TMB
Tanah Makmur Berhad
(formerly known as Kreatif Selaras Sdn Bhd)
(Company No. 841938-U)
(Incorporated in Malaysia under the Companies Act, 1965)

TANAH MAKMUR BERHAD (841938-U)

PROSPECTUS

PROSPECTUS

YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISKS RELATING TO AN INVESTMENT IN THE SHARES WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" IN SECTION 5 OF THIS PROSPECTUS.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

THIS PROSPECTUS IS DATED 26 JUNE 2014

TMB
Tanah Makmur Berhad

(formerly known as Kreatif Selaras Sdn Bhd)
(Company No. 841938-U)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING OF 101,590,000 ORDINARY SHARES OF RM0.50 EACH IN TANAH MAKMUR BERHAD (FORMERLY KNOWN AS KREATIF SELARAS SDN BHD) ("TANAH MAKMUR") ("IPO SHARES") IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ORDINARY SHARES OF RM0.50 EACH IN TANAH MAKMUR ("SHARES") ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING AN OFFER FOR SALE OF 49,450,000 EXISTING SHARES AND A PUBLIC ISSUE OF 52,140,000 NEW SHARES, IN THE FOLLOWING MANNER:

(I) INSTITUTIONAL OFFERING OF 75,184,000 IPO SHARES TO MALAYSIAN INSTITUTIONAL AND SELECTED INVESTORS AT RM1.25 PER IPO SHARE; AND

(II) RETAIL OFFERING OF 26,406,000 IPO SHARES TO THE ELIGIBLE DIRECTORS AND EMPLOYEES, AND ELIGIBLE PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF TANAH MAKMUR AND ITS SUBSIDIARIES, AND THE MALAYSIAN PUBLIC, AT RM1.25 PER IPO SHARE PAYABLE IN FULL UPON APPLICATION,

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS.

Principal Adviser, Sole Placement Agent, Managing Underwriter and Joint Underwriter

CIMB

CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriter

kenanga

Kenanga Investment Bank Berhad (15678-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

OUR DIRECTORS, THE PROMOTERS AND THE SELLING SHAREHOLDERS HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION IN THIS PROSPECTUS. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT, THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

CIMB INVESTMENT BANK BERHAD ("**CIMB**"), BEING THE PRINCIPAL ADVISER, SOLE PLACEMENT AGENT, MANAGING UNDERWRITER AND JOINT UNDERWRITER ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR INITIAL PUBLIC OFFERING ("**IPO**").

THE SECURITIES COMMISSION MALAYSIA ("**SC**") HAS APPROVED OUR IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART IN THIS PROSPECTUS. THE SC ALSO TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND AN INVESTMENT IN US. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS BEFORE APPLYING FOR OUR SHARES.

OUR COMPANY HAS OBTAINED THE APPROVAL OF BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING OF AND QUOTATION FOR OUR SHARES. OUR ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR IPO, OUR COMPANY OR OF OUR SHARES. THIS PROSPECTUS CAN BE VIEWED OR DOWNLOADED FROM THE WEBSITE OF BURSA MALAYSIA BERHAD AT www.bursamalaysia.com.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORM, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES OF MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("**CMSA**").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING OUR IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

OUR SECURITIES ARE CLASSIFIED AS SHARIAH-COMPLIANT BY THE SHARIAH ADVISORY COUNCIL OF THE SC BASED ON OUR LATEST AUDITED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013. THIS CLASSIFICATION REMAINS VALID FROM THE DATE OF THIS PROPECTUS UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW UNDERTAKEN BY THE SHARIAH ADVISORY COUNCIL OF THE SC. UPDATES ON THE CLASSIFICATION WILL BE RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES ON THE LAST FRIDAY OF THE MONTH OF MAY AND NOVEMBER OF EACH YEAR.

YOU SHOULD NOTE THAT ANY AGREEMENT BY OUR MANAGING UNDERWRITER AND JOINT UNDERWRITERS NAMED IN THIS PROSPECTUS TO UNDERWRITE OUR SHARES UNDER THE RETAIL OFFERING IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR SHARES BEING OFFERED.

THIS PROSPECTUS HAS BEEN PREPARED IN THE CONTEXT OF AN IPO UNDER THE LAWS OF MALAYSIA. IT DOES NOT COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR BY ANY REGULATORY AUTHORITY OF ANY JURISDICTION OTHER THAN MALAYSIA.

THE DISTRIBUTION OF THIS PROSPECTUS AND OUR IPO ARE SUBJECT TO THE LAWS OF MALAYSIA. THIS PROSPECTUS WILL NOT BE DISTRIBUTED OUTSIDE MALAYSIA EXCEPT INSOFAR AS IT IS PART OF THE OFFERING MEMORANDUM DISTRIBUTED TO FOREIGN INSTITUTIONAL INVESTORS OUTSIDE MALAYSIA IN CONNECTION WITH OUR IPO. OUR COMPANY, OUR PROMOTERS, THE SELLING SHAREHOLDERS, PRINCIPAL ADVISER, SOLE PLACEMENT AGENT, MANAGING UNDERWRITER AND JOINT UNDERWRITERS, NAMED IN THIS PROSPECTUS HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE MALAYSIA EXCEPT INSOFAR AS IT IS PART OF THE OFFERING MEMORANDUM DISTRIBUTED TO FOREIGN INSTITUTIONAL INVESTORS OUTSIDE MALAYSIA IN CONNECTION WITH OUR IPO. NO ACTION HAS BEEN TAKEN TO PERMIT A PUBLIC OFFERING OF OUR SHARES IN ANY JURISDICTION OTHER THAN MALAYSIA BASED ON THIS PROSPECTUS. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OR INVITATION TO SUBSCRIBE FOR OR PURCHASE OUR SHARES UNDER OUR IPO IN ANY JURISDICTION OR IN ANY CIRCUMSTANCE IN WHICH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF OUR SHARES OFFERED UNDER OUR IPO IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS WHO MAY BE IN POSSESSION OF THIS PROSPECTUS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

THIS PROSPECTUS IS PUBLISHED SOLELY IN CONNECTION WITH OUR IPO. OUR SHARES BEING OFFERED IN OUR IPO ARE OFFERED SOLELY ON THE BASIS OF THE INFORMATION CONTAINED AND REPRESENTATIONS MADE IN THIS PROSPECTUS. OUR COMPANY, OUR PROMOTERS, THE SELLING SHAREHOLDERS, PRINCIPAL ADVISER, SOLE PLACEMENT AGENT, MANAGING UNDERWRITER AND JOINT UNDERWRITERS HAVE NOT AUTHORISED ANYONE TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS. ANY INFORMATION OR REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY OUR COMPANY, OUR PROMOTERS, THE SELLING SHAREHOLDERS, PRINCIPAL ADVISER, SOLE PLACEMENT AGENT, MANAGING UNDERWRITER AND JOINT UNDERWRITERS OR ANY OF THEIR RESPECTIVE DIRECTORS, OR ANY OTHER PERSONS INVOLVED IN OUR IPO.

ELECTRONIC PROSPECTUS

THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME. YOU MAY OBTAIN A COPY OF THE ELECTRONIC PROSPECTUS FROM THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT www.eipocimb.com, CIMB BANK BERHAD AT www.cimbclicks.com.my. AFFIN BANK BERHAD AT www.affinOnline.com, MALAYAN BANKING BERHAD AT www.maybank2u.com.my, RHB BANK BERHAD AT www.rhb.com.my AND PUBLIC BANK BERHAD AT www.pbebank.com.

THE INTERNET IS NOT A FULLY SECURE MEDIUM. YOUR INTERNET SHARE APPLICATION MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. IF YOU DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM OUR COMPANY OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THIS PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:

(I) WE DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES. ACCORDINGLY, WE ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF OR THE CONTENT OR ANY DATA, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;

(II) WE ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY TERMS OF ANY OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, FILE OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND

(III) ANY DATA, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEMS OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, YOU ARE ADVISED THAT:

(I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT RESPONSIBLE FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND

(II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURE MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS, THAT YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTERS, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

INDICATIVE TIMETABLE

The indicative timetable for the IPO is as follows:

Events	Date
Issuance of Prospectus/Opening of the IPO	10.00 a.m., 26 June 2014
Closing of the IPO	5.00 p.m., 3 July 2014
Balloting of applications for the Issue Shares offered under the Retail Offering	7 July 2014
Allotment/Transfer of the IPO Shares to successful applicants	11 July 2014
Listing	17 July 2014

Applications for the IPO Shares will close at the time and date stated above or such other date or dates as our Directors, our Selling Shareholders and our Managing Underwriter may in their absolute discretion decide.

In the event that the closing date or time of the IPO is extended, the dates for the balloting and allotment of the Issue Shares, the transfer of the Offer Shares and our Listing may be extended accordingly. Any extension will be announced in a widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

All defined terms used in this Prospectus are defined under "Presentation of financial and other information", "Definitions" and "Glossary of technical terms" commencing on pages ix, xiii and xvii, respectively.

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CONTENTS

CONTENTS *(Cont'd)*

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "our Company" or "Tanah Makmur" in this Prospectus are to Tanah Makmur Berhad (formerly known as Kreatif Selaras Sdn Bhd). All references to "our Group" or "Tanah Makmur Group" in this Prospectus are to our Company and our Subsidiaries taken as a whole. References to "we", "us", "our" and "ourselves" are to our Company and where the context requires, our Company and our Subsidiaries.

In this Prospectus, references to the "Government" are to the Government of Malaysia; and references to "RM" and "sen" are to the lawful currency of Malaysia. Any discrepancies in the tables included in this Prospectus between the amounts listed and totals thereof are due to rounding. Other abbreviations used herein are defined in the "Definitions" section appearing on pages xiii to xvi of this Prospectus. Certain acronyms and technical terms used herein are defined in the "Glossary of technical terms" appearing on page xvii of this Prospectus. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include corporations.

Any reference to a time or day shall be a reference to Malaysian time, unless otherwise stated.

References to the "LPD" in this Prospectus are to 15 May 2014, which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC.

The information on our website or any website directly or indirectly linked to such websites is not incorporated by reference into this Prospectus and should not be relied on.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industries in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from the report prepared by Infobusiness Research & Consulting Sdn Bhd, an independent market researcher. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industries in which we operate. However, we, our Promoters, our Selling Shareholders, the Principal Adviser, Sole Placement Agent, Managing Underwriter and Joint Underwriters have not independently verified these figures. Neither our Company nor our Promoters, our Selling Shareholders, the Principal Adviser, Sole Placement Agent, Managing Underwriter and Joint Underwriters make any representation as to the correctness, accuracy or completeness of such data and accordingly, you should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances are or can be given that the estimated figures will be achieved, and you should not place undue reliance on the third-party projections cited in this Prospectus.

