous Chemicals) Regulations 1997
- Occupational Safety and Health (Safety and Health Officer) Regulations 1997
- Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulation 2000
- Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF OUR GROUP

8.1 Business Overview

We are in the business of cultivating oil palm and processing of FFB. We operate our plantations on one (1) contiguous block of land of approximately 36,354 ha located between Lahad Datu and Sandakan, in addition to a smaller plantation in Tawau measuring 1,276 ha. Out of the total planted area of 32,781 ha (including 86 ha of Jelutong), 95.06% are mature oil palms as at 31 July 2007. For the financial year ended 31 January 2007, we produced 768,716 tonnes of FFB, translating into a yield per mature hectare of 25.37 tonnes, one of the highest in Malaysia. Over the same period, we produced 162,145 tonnes of CPO and 35,607 tonnes of PK, equivalent to oil and kernel extraction rates of 21.87% and 4.80% respectively.

For the six (6)-month period ended 31 July 2007, we produced 338,199 tonnes of FFB translating into FFB yield of 10.85 tonnes per hectare. Over the same period, we produced 72,856 tonnes of CPO and 15,545 tonnes of PK, equivalent to oil and kernel extraction rates of 22.18% and 4.73% respectively.

We currently have four (4) mills located in our estates with a combined total capacity of approximately 175 tonnes of FFB per hour. Almost all of the FFB processed at our mills are from our own estates. However, our plantation near Tawau sells its FFB to nearby mills. We own storage tanks, pipelines, a barge and tugboat and we have also commenced the construction of a 17 km sealed main road, to facilitate the transportation of FFB to our mills for processing and delivery of CPO and PK to our customers. Our plantations have modern facilities and amenities such as offices, permanent housing, schools, clinics, religious centres, community halls, utilities, telecommunications and broadband services.

For the financial year ended 31 January 2007, our revenue, results from operating activities and PAT were RM278.89 million, RM121.79 million and RM100.95 million respectively.

For the six (6)-month period ended 31 July 2007, our revenue, results from operating activities and PAT were RM163.48 million, RM78.21 million and RM61.28 million respectively.

8.2 Our Key Competitive Strengths

8.2.1 Contiguous Land

Our plantation is located on one (1) contiguous block of land of approximately 36,354 ha located between Lahad Datu and Sandakan which enhances our management, cost efficiency and operational effectiveness. With our modern plantation supporting infrastructure and the concentration of our operations in one (1) contiguous block, we enjoy economies of scale in our operations, including nursery, manuring, harvesting and processing of FFB at our strategically located mills, storage of CPO and PK and the prompt transportation of CPO and PK to our customers. In addition, we also benefit from better management and cost efficiencies by establishing our centralised plantation head office on the plantation site. This allows for optimal sharing of key personnel across estates, hence avoiding duplication of roles of key personnel and facilitating faster decision making by senior management.

8.2.2 Efficient Operations

Through a combination of factors including the age profile of our oil palm trees, our plantation estate management, the proximity of our plantation estates to our mills and our quality control procedures, we believe we are one of the most efficient plantation companies in Malaysia. As at 31 January 2007 and 31 July 2007, approximately 63.01% and 63.12% respectively of our oil palm trees are categorised as prime mature (i.e. seven (7) years to less than seventeen (17) years) which yield the highest production volume. We believe our FFB yield is among the highest in Malaysia, with 25.37 tonnes per mature hectare for our financial year ended 31 January 2007 compared to the Malaysian average of 19.60 tonnes per mature hectare for the calendar year 2006. Our FFB yield for the six (6)-month period ended 31 July 2007 is 10.85 tonnes per mature hectare. We expect this percentage to increase as more of our young oil palm trees reach prime mature age, thereby increasing our yield and decreasing our average production cost. The close proximity of our plantations to our mills, our stringent harvesting standards, and our comprehensive transportation network linking our plantations to our mills also help to ensure that our FFB arrive at our mills in good condition.

For financial year ended 31 January 2007, our oil extraction rate was 21.87%. As a result, our CPO yield per hectare was 5.55 tonnes per hectare, compared to the Malaysian average of 3.93 tonnes per hectare for the calendar year 2006.