EBITDA, as well as the related ratios presented in this Prospectus, are supplemental measures of our performance and liquidity that are not required by or presented in accordance with the FRS, IFRS and MFRS. EBITDA is not a measurement of financial performance or liquidity under FRS, IFRS and MFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with the FRS, IFRS and MFRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible as other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

We believe that EBITDA facilitates comparisons of operating performance from period to period and company to company (on the assumption that they are derived consistently by the companies) by eliminating potential differences caused by variations in capital structures (affecting interest expense and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortisation of assets (affecting relative depreciation and amortisation expenses). EBITDA has been presented because we believe that it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-FRS, non-IFRS and non-MFRS financial measures when reporting their results. Finally, EBITDA is presented as a supplemental measure of our ability to service debt. Nevertheless, EBITDA has limitations as an analytical tool, and potential investors should not consider it in isolation, or as a substitute for analysis of our financial condition or results of operations, as reported under the FRS, IFRS and MFRS. Due to these limitations, EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of our business.

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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 strategies, prospects, plans and objectives of our Company 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 result, 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 forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- our financial position and financing plans;
- our business strategies, trends and competitive position, and future plans;
- plans and objectives of our Company for future operations;
- potential growth opportunities; and
- the regulatory environment and the effects of future regulation.

Actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors, including, without limitation:

- continued availability of capital financing;
- interest rates and foreign exchange rates;
- taxes and duties;
- fixed and contingent obligations and commitments;
- the competitive environment in the industries in which we operate;
- the activities and financial health of our customers, suppliers and other business partners;
- the general economic and business conditions;
- the political, economic and social developments in Asia;
- delays, cost overruns, shortages in skilled and unskilled resources or other changes that impact the execution of our expansion plans;
- significant capital expenditure requirements;
- future regulatory changes affecting us or the countries in which we operate or may operate;
- liability for remedial actions under environmental and/or health and safety regulations;

- the cost and availability of adequate insurance coverage; and
- other factors which may or may not be within our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed elsewhere in Section 5 of this Prospectus on "Risk factors" and Section 12.2 of this Prospectus on "Management's discussion and analysis of financial condition and results of operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Prospectus to reflect any changes in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Act	:	Companies Act 1965, as amended from time to time and any re-enactment thereof
ADA	:	Authorised Depository Agent
Aimvesco	:	Aimvesco Sdn Bhd
Application Form	:	Application form for the application of the IPO Shares under the Retail Offering accompanying this Prospectus
ATM	:	Automated teller machine
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
CAGR	:	Compounded annual growth rate
CCC	:	Certificate of completion and compliance
CDS		Central Depository System
CIDB	:	Construction Industry Development Board Malaysia
CIMB	:	CIMB Investment Bank Berhad
CMSA	:	Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
DOE	:	Department of Environment of Malaysia
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet, and/or any electronic storage medium, including but not limited to CD-ROMs
Electronic Share Application	:	Application for the Issue Shares under the Retail Offering though a Participating Financial Institution's ATMs
EPF	:	Employees Provident Fund Board
Equity Guidelines	:	Equity Guidelines issued by the SC
FRS	:	Financial reporting standards in Malaysia
Government	:	The government of Malaysia
GST	:	Goods and Services Tax
HDA	:	Housing Development (Control and Licensing) Act 1966, as amended from time to time and any re-enactment thereof
ha	:	hectare
IFRS	:	International Financial Reporting Standards, as issued by the International Accounting Standards Board
Institutional Offering	:	Offering of 75,184,000 IPO Shares, subject to clawback and reallocation provisions, to Malaysian institutional and selected investors
Internet Participating Financial Institution(s)	:	The participating financial institution(s) for the Internet Share Application

Internet Share Application	:	Application for the Issue Shares under the Retail Offering through an Internet Participating Financial Institution
IPO	:	Initial public offering of 101,590,000 IPO Shares, comprising the Retail Offering and the Institutional Offering
IPO Price	:	The issue/offer price of RM1.25 per IPO Share
IPO Shares	:	Collectively, the Offer Shares and the Issue Shares
Issue Shares	:	New Shares to be issued by our Company pursuant to the Public Issue
Issuing House	:	Equiniti Services Sdn Bhd
Joint Underwriters	:	Collectively, CIMB and Kenanga Investment Bank Berhad
kg	:	kilogrammes
KotaSAS Township	:	The Kota Sultan Ahmad Shah Township, a township in Kuantan, Pahang currently being developed by us
Listing	:	Listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the Main Market
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LKPP	:	Lembaga Kemajuan Perusahaan Pertanian Negeri Pahang
LKPP-leased Land	:	Approximately 6,335.87 ha of plantation estates in the State of Pahang leased to us by LKPP pursuant to the LKPP Lease Agreements. Further details on the LKPP-leased Land are as set out in Annexure A of this Prospectus
LKPP Lease Agreements	:	Collectively, the following: (i) Lease Agreement between LKPP and Syarikat Kurnia Setia Berhad dated 4 December 1984; (ii) Lease Agreement between LKPP and Syarikat Kurnia Setia Berhad dated 29 March 1990; and (iii) Lease Agreement between LKPP and Tanah Makmur dated 10 April 2012 Further details on the LKPP Lease Agreements are as set out in Section 7.2.17 of this Prospectus
LPD	:	15 May 2014, being the latest practicable date prior to the registration of this Prospectus with the SC
Malaysian Public	:	Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading in securities
MFRS	:	Malaysia Financial Reporting Standards
MPOB	:	Malaysian Palm Oil Board
MITI	:	Ministry of International Trade and Industry
mt	:	Metric tonne(s)
N/A	:	Not applicable

NBV	:	Net book value
Offer for Sale	:	Offer for sale by the Selling Shareholders of 49,450,000 Offer Shares
Offer Shares	:	Existing Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale
Official List	:	A list specifying all securities which have been admitted for listing and have not been removed from the Main Market
Participating Financial Institution(s)	:	Participating financial institution(s) for the Electronic Share Application
Placement Agreement	:	The placement agreement to be entered into by our Company, our Selling Shareholders and our Sole Placement Agent in respect of such number of Shares to be offered under the Institutional Offering
Pre-IPO Restructuring	:	Prior to the implementation of the IPO and the Listing, our Company had undertaken and had completed the following: (i) subdivision of all its existing 173,009,796 ordinary shares with a par value of RM1.00 each to 346,019,592 ordinary shares with a par value of RM0.50 each on 30 May 2014; and (ii) full redemption of all the 7,000,487 RPS with a par value of RM0.10 each in our Company held by LKPP in cash at its issue price of RM1.00 each on 30 May 2014
Principal Adviser, Sole Placement Agent, Managing Underwriter or Joint Underwriter	:	CIMB, in its capacity as principal adviser, sole placement agent, managing underwriter or joint underwriter, as the case may be, in respect of the IPO
Privatisation	:	The disposal of the entire business and undertaking including all assets of Kurnia Setia to Tanah Makmur, which was completed on 30 November 2010 and resulted in the delisting of Kurnia Setia from the Main Market
Promoters	:	Collectively, HRH Tengku Abdullah Ibni Sultan Haji Ahmad Shah, YM Tengku Dato' Uzir bin Tengku Dato' Ubaidillah, TAS Industries, Aimvesco, Tastu Bina and YM Tengku Dato' Zubir bin Tengku Dato' Ubaidillah
Public Issue	:	Public issue of 52,140,000 Issue Shares by our Company
RCPS	:	Redeemable convertible preference shares
Retail Offering	:	Offering of 26,406,000 Issue Shares, subject to clawback and reallocation provisions, to the eligible Directors of our Group and employees of our Group, eligible persons who have contributed to the success of our Group, and the Malaysian Public
Retail Underwriting Agreement	:	Retail underwriting agreement entered into between our Company, the Managing Underwriter and our Joint Underwriters on 10 June 2014 in relation to the Retail Offering
RPS	:	Redeemable preference share

SC	:	Securities Commission Malaysia
Selling Shareholders	:	Selling shareholders of the Offer Shares as described in Section 4.4 of this Prospectus
Share	:	Ordinary share of RM0.50 each in our Company
Share Registrar	:	Equiniti Services Sdn Bhd
SICDA	:	Securities Industry (Central Depositories) Act, 1991
SOCSO	:	Social Security Organisation
sq ft	:	Square feet
Subsidiaries	:	Our Subsidiaries as set out in Section 6 of this Prospectus
Tanah Makmur or Company	:	Tanah Makmur Berhad (formerly known as Kreatif Selaras Sdn Bhd)
Tanah Makmur Group or Group	:	Tanah Makmur and our Subsidiaries
tph	:	mt per hour
TAS Industries	:	TAS Industries Sdn Bhd
Tastu Bina	:	Tastu Bina Sdn Bhd
Transaksi Madani	:	Transaksi Madani Sdn Bhd

SUBSIDIARIES

Alur Cemerlang	:	Alur Cemerlang Sdn Bhd
Alur Gemilang	:	Alur Gemilang Sdn Bhd
Alur Lestari	:	Alur Lestari Sdn Bhd
Alur Seri	:	Alur Seri Sdn Bhd
Kreatif Selaras Land	:	Kreatif Selaras Land Sdn Bhd
Kreatif Selaras Mining	:	Kreatif Selaras Mining Sdn Bhd
Kreatif Sinar Gabungan	:	Kreatif Sinar Gabungan Sdn Bhd
KotaSAS	:	KotaSAS Sdn Bhd
KotaSAS OMNI	:	KotaSAS OMNI Sdn Bhd
Kurnia Setia	:	Kurnia Setia Berhad
Kurnia Setia Engineering	:	Kurnia Setia Engineering Sdn Bhd
Kurnia Setia Trading	:	Kurnia Setia Trading Sdn Bhd
SJ Palm Oil Mill	:	Sri Jelutung Palm Oil Mill Sdn Bhd
Tanah Makmur KotaSAS	:	Tanah Makmur KotaSAS Sdn Bhd

CURRENCIES

RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
USD	:	United States Dollar, the lawful currency of the United States of America

GLOSSARY OF TECHNICAL TERMS

CDM	:	Clean Development Mechanism, a project under the Kyoto Protocol which was adopted by UNFCCC in 1992 which entitles companies to obtain carbon credits from the UNFCCC
CPO	:	Crude palm oil, oil extracted from the flesh of the oil palm fruit
DOBI	:	Deterioration of Bleachability Index, an indication of the bleachability of the CPO based on the amount of carotenes still present in the CPO and the amount of secondary oxidation products
EFB	:	Empty fruit bunches, the leftover fibrous material after the extraction of oil palm fruits from FFB
FFA	:	Free fatty acid, is used as a measure of quality in CPO. Excessive free fatty acids may cause a problem for palm oil refiners, who have a problem with their neutralisation. Refining is the process whereby CPO is converted to quality edible oil by removing free fatty acids, moisture and impurities
FFB	:	Fresh fruit bunches, oil palm fruits which grow in bunches on oil palm trees, from which CPO is extracted
MSPO	:	Malaysian Sustainable Palm Oil Standard, which is a proposed voluntarily certification for sustainable palm oil by the Government
OER	:	Oil extraction rate, which refers to the division of the production of CPO over FFB processed
Oleochemicals	:	Chemicals derived from vegetable oils and animal oils / fats
PK	:	Palm kernel, the nut of the oil palm fruitlet
PK recovery rate	:	Refers to the division of production of PK over FFB processed
RSPO	:	Roundtable on Sustainable Palm Oil is a not-for-profit association of palm oil industry stakeholders (palm oil producers, palm oil processors or traders, consumer goods manufacturers, retailers, banks and investors, environmental or nature conservation non-governmental organisations) which was formed in 2004 to promote the growth and use of sustainable oil palm products through credible global standards and engagement of its stakeholders.
UNFCCC		The United Nations Framework Convention on Climate Change

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1. CORPORATE DIRECTORY

DIRECTORS

Name	Address	Nationality	Profession
YAM Tengku Tan Sri (Dr) Hajjah Meriam binti Sultan Haji Ahmad Shah *(Chairman and Non-Independent Non-Executive Director)*	No. 8, Lorong Ru Pertama, Off Jalan Ru Ampang 55000 Kuala Lumpur	Malaysian	Company Director
YM Tengku Dato' Zubir bin Tengku Dato' Ubaidillah *(Managing Director)*	No. 4, Lorong 16/2A 46350 Petaling Jaya Selangor	Malaysian	Managing Director
YM Tengku Dato' Ahmad Faisal bin Tengku Ibrahim *(Non-Independent Non-Executive Director)*	No. 31, Jalan 12 Taman Tun Abd Razak 68000 Ampang Selangor	Malaysian	Company Director
YH Dato' Wan Bakri bin Wan Ismail *(Non-Independent Non-Executive Director)*	H132, Lorong Karyawan 11 Taman Guru, Jalan Gambang 25150 Kuantan Pahang	Malaysian	Company Director
YBhg Tan Sri Dato' Sri Abdul Aziz bin Abdul Rahman *(Independent Non-Executive Director)*	No.11, Jalan Setiamurni 12 Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director
YH Dato' Cheong Keap Tai *(Independent Non-Executive Director)*	A-6396, Taman Makmur Lorong Alur Akar 72 25050 Kuantan Pahang	Malaysian	Accountant
YH Dato' Thavalingam A/L C. Thavarajah *(Independent Non-Executive Director)*	47, Jalan Mutiara Seputih 1 Mutiara Seputih 58000 Kuala Lumpur	Malaysian	Lawyer
YH Dato' Dr Zaha Rina binti Zahari *(Independent Non-Executive Director)*	1, Impian Bukit Tunku 8, Jalan Tunku 50480 Kuala Lumpur	Malaysian	Company Director
Darawati Hussain binti Dato' Seri Abdul Latiff *(Independent Non-Executive Director)*	16, Jalan Teberau 3 Ukay Heights Off Jalan Ulu Klang 68000 Ampang Selangor	Malaysian	Company Director
YM Tengku Dato' Uzir bin Tengku Dato' Ubaidillah *(Alternate Director to YM Tengku Dato' Ahmad Faisal bin Tengku Ibrahim)*	No. 42, Jalan Medang Tanduk Bukit Bandaraya 59100 Kuala Lumpur	Malaysian	Company Director

1. CORPORATE DIRECTORY (*Cont'd*)

AUDIT COMMITTEE

Name	Designation	Directorship
YH Dato' Cheong Keap Tai	Chairman	Independent Non-Executive Director
YH Dato' Dr Zaha Rina binti Zahari	Committee Member	Independent Non-Executive Director
YH Dato' Thavalingam A/L C. Thavarajah	Committee Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
YBhg Tan Sri Dato' Sri Abdul Aziz Rahman	Chairman	Independent Non-Executive Director
YM Tengku Dato' Ahmad Faisal bin Tengku Ibrahim	Committee Member	Non-Independent Non-Executive Director
YH Dato' Cheong Keap Tai	Committee Member	Independent Non-Executive Director

NOMINATING COMMITTEE

Name	Designation	Directorship
YH Dato' Thavalingam A/L C. Thavarajah	Chairman	Independent Non-Executive Director
YM Tengku Dato' Ahmad Faisal bin Tengku Ibrahim	Committee Member	Non-Independent Non-Executive Director
Darawati Hussain binti Dato' Seri Abdul Latiff	Committee Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (*Cont'd*)

COMPANY SECRETARY	:	Suzilah binti Haji Wahid (LS 0000585) No. 18, Lorong IM 10/15 Bukit Istana Bandar Indera Mahkota 25200 Kuantan Pahang
REGISTERED OFFICE	:	Bangunan Kurnia Setia No. 1, Jalan Besar 25000 Kuantan Pahang Telephone no.: +609 514 8866 Fax. no.: +609 514 7733
HEAD/MANAGEMENT OFFICE	:	Bangunan Kurnia Setia No. 1, Jalan Besar 25000 Kuantan Pahang Telephone no.: +609 514 8866 Fax. no.: +609 514 7733 Website address: www.tanahmakmur.com E-mail address: tm@tanahmakmur.com
PRINCIPAL BANKERS	:	CIMB Islamic Bank Berhad 17th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Telephone no. : +603 2261 8888 Maybank Islamic Berhad Wisma KCCCI Lot 46 & 47 Section 18, Jalan Bukit Ubi 25200 Kuantan Pahang Telephone no.: +609 512 1171 Bank Islam (M) Berhad Pejabat Wilayah Koridor Timur Tingkat 4, 7, 8, 9 & 10 Darul Takaful Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Telephone no.: +609 627 2700/2777

1. CORPORATE DIRECTORY (*Cont'd*)

AUDITORS AND REPORTING ACCOUNTANTS	:	Ernst & Young (AF0039) 11th Floor Kompleks Teruntum Jalan Mahkota 25000 Kuantan Pahang Telephone no.: +609 515 7500
LEGAL ADVISERS	:	*To our Company* Kadir Andri & Partners Level 10, Menara BRDB 285 Jalan Maarof Bukit Bandaraya 59000 Kuala Lumpur Telephone no.: +603 2780 2888 *To our Sole Placement Agent, Managing Underwriter and Joint Underwriters* Zul Rafique & Partners D3-3-8, Solaris Dutamas No. 1, Jalan Dutamas 1 50480 Kuala Lumpur Telephone no.: +603 6209 8228
PRINCIPAL ADVISER		CIMB Investment Bank Berhad 13th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Telephone no.: +603 2261 8888
SOLE PLACEMENT AGENT	:	CIMB Investment Bank Berhad 13th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Telephone no.: +603 2261 8888
MANAGING UNDERWRITER AND JOINT UNDERWRITER	:	CIMB Investment Bank Berhad 13th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Telephone no.: +603 2261 8888
JOINT UNDERWRITER	:	Kenanga Investment Bank Berhad 8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Telephone no.: +603 2164 9080

1. CORPORATE DIRECTORY (*Cont'd*)

SHARE REGISTRAR	:	Equiniti Services Sdn Bhd Level 8, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2166 0933
INDEPENDENT MARKET RESEARCHER	:	Infobusiness Research & Consulting Sdn Bhd C4-3A-2, Solaris Dutamas No. 1, Jalan Dutamas 1 50480 Kuala Lumpur Telephone no.: +603 6205 3930
GEOLOGICAL CONSULTING COMPANY	:	Aycel Geoservices Sdn Bhd Unit E-1-7, Plaza Damas Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Telephone no.: +603 6211 0866
ISSUING HOUSE	:	Equiniti Services Sdn Bhd Level 8, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2166 0933
LISTING SOUGHT	:	Main Market of Bursa Securities

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2. INTRODUCTION

This Prospectus is dated 26 June 2014.

No securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of this Prospectus.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms, with the Registrar of Companies of Malaysia, who takes no responsibility for its contents.

On 16 May 2014, approval was obtained from the SC in respect of our IPO. The approval of the SC shall not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment. The SC is not liable for any non-disclosure on our part in this Prospectus. The SC also takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

You should rely on your own evaluation to assess the merits and risks of our IPO and an investment in us.

Our Company has obtained the approval of Bursa Securities for the listing of and quotation for our Shares, including the IPO Shares which are the subject of this Prospectus, on the Main Market. Official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a "prescribed security". Consequently, our Shares offered in our IPO will be deposited directly with Bursa Depository. Any dealing in our Shares will be carried out in accordance with the SICDA and the rules of Bursa Depository. We will not issue any share certificates to the successful applicants.

The completion of the Retail Offering and Institutional Offering are inter-conditional and are subject to the public spread requirements under the Listing Requirements.

If the IPO Shares are not allotted and/or transferred pursuant to the Retail Offering and the Institutional Offering, monies paid in respect of any application for the IPO Shares will be returned to applicants without interest and in accordance with the provision of sub-section 243(2) of the CMSA. If such monies are not returned within 14 days after our Company and/or the Selling Shareholders becomes liable to repay it, then in addition to the liability of our Company and/or the Selling Shareholders, the officers of our Company and/or the Selling Shareholders shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period.

Pursuant to the Listing Requirements, our Company is required to comply with the public spread requirements as determined by Bursa Securities, pursuant to which our Company is required to have a minimum of 25% of our Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of our IPO and at the time of Listing. Our Company is expected to achieve this at the time of Listing. In the event that the above requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full without interest and if such monies are not returned in full within 14 days after our Company and/or the Selling Shareholders become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

IF YOU ARE IN ANY DOUBT ABOUT THIS PROSPECTUS OR IN CONSIDERING YOUR INVESTMENT, OR IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR ANY OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

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3. SUMMARY

This summary highlights selected information from this Prospectus and may not contain all of the information about us which may be important to you. You should read and understand the whole Prospectus before deciding whether to invest in our Shares. You are advised to read the risk factors described in Section 5 of this Prospectus for an understanding of the risks associated with the investment in our Company.

3.1 Overview

We are primarily an oil palm plantation company, and had in 2012 extended our plantation activities to include a palm oil mill. Our involvement in property development in Kuantan is secondary to our plantation business. Ancillary to our property development business, we have also commenced the mining of bauxite on certain parcels of land within our Ladang Bukit Goh that is being cleared for our property development activities. As the mining and extraction of bauxite from the land will not interfere with our property development plans, we had commenced the extraction and sale of bauxite in April 2014 after we obtained the Proprietary Mining Licence on 27 February 2014 and the approved Operational Mining Scheme on 21 March 2014, for the mining of bauxite. The mining of bauxite activities shall be over a period of three years, subject to the renewal of the Proprietary Mining Licence that will expire on 26 February 2016 and the Operational Mining Scheme that will expire on 31 March 2015.