8.2.3 Integrated Operations

We own, operate and manage our plantations and mills as well as the infrastructure to store and transport our CPO and PK. Our integrated operations allow us to better control the quality of our products along the supply chain. For example, almost all of our FFB requirements for our mills are supplied by our own estates. Therefore, we are able to monitor and ensure the consistent supply of FFB to our mills to enable them to operate at optimal levels. Moreover, as we own storage tanks, pipelines, two (2) ferries, a barge and a tugboat, we also benefit from logistic and transportation efficiencies as the CPO and PK produced from our mills can be managed and optimised to ensure on-time delivery to our customers in a cost effective manner.

8.2.4 Significant Cost Advantages

We believe we are one of the lowest cost producers of CPO and PK in Malaysia as we have achieved one of the highest yield per hectare among plantation companies in Malaysia. With the exception of Ladang Kawa, all our estates are located on one (1) contiguous plot of land. Therefore, we are able to achieve economies of scale which reduces our cost structure significantly. Substantially all of our plantations are located on flat or mildly undulating terrain, which reduces planting, maintenance and harvesting costs. We also enjoy the geographical advantage of having two (2) rivers, Sungai Segama and Sungai Kretam, running through our estates that have enabled us to build jetties, use barge to transport CPO to our customers and also transport our supplies such as fertiliser, diesel and construction material from our suppliers to our plantations and mills, in a cost effective manner. Our mills are also strategically located with easy access to storage facilities, rivers, roads and our key customers, hence reducing our transportation costs and allowing us to service our customers promptly.

8.2.5 Industry Best Practices

We have adopted many industry best practices in our plantations and mills to improve our yields of FFB, CPO and PK at competitive cost. For numerous years we have used superior planting material sourced from reliable and reputable suppliers of good quality and high yielding planting materials, for cultivating our seedlings, and we plant our seedlings in patterns that maximise the number of oil palm trees per hectare. We maintain high standard of quality control in our nursery, such as stringent culling of all sub-standard seedlings to ensure only the best seedlings are selected for field planting, to maximise yield of our oil palm trees. We fertilise our oil palm trees regularly with high quality fertilisers, as well as organic by-products from our mills. We conduct regular sampling to determine the optimal amount of fertiliser to be used for each plot of oil palm trees, thus ensuring high yields. The fertilisers used in our fields are mainly "straights" i.e. made from natural sources such as potash and to the best of our knowledge do not contain any substances not permitted under the laws of Malaysia.

Our harvesting practices ensure that our FFB are harvested at the point of their maximum oil content, with minimal spoilage or loss of fruit. We have a merit point system on loose fruits collection which is an incentive to our field staff to minimise wastage. We adhere to strict FFB grading requirements which are more stringent than MPOB standards, as illustrated below to ensure that high quality FFB is processed by our mills.

	MPOB standard	HSP standard
Ripe	85%	90%
Overripe	10%	10%
Under ripe	5%	0%
Unripe	0%	0%

(Source: MPOB and HSP Management)

We closely monitor our milling operations and operate on-site maintenance workshops which results in high oil extraction rate and kernel extraction rate. We believe that our best practices contribute to maximising our yields of FFB, CPO and PK, and at the same time lower our production costs.

8.2.6 Modern Facilities and Amenities

In order to attract and retain our employees, we have constructed modern facilities and amenities such as permanent housing, schools (including child-care centres for the younger children of our staff and workers), clinics, religious centres, community halls and utilities such as treated water and electricity supply, mobile and satellite telecommunications for internet and broadband services and two (2) airstrips. We believe that the modern facilities and amenities in our estates have resulted in high employee retention rate and morale. Our current staff turnover rate is less than 5.0% per annum. We were one of the recipients of the "Ladang Bahagia" award from the Ministry of Human Resources in 2004 in recognition of our standard of infrastructure and amenities for our staff and workers.

8.2.7 Experienced and Capable Management Team

Our key management team has extensive experience and an established track record in the plantation industry. We believe that our Directors and key management team have the necessary operational, technical and financial skills, and experience needed to continue to grow and expand our business. We believe that we are well poised to take advantage of new growth opportunities, capitalise on our economies of scale and further integrate our operations to realise costs savings and improve our overall operational and financial performance.