We currently operate only in the State of Pahang where all our oil palm plantation estates and our KotaSAS Township are located.

As at the LPD, we have an aggregate of 17,969.06 ha of plantation land in the State of Pahang comprising of 11,633.19 ha that we own and 6,335.87 ha of the LKPP-leased Land. Our oil palm plantation estates produced approximately 229,890 mt and 232,605 of FFB for the years ended 31 December 2012 and 2013 respectively. We sell the FFB we produce to our own palm oil mill as well as third party traders and other palm oil millers. Presently, seven of our plantation estates supply FFB to our palm oil mill, including Ladang Paloh Hinai, Ladang Sri Jelutung, Ladang Aur Gading, Ladang Bukit Goh, Ladang Kampong Bongsu, Ladang Charuk Puting and Ladang Sungai Sering.

By building our own palm oil mill, we would have better control over the milling process which is expected to yield higher OER obtained from our palm oil mill, compared to the OER used in determining the price paid for the purchase of FFB. Due consideration is also given to easy accessibility to palm oil mills so that FFB can be processed quickly after harvesting to minimise the build-up of FFA which will affect the quality of CPO and the OER. Our palm oil mill is strategically located within close proximity to several of our major plantation estates that provide part of the FFB feedstock for processing by our own palm oil mill. For the year ended 31 December 2013, approximately 49.18% of the FFB processed in our palm oil mill was sourced from our own plantation estates. For the period from 1 January 2014 up to the LPD, the percentage of FFB sourced from our own plantations, and that was processed by our palm oil mill improved to approximately 54.86%.

By supplying the FFB from our own plantation estates to our own palm oil mill, we would reduce our dependency on external millers and traders, who have been pricing our FFB based on a lower OER than that achievable by our own palm oil mill. We also took into consideration that the storage life of CPO is six months versus FFB, which has to be processed within 48 hours from harvesting. Therefore, by having our own palm oil mill that process CPO, we would have some flexibility in timing the sale of our CPO based on market outlook of CPO prices. Pursuant thereto, we decided to extend our plantation activities to include milling.

We began construction work on our palm oil mill and compost plant in 2010. This marked the commencement of our venture into downstream activities of our oil palm-based business, such as the production of CPO, PK and compost fertiliser. Upon completion of our palm oil mill and compost plant, we began the production of CPO and PK and the processing of compost fertiliser in July 2012. Along with the FFB sourced from our own plantations estates, our palm oil mill also processes FFB from nearby plantation estates owned by third party and traders as our palm oil mill's current processing capacity of a maximum of approximately 187,200 mt of FFB per year exceeds the FFB supply produced by our plantation estates within the locality of our palm oil mill.

Our oil palm-based business has been and is expected to continue to be the core activity of our Group.

In 2008, in order to maximise the potential value of our lands and to improve our Group's financial performance, we ventured into the property development business via our existing subsidiary, KotaSAS which commenced the development of our KotaSAS Township measuring approximately 1,500 acres over the next 15 years. The KotaSAS Township is being developed on part of our Ladang Bukit Goh, the category of land which was converted to "building" use for the purpose of residential and commercial development in 2008. As at the LPD, approximately 314.00 ha out of the land on Ladang Bukit Goh is still being used for our plantation activities.

Please refer to Section 7.2 of this Prospectus for further information on our business.

3.2 Competitive strengths

We believe our key competitive strengths to be the following:

3.2.1 Leverage position with LKPP, our major shareholder.

3.2.2 We have an experienced and professional management team.

3.2.3 We operate our own palm oil mill which is strategically located within close proximity to most of our plantation estates and we have the capacity to expand our palm oil mill.

3.2.4 Proven track record in the plantation and property development businesses.

3.2.5 We have the capability and the expertise to develop a township in Kuantan.

Please refer to Section 7.2.2 of this Prospectus for further information on our competitive strengths.

3.3 Business strategies and future plans

3.3.1 Replanting and new planting programmes.

3.3.2 Continued expansion of our current land bank.

3.3.3 The continued development of the KotaSAS Township.

3.3.4 Expansion of our palm oil mill and compost plant.

3.3.5 Obtaining RSPO or MSPO accreditations.

Please refer to Section 7.2.3 of this Prospectus for further information on our business strategies and future plans within the next five years.

3.4 Risk factors

Before investing in our Shares, you should pay particular attention to the fact that our Company, and to a large extent our activities, are governed by the legal, regulatory and business environment in Malaysia and other jurisdictions that we operate in. 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 set forth in this Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future.

3.4.1 Risks relating to the industries that we operate in

3.4.1.1 Our palm-oil based business relies heavily on foreign labour and the shortage of foreign labour in Malaysia, particularly in the agricultural sector will have a material effect on our Group's operations.

3.4.1.2 Inherent business risks in the palm oil-based industry may affect our business.

3.4.1.3 Commodity prices fluctuate based primarily on local and international market conditions, and will affect the prices of FFB, CPO, PK and other oil-palm based products.

3.4.1.4 We face competition from other local and international palm oil producers and producers of substitute oils.

3.4.1.5 We may be adversely affected if we fail to obtain or renew requisite permits and licences to operate oil palm plantations and palm oil mill to produce and sell FFB, CPO and PK.

3.4.1.6 Our new field development and replanting programme will have a short to medium term impact on the amount of FFB produced on the oil palm plantation estates, which may affect our revenues and margins.

3.4.1.7 We rely on palm oil mill operators and traders located nearby to our oil palm plantation estates to purchase our FFB as FFB typically has to be processed within 48 hours after harvesting.

3.4.1.8 The LKPP-leased Land contributes to a significant amount of our FFB production, any loss of the right to use the LKPP-leased Lands would have a material adverse effect on our FFB production.

3.4.1.9 Our business may be affected by any changes in the perception of climate change costs and benefits connected with palm oil production as well as cost arising from the imposition and enforcement of more stringent environmental regulations.

3.4.1.10 We will be susceptible to legal, regulatory, political and economic conditions in Sabah and Sarawak, and those outside Malaysia, as well as operational risks different from those we have in Malaysia, if we decide to expand our plantation business to Sabah, Sarawak or outside Malaysia.

3.4.1.11 Our property development business is dependent on the performance of the property market in the State of Pahang specifically and in Malaysia generally and may be affected by changes in the social, political and economic conditions, including government policies and regulations in Malaysia.

3.4.1.12 We face risks before we can realise any benefit from our property development.

3.4.1.13 The results of our operations may be adversely affected if we fail to obtain, or if there is material delay in obtaining requisite governmental approval for our property development business.

3.4.1.14 We face increasing competition that could adversely affect our property development business and financial condition.

3.4.1.15 We may incur losses arising from failure or delay in the delivery of our sold properties.

3.4.1.16 Our business may be adversely affected if we are unable to sell our properties.

3.4.1.17 We may be adversely affected by the implementation of GST in Malaysia.

3.4.1.18 Any change to and/or differing interpretation of the relevant FRS after the date of this Prospectus may affect the financial results of our Group.

3.4.2 Business risks relating to our overall businesses

3.4.2.1 We depend on our key management personnel for our continued success, and we may not be able to replace them on a timely basis in the event that they cease to work for us.

3.4.2.2 We may not be able to procure funding on terms acceptable to us.

3.4.2.3 We may not have sufficient insurance coverage to cover all losses and liabilities that may arise in connection with our business operations.

3.4.3 Risks relating to our Shares

3.4.3.1 There has been no prior market for our Shares and the offering of our Shares may not result in an active liquid market of our Shares.

3.4.3.2 Our Share price may be volatile.

3.4.3.3 There may be a delay in, or termination of, our Listing.

3.4.3.4 We may not be able to pay dividends.

3.4.3.5 Our proceeds from the Public Issue will be used as disclosed in Section 4.8 of this Prospectus.

3.4.3.6 The sale, or the possible sale, of a substantial number of our Shares in the public market following our IPO could adversely affect the price of our Shares.

3.4.3.7 Given that the IPO Price is higher than our net assets value per Share, purchasers of our Shares in our IPO will experience immediate and substantial dilution.

3.4.3.8 Forward-looking statements in this Prospectus are subject to inherent uncertainties.

3.4.3.9 Our substantial shareholders will continue to hold a majority of our Shares after the IPO and will therefore be in a position to determine the outcome of shareholder voting.

Please refer to Section 5 of this Prospectus for further details of our risk factors.

3.5 Historical consolidated financial information

3.5.1 Selected consolidated statements of comprehensive income

The selected consolidated statements of comprehensive income, other than the amounts of cost of sales, gross profit and other expenses, for the past three years ended 31 December 2011, 31 December 2012 and 31 December 2013 have been derived from our audited historical consolidated financial statements. The amounts of cost of sales, gross profit and other expenses as presented in the table below do not appear in our audited consolidated statements of comprehensive income because our audited consolidated statements of comprehensive income were presented based on the nature of expenses. The amounts of cost of sales, gross profit and other expenses are presented in the table below to comply with the requirements of the Prospectus Guidelines. You should read the following selected consolidated statements of comprehensive income in conjunction with Section 13 of this Prospectus and the notes thereto.

	Audited		
	For the year ended 31 December		
	2011	**2012**	**2013**
	RM	**RM**	**RM**
Revenue	282,423,731	207,656,541	243,486,164
Cost of sales	(136,093,782)	(103,166,789)	(151,649,316)
Gross profit	146,329,949	104,489,752	91,836,848
Other operating income	2,455,211	5,499,214	1,817,143
Other expenses	(30,845,163)	(22,626,161)	(27,364,283)
Profit from operations before tax	117,939,997	87,362,805	66,289,708
Finance cost	(5,972,741)	(4,313,963)	(4,607,855)
Profit before tax	111,967,256	83,048,842	61,681,853
Income tax expense	(26,588,590)	(17,335,139)	(16,990,850)
Profit for the year net of tax	85,378,666	65,713,703	44,691,003
Other comprehensive income:			
Net loss on remeasurement of defined benefit liability	-	(1,350,844)	-
Total comprehensive income for the year	85,378,666	64,362,859	44,691,003
Profit attributable to:			
Owners of the parent	80,599,276	62,477,259	42,890,850
Non-controlling interests	4,779,390	3,236,444	1,800,153
	85,378,666	65,713,703	44,691,003
Total comprehensive income attributable to:			
Owners of the parent	80,599,276	61,179,853	42,890,850
Non-controlling interests	4,779,390	3,183,006	1,800,153
	85,378,666	64,362,859	44,691,003

	Audited		
	For the year ended 31 December		
	2011	2012	2013
	RM	RM	RM
EBITDA [1]	122,910,154	94,745,152	75,639,396
Profit for the year excluding non-recurring income [2]	85,377,667	62,045,177	44,691,003
Net assets (without non-controlling interests)	265,395,352	306,786,656	323,485,757
No. of Shares in issue	170,034,300	173,009,796	173,009,796
Gross earnings per Share[3]	0.66	0.48	0.36
Net earnings per Share[4]	0.50	0.38	0.26
Net assets per Share[5]	1.56	1.77	1.87
Gross profit margin (%)	51.81	50.32	37.72
Profit before tax margin (%)	39.65	39.99	25.33
Profit after tax margin (%)	30.23	31.65	18.35
EBITDA margin (%)	43.52	45.63	31.07

Notes:

(1) EBITDA represents earnings before finance cost, taxation, depreciation and amortisation. The table below sets forth a reconciliation of our profit after tax to EBITDA:

	Audited		
	For the year ended 31 December		
	2011	2012	2013
	RM	RM	RM
EBITDA:			
Profit for the year	85,378,666	65,713,703	44,691,003
Taxation	26,588,590	17,335,139	16,990,850
Profit before tax	111,967,256	83,048,842	61,681,853
Finance costs	5,972,741	4,313,963	4,607,855
Depreciation	2,345,078	4,183,518	5,848,028
Amortisation	2,625,079	3,198,829	3,501,660
	122,910,154	94,745,152	75,639,396

Our EBITDA presented in this Prospectus is a supplemental measure of our performance and liquidity and is not required by, or presented in accordance with FRS and should not be considered as an alternative to profit after tax, operating income, or any other performance measures derived in accordance with FRS or as an alternative to our cash flows or as a measure of our liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure. We believe that the presentation of EBITDA facilitates the operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting finance costs), tax position (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of tangible assets (affecting relative depreciation expense).

(2) The table below sets forth a reconciliation of our profit for the year to profit for the year excluding non-recurring income:

	Audited		
	For the year ended 31 December		
	2011	**2012**	**2013**
	RM	**RM**	**RM**
Profit for the year excluding non-recurring income:			
Profit for the year	85,378,666	65,713,703	44,691,003
Non-recurring income – Gain on disposal of property, plant and equipment	(999)	(3,668,526)	-
	85,377,667	62,045,177	44,691,003

Our profit for the year excluding non-recurring income presented in this Prospectus is a supplemental measure of our performance and liquidity and is not required by, or presented in accordance with FRS and should not be considered as an alternative to profit after tax, operating income, or any other performance measures derived in accordance with FRS or as an alternative to our cash flows or as a measure of our liquidity. In addition, profit for the year excluding non-recurring income is not a standardised term, hence a direct comparison between companies using such a term may not be possible. Other companies may calculate profit for the year excluding non-recurring income differently from us, limiting its usefulness as a comparative measure. We believe that the presentation of profit for the year excluding non-recurring income facilitates comparison operating performance based on income from recurring activities, from period to period and from company to company.

(3) Computed as profit before tax divided by the number of shares in issue.

(4) Computed as profit after tax divided by the number of shares in issue.

(5) Computed as net assets (without non-controlling interests) divided by the number of shares in issue.

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3.5.2 Pro forma consolidated statements of financial position

The pro forma consolidated statements of financial position as at 31 December 2013 have been prepared for illustrative purposes only to show the effects of the Pre-IPO Restructuring, the IPO and the proposed utilisation of proceeds with the assumption that the Pre-IPO Restructuring, the IPO and the proposed utilisation of proceeds were completed on 31 December 2013. The pro forma consolidated statements of financial position should be read in conjunction with Section 12.11 of this Prospectus and the notes thereto.

Pro forma I : Incorporates the effects of the following which had been undertaken and had been completed by our Group prior to the implementation of the IPO and the Listing:

(i) subdivision of all of its existing 173,009,796 ordinary shares of Tanah Makmur with a par value of RM1.00 each to 346,019,592 ordinary shares with a par value of RM0.50 each on 30 May 2014; and

(ii) full redemption of all the remaining 7,000,487 RPS with a par value of RM0.10 each in Tanah Makmur held by LKPP in cash at its issue price of RM1.00 each, at a total cash of RM7,000,487 on 30 May 2014.

Pro forma II: Incorporates the effects of Pro forma I, the IPO and the proposed utilisation of proceeds.

	Audited as at 31 December 2013	Pro forma I	Pro forma II After Pro forma I
	RM	RM	RM
Assets			
Non-current assets			
Property, plant and equipment	148,966,235	148,966,235	153,966,235
Biological assets	79,086,745	79,086,745	107,586,745
Land use rights	39,896,457	39,896,457	39,896,457
Land held for property development	28,600,436	28,600,436	28,600,436
Other investments	5,001	5,001	5,001
	296,554,874	296,554,874	330,054,874
Current assets			
Property development costs	73,214,335	73,214,335	86,214,335
Inventories	12,856,954	12,856,954	12,856,954
Trade and other receivables	32,838,707	32,838,707	32,838,707
Other current assets	6,365,090	6,365,090	6,365,090
Investment securities	4,552,875	4,552,875	4,552,875
Tax recoverable	623,354	623,354	623,354
Cash and bank balances	46,930,678	39,930,191	39,930,191
	177,381,993	170,381,506	183,381,506
Total assets	473,936,867	466,936,380	513,436,380

3. **SUMMARY** *(Cont'd)*

	Audited as at 31 December 2013	Pro forma I	Pro forma II After Pro forma I
	RM	RM	RM
Equity and liabilities			
Current liabilities			
Loans and borrowings	12,406,451	8,906,208	8,906,208
Trade and other payables	33,617,638	33,617,638	33,617,638
Other current liabilities	7,464,588	7,464,588	7,464,588
Income tax payable	2,707,434	2,707,434	2,707,434
	56,196,111	52,695,868	52,695,868
Net current assets	121,185,882	117,685,638	130,685,638
Non-current liabilities			
Loans and borrowings	44,455,204	43,010,722	29,935,722
Retirement benefit obligations	4,111,382	4,111,382	4,111,382
Deferred tax liabilities	29,537,974	29,537,974	29,537,974
	78,104,560	76,660,078	63,585,078
Total liabilities	134,300,671	129,355,946	116,280,946
Net assets	339,636,196	337,580,434	397,155,434
Equity attributable to owners of the parent			
Share capital	173,009,796	173,009,796	199,079,796
Share premium	-	-	36,642,622
Other reserve	3,544,157	3,544,157	3,544,157
Capital redemption reserve	1,050,073	1,750,122	1,750,122
Retained earnings	145,881,731	143,125,920	139,988,298
	323,485,757	321,429,995	381,004,995
Non-controlling interests	16,150,439	16,150,439	16,150,439
Total equity	339,636,196	337,580,434	397,155,434
Total equity and liabilities	473,936,867	466,936,380	513,436,380

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3.5.3 Selected consolidated statement of cash flows

The consolidated statement of cash flows for the year ended 31 December 2013 has been derived from our audited consolidated financial statements. The consolidated statement of cash flows should be read in conjunction with Section 13 of this Prospectus and the notes thereto.

	Audited
	For the year ended 31 December 2013
	RM
Operating activities	
Profit before tax	61,681,853
Adjustments for:	
Depreciation of property, plant and equipment	5,848,028
Amortisation of plantation development expenditure	2,927,403
Amortisation of land use rights	574,257
Property, plant and equipment written off	181
Inventories written down	151,053
Loss on sale of livestocks	10,851
Pension costs – defined benefit plan	469,209
Interest expense	3,119,460
Profit on investments in Islamic funds	(680,621)
Interest income	(466,610)
Reversal of provision for tax penalty	(63,104)
Unwinding discounts of the redeemable preference shares	1,488,395
Total adjustments	13,378,502
Operating cash flows before changes in working capital	75,060,355
Changes in working capital:	
Increase in trade and other receivables	(4,815,906)
Increase in property development costs and land held for development	(4,721,183)
Increase in inventories	(2,504,398)
Increase in trade and other payables	2,944,889
Total changes in working capital	(9,096,598)
Cash flows from operations	65,963,757
Income taxes refund	216,950
Income taxes paid	(16,438,269)
Net cash flows from operating activities	49,742,438
Investing activities	
Proceeds from sales of livestock	262,873
Purchase of property, plant and equipment	(13,900,724)
Purchase of biological assets	(12,327,429)
Purchase of livestock	(202,741)
Profit on investments in Islamic funds	680,621
Interest received	466,610
Net cash flows used in investing activities	(25,020,790)

	Audited For the year ended 31 December 2013 RM
Financing activities	
Repayment of obligations under finance leases	(495,587)
Repayment of term loans	(22,845,396)
Drawdown of term loans	9,176,198
Cost of financing paid	(3,119,460)
Dividends paid to equity holders of the Company	(25,951,469)
Dividend paid to non-controlling interests	(983,612)
Proceeds from issuance of ordinary shares by subsidiaries to non-controlling interests	943,500
Repayment of the redeemable preference shares	(3,500,243)
Net cash flows used in financing activities	(46,776,069)
Net decrease in cash and cash equivalents	(22,054,421)
Cash and cash equivalents at 1 January	66,135,178
Cash and cash equivalents at 31 December	44,080,757

3.6 Particulars of our IPO

Our IPO of 101,590,000 IPO Shares, representing 25.51% of our enlarged issued and paid-up share capital, comprises the Offer for Sale of 49,450,000 Offer Shares and the Public Issue of 52,140,000 Issue Shares. These IPO Shares will be issued and offered, as the case may be, based on the terms and conditions set out in this Prospectus and will be allocated and allotted in the manner described below, subject to the clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus.

3.6.1 Institutional Offering

The Institutional Offering involves the offering of 75,184,000 IPO Shares (comprising 49,450,000 Offer Shares and 25,734,000 Issue Shares) at the IPO Price, representing 18.88% of our enlarged issued and paid-up share capital to Malaysian institutional and selected investors.

3.6.2 Retail Offering

The Retail Offering involves the offering of 26,406,000 Issue Shares, representing 6.63% of our enlarged issued and paid-up share capital, at the IPO Price which will be allocated in the following manner:

(i) 6,406,000 Issue Shares to the eligible Directors of our Group, the eligible employees of our Group, and the eligible persons who have contributed to the success of our Group; and

(ii) 20,000,000 Issue Shares to the Malaysian public.

Applicants who apply for Issue Shares under Section 3.6.2(i) may also apply for Issue Shares under Section 3.6.2(ii) above.

Please refer to Section 4 of this Prospectus for further information on the details of our IPO.

3.7 Utilisation of proceeds

Our Company will not receive any proceeds from the Offer for Sale. The total gross proceeds to be raised from the Offer for Sale of approximately RM61.81 million will accrue entirely to the Selling Shareholders.