8.3 Future Plan and Strategies

Our future plan is to ensure growth by improving our operational efficiency, increasing our planted land bank and subsequently diversify downstream.

8.3.1 Further Improve Operational Efficiency

We intend to focus on further increasing the efficiency of our integrated operations at our plantations. We will continue using high yielding planting material, and apply agronomy, fertilising, harvesting, transporting and processing best practices to achieve efficiencies. We expect extraction rates for our plantations to improve as recently planted oil palms trees reach their prime maturity. We will continue to maintain stringent standards of harvesting FFB at peak ripeness, increase collection of loose fruits during the harvesting process via greater incentives and reduce oil losses during transportation and processing. We will continually aim to optimise the utilisation rates of our mills and to also capitalise on our various distribution channels and transportation options in order to efficiently deliver our products to our customers.

8.3.2 Increase Planted Land Bank

We plan to increase our production of CPO and PK through the expansion of our plantations in Malaysia by utilising our undeveloped land bank of 1,549 ha as at 31 July 2007. Complementing this, we intend to acquire suitable additional plantation land bank in Sabah, Sarawak and/or Peninsular Malaysia and neighbouring countries. We will also selectively purchase well positioned, planted and mature plantations or enter into joint ventures as part of our growth strategy. By expanding and developing our land bank, we will be able to increase our production of CPO and PK over time.

8.3.3 Diversify Downstream

If we increase our plantation land bank, CPO and PK production, we intend to diversify downstream through the construction or acquisition of a palm oil refinery. We plan to enter this segment of the industry either on our own or through joint ventures with suitable and experienced partners. We expect downstream diversification will allow us to improve our profit margins by closely monitoring market prices for, and adjusting our output of, CPO and refined palm oil products depending on which provides the higher profit margin. During the periods when CPO prices are high, our profit margins on CPO may be higher than value-added refined palm oil products. We may therefore sell a greater proportion of CPO on the CPO spot market at the expense of refining this CPO at our refinery. Conversely if the profit margins for refined palm oil products are higher than those achievable from selling CPO, we may sell a greater proportion of CPO to our downstream operations for refining. The downstream segment may hedge against a future decrease in margins for CPO at the expense of increasing margins of refined palm oil products. More importantly, we believe downstream diversification may provide more sustainability to the future earnings profile of our Group.

8.3.4 Leverage Storage and Transport Options

We have sufficient CPO and PK storage facilities to benefit from short term volatility in prices. We will continue to closely monitor and pro-actively manage our inventory levels taking into account the current prices of CPO and PK. For example, when prices of CPO and PK are low, we may have higher stock of CPO and PK in storage. Furthermore, our plantations are strategically located and are served by a number of transportation options including rivers and a 17 km sealed main road due to complete by end of the financial year ending 31 January 2008. We intend to capitalise and use these transportation options or a combination of them, in order to transport our products in the most cost effective manner.