The expected total gross proceeds from the Public Issue are approximately RM65.18 million. We intend to utilise the gross proceeds in the following manner:

Details of utilisation of proceeds	Timeframe utilisation of proceeds	Amount of total proceeds raised (RM)	Percentage of total proceeds raised (%)
Estate development	within 24 months	28,500,000	43.73
Expansion of palm oil mill	within 24 months	5,000,000	7.67
Infrastructure work of the KotaSAS Township	within 24 months	13,000,000	19.95
Repayment of bank borrowings	within 6 months	13,075,000	20.06
Listing expenses	within 6 months	5,600,000	8.59
Total gross proceeds		**65,175,000**	**100.00**

Please refer to Section 4.8 of this Prospectus for further details on the utilisation of proceeds from our Public Issue.

3.8 Dividend policy

It will be our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group. Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as having profits and excess funds not required to be retained to fund our business. Our Directors will also take into consideration, among others, of the following factors when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(i) the availability of adequate distributable reserves and cash flows;

(ii) our operating cash flow requirements and financing commitments;

(iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

(iv) any material impact of tax laws and other regulatory requirements; and

(v) the prevailing interest rates and yields of the financial market.

Any declaration and payment of dividends in the future will be at the discretion of the Board. There is no assurance on whether the dividend distributions will occur as intended, the amount of dividend payment or timing of such payments. No inference should or can be made from any of the foregoing statements as to out actual future profitability or our ability to pay dividends in the future. Kindly refer to Section 5.3.4 of this Prospectus for risks relating to payment of dividends.

It is the present intention of our Board to adopt a dividend payout ratio of at least 30.00% of our profit after tax attributable to shareholders excluding non-recurring income after taking into consideration the abovementioned factors, general financial condition, contractual restrictions and other factors considered relevant by our Board.

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4. DETAILS OF THE IPO

4.1 Opening and closing of applications

Application for our Issue Shares under the Retail Offering will be opened at 10.00 a.m. on 26 June 2014 and will remain open until 5.00 p.m. on 3 July 2014 or such later date or dates as our Directors and our Managing Underwriter may in their absolute discretion decide. **Late applications will not be accepted**.

4.2 Indicative timetable

The indicative timetable for the IPO is as follows:

Events	Date
Issuance of Prospectus/Opening of the IPO	10.00 a.m., 26 June 2014
Closing of the IPO	5.00 p.m., 3 July 2014
Balloting of applications for the Issue Shares offered under the Retail Offering	7 July 2014
Allotment/Transfer of the IPO Shares to successful applicants	11 July 2014
Listing	17 July 2014

Applications for the IPO Shares will close at the time and date stated above or such other date or dates as our Directors, our Selling Shareholders and our Managing Underwriter may in their absolute discretion decide.

In the event that the closing date or time of the IPO is extended, the dates for the balloting and allotment of the Issue Shares, the transfer of the Offer Shares and our Listing may be extended accordingly. Any extension will be announced in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia.

4.3 Particulars of our IPO

Our IPO of 101,590,000 IPO Shares, representing 25.51% of our enlarged issued and paid-up share capital, comprises the Offer for Sale of 49,450,000 Offer Shares and the Public Issue of 52,140,000 Issue Shares. These IPO Shares will be issued and offered, as the case may be, based on the terms and conditions set out in this Prospectus and will be allocated and allotted in the manner described below, subject to the clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus.

4.3.1 Institutional Offering

The Institutional Offering involves the offering of 75,184,000 IPO Shares (comprising 49,450,000 Offer Shares and 25,734,000 Issue Shares) at the IPO Price, representing 18.88% of our enlarged issued and paid-up share capital to Malaysian institutional and selected investors.

4.3.2 Retail Offering

The Retail Offering involves the offering of 26,406,000 Issue Shares, representing 6.63% of our enlarged issued and paid-up share capital, at the IPO Price which will be allocated in the following manner:

(i) 6,406,000 Issue Shares to the eligible Directors of our Group, the eligible employees of our Group, and the eligible persons who have contributed to the success of our Group; and

(ii) 20,000,000 Issue Shares to the Malaysian public.

A summary of the allocation of the 6,406,000 Issue Shares under Section 4.3.2(i) above is set out below:

Eligibility	Number of eligible persons	Aggregate number of Issue Shares allocated
Eligible Directors of our Group [(1)]	10	1,700,000
Eligible employees of our Group [(2)]	252	4,256,000
Eligible persons who have contributed to the success of our Group [(3)]	3	450,000
Total	**265**	**6,406,000**

Notes:

(1) The allocation of Issue Shares to the eligible Directors of our Group is based on, among others, their respective roles, responsibilities and contribution to our Group. All eligible Directors of our Group are allocated either 150,000 Issue Shares or 250,000 Issue Shares each. The allocation of Issue Shares to the eligible Directors of our Group are as follows:

Directors	No of Issue Shares allocated
YAM Tengku Tan Sri (Dr) Hajjah Meriam binti Sultan Haji Ahmad Shah	250,000
YM Tengku Dato' Zubir bin Tengku Dato' Ubaidillah	250,000
YM Tengku Dato' Ahmad Faisal bin Tengku Ibrahim	150,000
YH Dato' Wan Bakri bin Wan Ismail	150,000
YBhg Tan Sri Dato' Sri Abdul Aziz bin Abdul Rahman	150,000
YH Dato' Cheong Keap Tai	150,000
YH Dato' Thavalingam A/L C. Thavarajah	150,000
YH Dato' Dr Zaha Rina binti Zahari	150,000
Darawati Hussain binti Dato' Seri Abdul Latiff	150,000
YM Tengku Dato' Uzir bin Tengku Dato' Ubaidillah (Alternate Director)	150,000
Total	**1,700,000**

(2) The allocation of Issue Shares to the eligible employees of our Group is based on, among others, their staff grade and length of service with our Group.

(3) The allocation of Issue Shares is to certain former Directors of our Company acting in the capacity as the nominee directors representing LKPP. They had contributed to the business development and success of our Group.

Applicants who apply for Issue Shares under Section 4.3.2(i) may also apply for Issue Shares under Section 4.3.2(ii) above.

In summary, the IPO Shares will be allocated and allotted (subject to the clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus) in the following manner:

	Offer for Sale		**Public Issue**		**Total**	
Categories	**No. of Shares**	**% of enlarged share capital**	**No. of Shares**	**% of enlarged share capital**	**No. of Shares**	**% of enlarged share capital**
Retail Offering:						
Malaysian Public (via balloting)	-	-	20,000,000	5.02	20,000,000	5.02
Eligible Directors of our Group, eligible employees of our Group, and eligible persons who have contributed to the success of our Group	-	-	6,406,000	1.61	6,406,000	1.61
Sub- total	**-**	**-**	**26,406,000**	**6.63**	**26,406,000**	**6.63**
Institutional Offering: Malaysian institutional and selected investors	49,450,000	12.42	25,734,000	6.46	75,184,000	18.88
Sub-total	**49,450,000**	**12.42**	**25,734,000**	**6.46**	**75,184,000**	**18.88**
Total	**49,450,000**	**12.42**	**52,140,000**	**13.09**	**101,590,000**	**25.51**

The completion of the Retail Offering and the Institutional Offering are inter-conditional.

4.3.3 Clawback and reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:

(i) any Issue Shares allocated to the eligible Directors of our Group, the eligible employees of our Group and the eligible persons who have contributed to the success of our Group pursuant to the Retail Offering and not taken up by them shall be reallocated to the other eligible employees of our Group. Thereafter, if there is an over-application in the Institutional Offering, any of the reallocated Issue Shares which are not taken up by the other eligible employees of our Group may be allocated to the Institutional Offering;

(ii) if there is an under application in the Retail Offering and a corresponding over-application in the Institutional Offering, the Issue Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering; and

(iii) if there is an under application in the Institutional Offering and a corresponding over-application in the Retail Offering, the IPO Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering.

The clawback and reallocation provisions shall not apply in the event there is an over-application in both the Institutional Offering and the Retail Offering. The Issue Shares under the Retail Offering not applied for after being subject to the provisions above shall be underwritten.

4.3.4 Minimum subscription level

There is no minimum subscription level in terms of proceeds to be raised from the IPO. However, in order to comply with the public spead requirements of Bursa Securities, the minimum subscription level in terms of number of Shares will be the number of Shares required to be held by public shareholders for us to comply with the public spread requirements under the Listing Requirements or as approved by Bursa Securities.

4.3.5 Classes of shares and ranking

As at the date of this Prospectus and upon completion of our IPO, we have only one class of shares, namely ordinary shares of RM0.50 each in our Company. The Issue Shares, upon allotment and issuance, will rank pari passu in all respects with our existing Shares including voting rights, and will be entitled to all dividends, rights and distributions that may be declared subsequent to the date of allotment of the Issue Shares, subject to any applicable rules of Bursa Depository.

The Offer Shares rank pari passu in all respects with our other existing Shares including voting rights, and will be entitled to all dividends, rights and distributions that may be declared subsequent to the date of transfer of the Offer Shares, subject to any applicable rules of Bursa Depository.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share the profits paid out by us as dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Memorandum and Articles of Association after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. On a show of hands, each shareholder present either in person, by proxy, by attorney or other duly authorised representative shall have one vote. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote for each Share held. A proxy may but need not be a member of our Company and the provisions of Section 149(1)(a), (b), (c) and (d) of the Act shall not apply to our Company.

4.4 Selling Shareholders

The following table sets forth the details of the Shares being offered by each of our Selling Shareholders pursuant to the Offer for Sale, and the number of Shares beneficially held by them immediately before and after the IPO:

			As at the date of this Prospectus			After the IPO	
Selling Shareholders	**Address**	**Material relationship with our Company**	**No. of Shares held**	**% of the existing issued and paid-up share capital**	**Number of Offer Shares**	**No. of Shares held**	**% of the enlarged issued and paid-up share capital**
LKPP	Bangunan LKPP, Jalan Gambut, 25990 Kuantan, Pahang	Our major shareholder	103,805,878	30.00	24,174,000	79,631,878	20.00
TAS Industries	No. 15, Jalan Ru, Off Jalan Ampang, 55000 Kuala Lumpur	Promoter and our major shareholder	57,955,582	16.75	8,282,900	49,672,682	12.48
Tastu Bina	A4-02-03, Block A, Hata Square Jalan Pandan Mewah 1/3, Pandan Mewah, 68000 Ampang, Selangor	Promoter and our substantial shareholder	29,777,550	8.61	2,716,900	27,060,650	6.80
Focus Edge Indices Corp	Vanderpool Plaza, Wickham Place 1, 2nd Floor, Road Town, Tortola British Virgin Islands	Our shareholder	21,000,000	6.07	3,001,600	17,998,400	4.52
Aimvesco	No. 15, Jalan Ru, Off Jalan Ampang, 55000 Kuala Lumpur	Promoter and our shareholder which is a wholly-owned subsidiary of TAS Industries	7,075,496	2.04	1,008,800	6,066,696	1.52