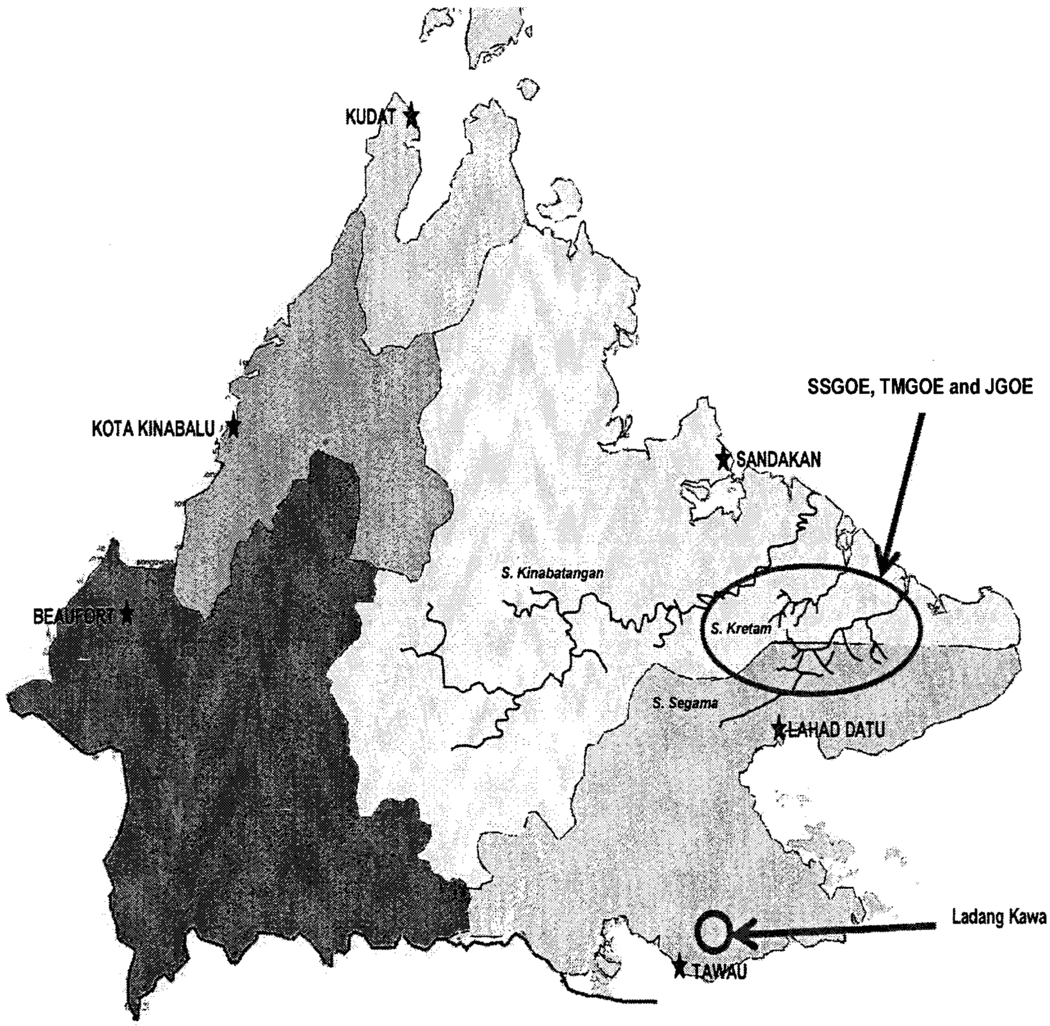
8.4 Our History

Our business began in 1950 when The River Estates Limited (the former name of River Estates) was first founded by a British entrepreneur, Datuk R.G. Barret, for the cultivation and export of tropical produces such as rubber and cocoa. River Estates commenced cultivating oil palms on a commercial scale in October 1963 in Tomanggong Estate.

River Estates was acquired by HSCB (then known as EAC (M) Berhad) in 1978. The first oil palm replanting in Tomanggong Estate began in 1987. River Estates expanded its oil palm plantation business by acquiring the Sungai Segama/Bukit Mas Estates in 1990 and shortly thereafter acquired the entire equity of Wecan and Tampilit, which collectively own the land which now forms part of the Litang Estate in 1991. On 15 July 1996, HSCB acquired 60.61% equity in Jeroco, which owns of the plantation land that forms the Jeroco Group of Estates and on the same day, River Estates acquired Ladang Kawa. HSCB's equity interests in Jeroco was subsequently increased to 60.65% in 1997 and 66.07% in 1998.

On 7 September 2007, HSP Group was established upon the completion of the Acquisition of River Estates and Acquisition of Jeroco. Please refer to Section 9.1 of this Prospectus for further details.

The location of our estates are set out in the below:



8.5 Our Groups of Estates

Our plantation is divided into:

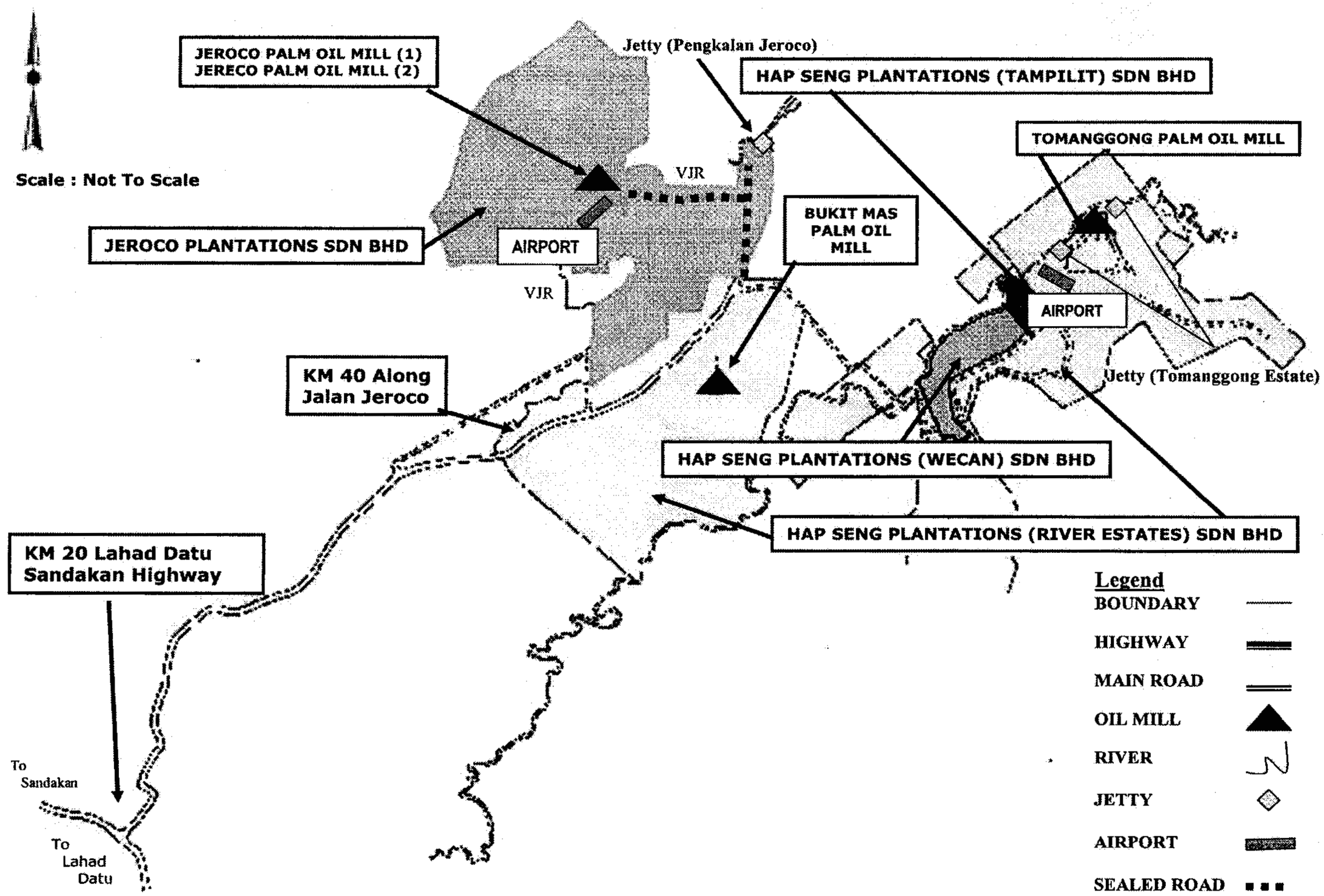
(a) three (3) contiguous groups of estates, (Jeroco Group of Estates ("**JGOE**"), Tomanggong Group of Estates ("**TMGOE**") and Sg. Segama Group of Estates ("**SSGOE**")), each of which is made up of various smaller estates; and

(b) one (1) estate, namely Ladang Kawa,

as illustrated in the diagram below.

8. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF OUR GROUP *(Cont'd)*

The site map of our plantation excluding Ladang Kawa is set out below:



8.6 Plantation Process

8.6.1 The oil palm plantation process is divided into six (6) stages namely seeds/ramets, nursery, field planting, immature palms maintenance, mature palms harvesting and replanting.

(a) Seeds/Ramets

We source our oil palm seeds from reputable seed suppliers. We also purchase tissue culture ramets from Applied Agriculture Resources Sdn Bhd.

(b) Nursery (twelve (12) months)

Our oil palm ramets are kept for four (4) months in the pre-nursery before being transplanted to the main nursery for a further eight (8) months. During the pre-nursery stage we exercise stringent culling of sub-standard plants to ensure only the best plants are chosen for field planting.

(c) Field Planting

We commence field planting at the end of the nursery stage.