4. DETAILS OF THE IPO *(Cont'd)*

			As at the date of this Prospectus			After the IPO	
Selling Shareholders	Address	Material relationship with our Company	No. of Shares held	% of the existing issued and paid-up share capital	Number of Offer Shares	No. of Shares held	% of the enlarged issued and paid-up share capital
YM Tengku Dato' Uzir bin Tengku Dato' Ubaidillah	No. 42, Jalan Medang Tanduk, Bukit Bandaraya, 59100 Kuala Lumpur	Promoter and our major shareholder	50,202,008	14.51	7,175,200	43,176,808[(1)]	10.84[(1)]
YAM Tengku Dato' Hajjah Nong Fatimah binti Sultan Haji Ahmad Shah	No. 25, Jalan Mengkuang Off Jalan Ampang, 55000 Kuala Lumpur	Our shareholder and a shareholder of TAS Industries	12,408,788	3.59	1,775,300	10,633,488	2.67
YM Tengku Dato' Zubir bin Tengku Dato' Ubaidillah	No. 4, Lorong 16/2A, 46350 Petaling Jaya, Selangor	Our Managing Director, our shareholder and a shareholder of TAS Industries	3,308,122	0.96	474,700	3,083,422[(1)]	0.77[(1)]
YAM Tengku Tan Sri (Dr) Hajjah Meriam binti Sultan Haji Ahmad Shah	No. 8, Lorong Ru Pertama Off Jalan Ru, 55000 Kuala Lumpur	Chairman, our shareholder and a shareholder of TAS Industries	3,260,522	0.94	464,800	3,045,722[(1)]	0.76[(1)]
YAM Tengku Hajjah Shahariah binti Sultan Haji Ahmad Shah	No. 5, Jalan 12/1, Taman Tun Abdul Razak, 68000 Ampang, Selangor	Our shareholder and a shareholder of TAS Industries	1,620,260	0.47	232,400	1,387,860	0.35
YAM Tengku Dato' Aishah binti Sultan Haji Ahmad Shah	Istana Pahang, Persiaran Raja Chulan, 50200 Kuala Lumpur	Our shareholder and a shareholder of TAS Industries	780,000	0.22	108,800	671,200	0.17

4. DETAILS OF THE IPO (*Cont'd*)

Selling Shareholders	Address	Material relationship with our Company	As at the date of this Prospectus: No. of Shares held	As at the date of this Prospectus: % of the existing issued and paid-up share capital	Number of Offer Shares	After the IPO: No. of Shares held	After the IPO: % of the enlarged issued and paid-up share capital
YAM Hajjah Tengku Dato' Muhaini binti Sultan Haji Ahmad Shah	No.10, Jalan Mengkuang Off Jalan Ampang, 55000 Kuala Lumpur	Our shareholder and a shareholder of TAS Industries	240,000	0.07	34,600	205,400	0.05

Note:

(1) Assuming full subscription of the Shares allocated to the eligible Directors of our Group.

Save as disclosed above, there is no other material relationship that our Selling Shareholders have had within the past three years preceding the date of this Prospectus with our Company or our predecessors or our Group.

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4.5 Basis of arriving at the IPO Price

Our Directors, the Promoters, the Selling Shareholders, the Principal Adviser and the Managing Underwriter have determined and agreed to the IPO Price of RM1.25 per Share, based on the following factors:

(i) our Group's historical financial information as listed in Sections 12 and 13 of this Prospectus;

(ii) our competitive strengths and advantages and future plans as described in Sections 7.2.2 and 7.2.3 of this Prospectus;

(iii) the overview and prospects of the oil palm-based industry in Malaysia and the property development industry in Pahang as detailed in Section 8 of this Prospectus; and

(iv) the prevailing market conditions which include, among others, current market trend, estimated market demand for the IPO Shares and investor sentiments.

Based on the IPO Price, the total market capitalisation of our Company upon Listing shall be RM497.70 million.

You should also take note that upon and subsequent to our Listing, the market price of our Shares is subject to the vagaries of market forces and other uncertainties, which may affect the pricing of our Shares being traded. You are reminded to consider carefully the risk factors as set out in Section 5 of this Prospectus before deciding to invest in our Shares.

4.6 Objectives of the IPO

The objectives of the IPO are as follows:

(i) to obtain listing status for our Company;

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

(iii) to raise funds for the purposes set out in Section 4.8 of this Prospectus;

(iv) to improve liquidity of our Shares. Having taken into consideration the historical trading disinterest of investors in Kurnia Setia shares prior to the Privatisation, we have included the subdivision of our shares as part of our Pre-IPO Restructuring to: (a) reduce the par value of the shares to improve its affordability, while at the same time, (b) increasing the number of shares to the public, which is expected to improve the trading liquidity of our Shares. Our public float at the point of Listing is expected to be approximately 99.62 million Shares, whereas the public float for Kurnia Setia at the point of Privatisation was only approximately 51.99 million Kurnia Setia shares; and

(v) to provide an opportunity for the investing community including our eligible employees, business associates and persons who have contributed to the success of our Group and the Malaysian public to become our shareholders and participate in the future performance of our Company, subsequent to our re-introduction to the equity market after the Privatisation. Since the Privatisation, we had concentrated our efforts and resources into creating our reputation in township property development in Kuantan, apart from growing our plantation business, both in respect of expanding our plantation lands and through forward integration where we now own a palm oil mill in Mukim Bebar, Pekan, Pahang.

4.7 Dilution

Dilution is the amount by which the price paid by retail and institutional investors for our Shares exceeds our consolidated net assets per Share after the IPO. Our audited consolidated net assets per Share immediately before adjusting for the IPO as at 31 December 2013 was RM321,429,995 or RM0.93 per Share, based on our issued and paid-up share capital of 346,019,592 Shares as at the LPD. The consolidated net assets per Share represents the equity attributable to the shareholders of our Company over the number of Shares outstanding immediately prior to the IPO.

After giving effect to the issue of 52,140,000 Issue Shares under the Public Issue, and after further adjusting for the estimated listing expenses, our proforma consolidated net assets per Share as at 31 December 2013 (based on an enlarged issued and paid-up share capital of 398,159,592 Shares) would be RM0.96. This represents an immediate increase in net assets per Share of RM0.03 to our existing shareholders and an immediate dilution in net assets per Share of RM0.29 representing 23.20% of the IPO Price to the retail and institutional investors. Further details on our net assets per Share are set out in Section 12.1.2 and Section 12.11 of this Prospectus.

The following table illustrates such dilution on a per Share basis:

	RM
IPO Price	1.25
Audited consolidated net assets per Share as at 31 December 2013, immediately prior to the IPO	0.93
Proforma consolidated net assets per Share as at 31 December 2013, after giving effect to the IPO	0.96
Increase in net assets per Share to existing shareholders	0.03
Dilution in net assets per Share to retail/institutional investors	0.29
Dilution in net assets per Share to retail/institutional investors as a percentage to the IPO Price	23.20%

Save as disclosed in Sections 9.1.7, 9.2.3 and 9.3.2 of this Prospectus, there has been no acquisition of any of our Shares by our Directors or key management, substantial shareholders or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our Shares, during the past three years up to the LPD.

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4.8 Utilisation of proceeds

Our Company will not receive any proceeds from the Offer for Sale. The total gross proceeds to be raised from the Offer for Sale of approximately RM61.81 million will accrue entirely to the Selling Shareholders.

The expected total gross proceeds from the Public Issue are approximately RM65.18 million. We intend to utilise the gross proceeds in the following manner:

Details of utilisation of proceeds	Timeframe utilisation of proceeds	Amount of total proceeds raised (RM)	Percentage of total proceeds raised (%)
Estate development[1]	within 24 months	28,500,000	43.73
Expansion of palm oil mill[2]	within 24 months	5,000,000	7.67
Infrastructure work of the KotaSAS Township[3]	within 24 months	13,000,000	19.95
Repayment of bank borrowings[4]	within 6 months	13,075,000	20.06
Listing expenses[5]	within 6 months	5,600,000	8.59
Total gross proceeds		**65,175,000**	**100.00**

Notes:

(1) **Estate development**

We intend to utilise approximately RM28.50 million of the proceeds raised to fund our estate development which includes (i) new field development in Ladang Ulu Lepar and Ladang Alur Seri; and (ii) the replanting of those plantations where the oil palms have surpassed its maturity stage, which is 25 years and above, specifically Ladang Charuk Puting, Ladang Sungai Sering and Ladang Empang Jaleh.

(2) **Expansion of palm oil mill**

We intend to utilise approximately RM5.00 million of the proceeds raised to fund the expansion of our palm oil mill capacity from the current 30 tph to 45 tph by upgrading the existing processing line at our palm oil mill involving certain upgrades and installations at the press station, oil room, nut plant and boiler station of the existing processing line.

(3) **Infrastructure work of the KotaSAS Township**

We intend to utilise approximately RM13.00 million of the proceeds raised for further main infrastructure work of the KotaSAS Township that includes conducting earthwork, construction of drainage and sewerage reticulation, roadworks, installation of street lighting, construction of water reticulation and soft and hard landscaping.

(4) **Repayment of bank borrowings**

The amount of RM13.08 million is proposed to be utilised for the partial repayment of bank borrowings of SJ Palm Oil Mill from Maybank Islamic Berhad, details of which are set out below:

Facility amount	Amount outstanding as at 31 December 2013	Proposed repayment	Interest rate (% per annum)	Purpose of borrowing
RM'000	RM'000	RM'000		
24,000	20,521	13,075	Base financing rate plus 1%	For construction of palm oil mill and compost plant including purchase of machinery and equipment

(5) **Listing expenses**

Our Company will bear the listing expenses and fees incidential to our Listing of approximately RM5.60 million as follows:

	RM'000
Estimated professional fees	2,322
Brokerage, underwriting commission and placement fees	2,020
Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with the IPO	650
Miscellaneous expenses and contingencies	608
Total estimated listing expenses	**5,600**

If the actual listing expenses are higher than estimated, the deficit will be funded out of the proceeds allocated for estate development. In the event that the actual listing expenses are lower than estimated, the surplus will be allocated for estate development. The expenses in respect of the Offer for Sale shall be borne by the Selling Shareholders.

Our utilisation of proceeds is expected to have the following financial impact on our Group:

(i) Enhancement of our oil palm plantation estates and palm oil mill

We intend to utilise part of the proceeds from our Public Issue to develop and redevelop certain of our oil palm plantations as described above, and to expand our palm oil mill capacity from 30 tph to 45 tph by 2016. We expect the abovementioned efforts to improve our operations and financial performance over the coming years.

(ii) Enhancement of our property development business

As part of the proceeds from our Public Issue will be utilised to fund the further main infrastructure work of the KotaSAS Township, we would enjoy savings in finance costs which we would otherwise have to incur on borrowings. Based on an assumed cost of financing of 7.85%, we expect to achieve savings of approximately RM1.02 million per annum.

(iii) Savings in finance cost

We intend to utilise part of the proceeds from the Public Issue to partially repay our bank borrowings. We expect to have savings in finance cost which we would otherwise have to incur on borrowings. Based on an assumed cost of financing of 7.60%, we expect to achieve savings of approximately RM0.99 million per annum following the partial repayment of our bank borrowings as described above.