(d) Immature Oil Palm Maintenance (less than thirty (30) months)

Maintenance of immature oil palm trees is crucial to ensure the oil palm trees achieve optimal yield upon maturity. We nurture our oil palm trees with care, high standards of field maintenance and husbandry, timely and appropriate dosage application of fertilisers.

(e) Mature Palm Harvesting (thirty (30) months and above)

Scout harvesting (initial harvesting) normally commences at the end of the thirtieth month from field planting. We continue to regularly harvest our mature oil palm trees until they reach at least twenty-five (25) years in age. We practice stringent harvesting standards to maximise FFB and CPO yield. In general, our FFB yield tends to be lower between the months of February to April and higher between the months of September to November.

(f) Replanting (normally after twenty-five (25) years)

Upon reaching twenty-five (25) years in age, oil palm trees normally experience a natural decline in FFB yield and reach a height that can make harvesting difficult. As such, replanting usually commences around this stage. Each year, we replant approximately 4.0% of our total planted area which is an industry norm.

8.6.2 Estate Planting Profile

Details of total land area owned and managed by the Group as at 31 July 2007 and the FFB yield for the financial year ended 31 January 2007 and the six (6)-month period ended 31 July 2007 are as follows:

	<----Area statement as at 31 July 2007						---->	<---Yield per hectare--->	
Group estate, individual estate & Company	**Oil palm mature (ha)**	**Oil palm immature (ha)**	**Jelutong immature (ha)**	**Total planted (ha)**	**Road, buildings, nurseries & others (ha)**	**Reserve plantable (ha)**	**Total area (ha)**	**Financial year ended 31 January 2007 (FFB tonnes)**	**6-month period ended 31 July 2007 (FFB tonnes)**
JGOE									
Batangan	3,006	388	4	3,398	235	-	3,633	23.47	8.69
Lutong	1,579	615	82	2,276	172	-	2,448	21.33	9.15
Kapis	2,342	-	-	2,342	334	5	2,681	28.27	11.18
Lokan	2,837	-	-	2,837	318	-	*3,155	24.46	10.58
Lungmanis	1,945	-	-	1,945	242	13	2,200	28.20	11.09
Sub Total JEROCO	**11,709**	**1,003**	**86**	**12,798**	**1,301**	**18**	**14,117**	**25.17**	**10.10**
SSGOE									
Sungai Segama I	2,396	-	-	2,396	182	-	2,578	27.40	11.85
Sungai Segama II	2,171	3	-	2,174	405	17	2,596	25.58	12.33
Bukit Mas I	2,131	-	-	2,131	243	5	2,379	28.84	12.56
Bukit Mas II	2,129	-	-	2,129	224	-	2,353	28.06	12.81
SSGOE Total	**8,827**	**3**	**-**	**8,830**	**1,054**	**22**	**9,906**	**27.46**	**12.52**
TMGOE									
Tomanggong	3,127	**200	-	3,327	361	1,202	4,890	24.40	10.45
Tabin	2,132	-	-	2,132	141	307	2,580	17.34	7.91
Tagas	1,501	329	-	1,830	180	-	2,010	25.25	9.73
Litang	1,462	-	-	1,462	109	-	1,571	21.58	10.37
Tampilit	189	-	-	189	13	-	202	24.94	12.09
Wecan	1,012	-	-	1,012	66	-	1,078	25.06	12.61
TMGOE Total	**9,423**	**529**	**-**	**9,952**	**870**	**1,509**	**12,331**	**22.64**	**10.01**
LADANG KAWA	**1,201**	**-**	**-**	**1,201**	**75**	**-**	**1,276**	**31.85**	**13.60**
Sub Total RIVER ESTATES	**19,451**	**532**	**-**	**19,983**	**1,999**	**1,531**	**23,513**	**25.47**	**11.30**
HSP Group Total	**31,160**	**1,535**	**86**	**32,781**	**3,300**	**1,549**	**37,630**	**25.37**	**10.85**

The land area stated in the above table has been rounded up to the nearest hectare. For detailed information on our plantation land please refer to Section 9.3 of this Prospectus.

Notes:

* *Excluding the Malaysian Government gazetted forest reserve of 87 ha.*

** *Preliminary work has commenced for the new planting of 200 ha and is expected to be completed within the financial year ending 31 January 2008.*

The age profile of our oil palm trees as at 31 July 2007 are as follows:

Age group	**JEROCO (ha)**	**%**	**RIVER ESTATES GROUP (ha)**	**%**	**TOTAL (ha)**	**%**
Immature (less than 30 months)	1,003	3.07	532	1.63	1,535	4.70
Young mature (30 months to less than 7 years)	942	2.88	1,092	3.34	2,034	6.22
Prime mature (7 years to less than 17 years)	5,989	18.32	14,648	44.80	20,637	63.12
Mature (17 years onwards)	4,778	14.61	3,711	11.35	8,489	25.96
Total	**12,712**	**38.88**	**19,983**	**61.12**	**32,695**	**100.00**

We believe our high percentage of prime mature oil palm trees contributes to our high FFB tonnes per hectare production rate.

8.7 Milling Operations

We have four (4) mills located in our plantations, they are, Jeroco Palm Oil Mill 1 ("**JPOM 1**"), Jeroco Palm Oil Mill 2 ("**JPOM 2**"), Tomanggong Palm Oil Mill ("**TPOM**") and Bukit Mas Palm Oil Mill ("**BPOM**").

8.7.1 Milling Capacity

The age of our mills and the capacity of each of them based on tonnes of FFB processed per hour are:

Mill	**Year built**	**Age of mill (Years)**	**Capacity (FFB tonnes/hour)**
JPOM 1	1987	20	60
JPOM 2	1996	11	30
TPOM	1969	38	40
BPOM	1998	9	45
Total Capacity			**175**

Below is a summary of our Group's mill utilisation rate for the three (3) financial years ended 31 January 2007 and six (6)-month period ended 31 July 2006 and 2007.

Mill utilisation rate (%)	<----Financial year ended 31 January----> 2005	2006	2007	6-month period ended <----31 July----> 2006	2007
JPOM 1	92.50	92.70	91.86	90.94	92.39
JPOM 2	92.73	92.52	91.68	91.31	92.43
TPOM	91.61	82.83	81.79	76.07	77.34
BPOM	81.17	82.61	85.86	84.24	85.76

None of our mills purchase FFB from other estates save for TPOM which acquires a small quantity of FFB from two (2) surrounding estates namely LPC Plantations Sdn Bhd and Spark Glory Sdn Bhd amounting to less than 2% of the total FFB processed at our mills.

The production records of our mills for the three (3) financial years ended 31 January 2007 and six (6)-month period ended 31 July 2006 and 2007 are as follows:

	<----- Financial year ended 31 January ------> 2005	2006	2007	6-month period ended <----- 31 July -----> 2006	2007
Intake of FFB (tonnes)					
JPOM 1	191,456	193,340	165,919	73,202	72,239
JPOM 2	111,890	115,834	121,579	55,096	46,106
TPOM	189,129	208,045	212,040	89,308	100,271
BPOM	237,205	249,966	241,979	102,178	109,811
Total	**729,680**	**767,185**	**741,517**	**319,784**	**328,427**
Output of CPO (tonnes)					
JPOM 1	41,298	39,546	34,129	15,036	15,125
JPOM 2	25,924	26,917	27,817	12,471	10,715
TPOM	40,845	47,021	47,071	19,826	22,425
BPOM	50,668	54,891	53,128	22,263	24,591
Total	**158,735**	**168,375**	**162,145**	**69,596**	**72,856**
Average Oil Extraction Rate (%)					
JPOM 1	21.57	20.45	20.57	20.54	20.94
JPOM 2	23.17	23.24	22.88	22.64	23.24
TPOM	21.60	22.60	22.20	22.20	22.36
BPOM	21.36	21.96	21.96	21.79	22.39
Average	**21.75**	**21.95**	**21.87**	**21.76**	**22.18**
Average PK Extraction Rate (%)					
JPOM 1	5.22	5.36	5.21	5.24	5.03
JPOM 2	4.24	4.47	4.47	4.49	4.40
TPOM	4.73	4.70	4.42	4.63	5.51
BPOM	4.29	4.86	5.02	4.99	3.97
Average	**4.64**	**4.88**	**4.80**	**4.86**	**4.73**