Pending full utilisation of the gross proceeds received, we intend to place the proceeds raised from our Public Issue (including accrued interest, if any) or the balance thereof as deposits with banks or licenced financial institutions or short-term money market instruments.

The financial impact of the utilisation of proceeds from the Public Issue on our pro forma consolidated statement of financial position as at 31 December 2013 is set out in Section 12.11 of this Prospectus.

4.9 Brokerage, underwriting commission and placement fee

4.9.1 Brokerage

We will bear the brokerage fees relating to the Issue Shares pursuant to the Retail Offering, at the rate of 1.00% of the IPO Price in respect of successful applications, which bear the stamp of CIMB Investment Bank Berhad, other participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of Malaysian Investment Banking Association or the Issuing House.

The Sole Placement Agent is entitled to charge brokerage commission to successful institutional and selected investors under the Institutional Offering. For avoidance of doubt, such brokerage commission shall not be payable by us or the Selling Shareholders.

4.9.2 Underwriting commission

As stipulated in the Retail Underwriting Agreement, we will pay to the Managing Underwriter a managing underwriting commission calculated at a rate of 0.50% and to the Joint Underwriters an underwriting commission calculated at the rate of 1.60% of the IPO Price multiplied by the number of Issue Shares underwritten pursuant to the Retail Offering in accordance with the terms of the Retail Underwriting Agreement.

4.9.3 Placement fee

We, in respect of the Issue Shares, and our Selling Shareholders, in respect of the Offer Shares, will pay the Sole Placement Agent a placement commission of 2.10% of the IPO Price multiplied by the number of IPO Shares sold to institutional and/or selected investors pursuant to the Institutional Offering in accordance with the terms of the Placement Agreement.

4.10 Details of the underwriting and placement arrangement

4.10.1 Retail Underwriting Agreement

Pursuant to the Retail Underwriting Agreement, the Joint Underwriters have agreed to severally but not jointly (nor jointly and severally) underwrite 26,406,000 Issue Shares under the Retail Offering, subject to clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus and upon the terms and subject to the conditions of the Retail Underwriting Agreement. Details of the managing underwriting commission and the underwriting commission are set out in Section 4.9.2 of this Prospectus whilst the salient terms of the Retail Underwriting Agreement are as follows:

Subject to certain conditions precedent set out in the Retail Underwriting Agreement, CIMB has agreed to underwrite 23,765,400 Issue Shares and Kenanga Investment Bank Berhad has agreed to underwrite 2,640,600 Issue Shares.

The underwriting obligations of the Joint Underwriters are subject to certain conditions precedent, which must be fulfilled on or before the expiry of two Market Days after the closing date for the Retail Offering or such later date as consented in writing by the Managing Underwriter. The conditions precedent include the following:

(a) all approvals required in relation to our IPO, Admission and Listing, including but not limited to approvals from the SC, Bursa Securities and MITI having been obtained and are in full force and effect as at the closing date of the Retail Offering and that all conditions of the approvals (except for any which can only be complied with after our IPO has been completed) have been complied with;

(b) the execution of the Placement Agreement and such agreement not having been terminated or rescinded pursuant to the provisions thereof (whereby for the avoidance of doubt, the execution of the Placement Agreement by our Company, the Selling Shareholders and the Sole Placement Agent shall be at the sole discretion of the respective parties);

(c) our IPO and the offering, sale, issue, subscription and purchase of the IPO Shares, our Listing and the transactions contemplated under the Retail Underwriting Agreement being in accordance with the provisions thereof and not being prohibited or impeded by any law in Malaysia or any jurisdiction within which such IPO Shares are offered;

(d) there not being, in the opinion of the Managing Underwriter, on or prior to the closing date of the Retail Offering, any material adverse change or any development involving a prospective material adverse change in the financial condition, business or operations of our Group from that set out in the Prospectus;

(e) the Managing Underwriter having been satisfied that there are no breach of, or failure on the part of our Company to comply with, any of our obligations under the Retail Underwriting Agreement; and

(f) there not having occurred on or prior to the closing date of the Retail Offering any breach of and/or failure by our Company to perform any of our representations, warranties or undertakings or any event or discovery of fact or circumstances rendering any of our representations, warranties or undertakings to be untrue, inaccurate, misleading, incorrect or breached in any respect.

Further, the Managing Underwriter may by notice given to us at any time before the date of our Listing, terminate, cancel and withdraw the underwriting commitment of the Joint Underwriters if:

(a) there is a breach by our Company of any of our obligations or any of the representations, warranties or undertakings set out in the Retail Underwriting Agreement in any respect;

(b) we withhold any information from the Managing Underwriter and the Joint Underwriters, which, in the opinion of the Managing Underwriter and Joint Underwriters, would have or is reasonably likely to have a Material Adverse Effect. "**Material Adverse Effect**" means any material adverse effect, whether individually or in the aggregate, and whether or not arising in the ordinary course of business, on any of the following:

(i) the condition (financial or otherwise), general affairs, business, assets, liquidity, liabilities, prospects, properties or results of operations of our Group, taken as a whole;
(ii) the ability of our Company and/or our Selling Shareholders to perform in any respect its or their obligations under or with respect to, or to consummate the transactions contemplated by the Prospectus, the Placement Agreement or the Retail Underwriting Agreement;
(iii) the ability of our Company or any of our Subsidiaries to conduct our or its businesses and to own or lease our or its assets and properties as described in the Prospectus; or
(iv) our IPO.

(c) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Managing Underwriter and the Joint Underwriters by reason of Force Majeure (as defined herein) which would have or can reasonably be expected to have a Material Adverse Effect on the business, operations, financial condition or prospects of our Group or the success of our IPO or which would have or is reasonably likely to have the effect of making any material obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms. "**Force Majeure**" means causes which are unpredictable and beyond the reasonable control of the party claiming Force Majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:

(i) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;

(ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power; or

(iii) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics or other acts of God;

(d) there shall have occurred any government requisition or other events whatsoever which would have or is reasonably likely to have a Material Adverse Effect on the business, operations, financial condition or prospects of our Group or the success of our IPO;

(e) there shall have occurred any change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of the Managing Underwriter would have or is reasonably likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:

(i) on or after the date of the Retail Underwriting Agreement; and
(ii) prior to the closing date for the Retail Offering,

lower than 85% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Retail Underwriting Agreement and remains at or below that level for at least three consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;

(f) trading of all securities on Bursa Securities has been suspended or other form of general restriction in trading in securities is imposed for three consecutive Market Days or more;

(g) there shall have announced or carried into force any new law or change in law in any jurisdiction which in the opinion of the Managing Underwriter and the Joint Underwriters may prejudice the success of our IPO or Listing or which would have or is reasonably likely to have the effect of making it impracticable to enforce contracts to allot and/or transfer the Shares or making any obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms;

(h) the Institutional Offering and/or the Retail Offering is stopped or delayed by us or any regulatory authorities for any reason whatsoever (unless such delay has been approved by the Managing Underwriter and the Joint Underwriters);

(i) the closing date for the Retail Offering does not occur within 10 days from the date of this Prospectus or such other extended date as may be agreed in writing by the Managing Underwriter;

(j) our Listing does not take place by 23 July 2014 or such other extended date as may be agreed in writing by the Managing Underwriter;

(k) any commencement of legal proceedings or action against any member of our Group or any of our directors which, in the opinion of the Managing Underwriter and the Joint Underwriters after consultation with our Company, would have or is reasonably likely to have a Material Adverse Effect or make it impracticable to enforce contracts to allot and/or transfer the Shares;

(l) the Placement Agreement shall have been terminated or rescinded in accordance with its terms or any of the conditions precedent set forth in the Placement Agreement not having been satisfied in full or to the extent not satisfied as such, waived by the Managing Underwriter (on behalf of the Joint Underwriters) in accordance with its terms; or

(m) any of the approvals referred to in the Retail Underwriting Agreement is revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented.

4.10.2 Placement

We and the Selling Shareholders expect to enter into the Placement Agreement with the Sole Placement Agent in relation to the placement of 75,184,000 IPO Shares under the Institutional Offering, subject to the clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus. We and the Selling Shareholders will be requested, on a several basis, to give various representations, warranties and undertakings, and to indemnify the Sole Placement Agent against certain liabilities in connection with the IPO.

4.11 Trading and settlement in secondary market

Upon our Listing, the IPO Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS (which is operated by Bursa Depository), which will be effected in accordance with the rules of Bursa Depository and the provisions of the SICDA as amended from time to time. Accordingly, our Company will not deliver share certificates to the subscribers or purchasers of the IPO Shares.

Beneficial owners of our Shares are required under the rules of Bursa Depository to maintain the Shares in CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to the 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 the Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

Shares held in CDS accounts may not be withdrawn from the CDS except in limited circumstances, which include the following:

(i) to facilitate a share buy-back;
(ii) to facilitate conversion of non-equity securities;
(iii) to facilitate company restructuring process;
(iv) where a body corporate is removed from the Official List;
(v) to facilitate a rectification of any error; and
(vi) in any other circumstances as 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 Market Day following the transaction date, and payment for the securities is generally settled on the third Market Day following the transaction date.

It is expected that the IPO Shares will not commence trading on Bursa Securities until about 10 Market Days after the close of the IPO. Holders of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a 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.

Before investing in our Shares, you should pay particular attention to the fact that our Company, and to a large extent our activities, are governed by 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 set forth in this Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future.

5.1 Risks relating to the industries that we operate in

5.1.1 Business risks relating to the palm oil-based industry

5.1.1.1 Our palm oil-based business relies heavily on foreign labour and the shortage of foreign labour in Malaysia, particularly in the agricultural sector will have a material effect on our Group's operations

The palm oil-based industry, including our palm oil-based business, relies heavily on the supply of foreign labour. Certain parts of our palm oil-based business are labour intensive and we rely primarily on workers from Indonesia for our oil palm plantation operations. As the living standard in Malaysia continues to improve over time, it has become increasingly difficult to hire Malaysian workers to work in plantation estates, and we expect this difficulty to continue in the future. If there is any shortage of foreign labour due to the lack of supply or government restrictions on the employment of foreign workers, our operations may be adversely affected. In this regard, we are reliant upon third party agents to recruit foreign labour for us. If our agents are unable to supply us with foreign labour for any reason whatsoever, our operations may be adversely affected.

As at the LPD, we have a workforce of 1,006 employees in our palm oil-based business, of whom 792 or 78.73% are foreign workers. All our foreign workers have obtained valid working visa permits from the Ministry of Home Affairs of Malaysia. In the last three years, we have not faced any major shortage of foreign labour for our plantation operations.

5.1.1.2 Inherent business risks in the palm oil-based industry may affect our business

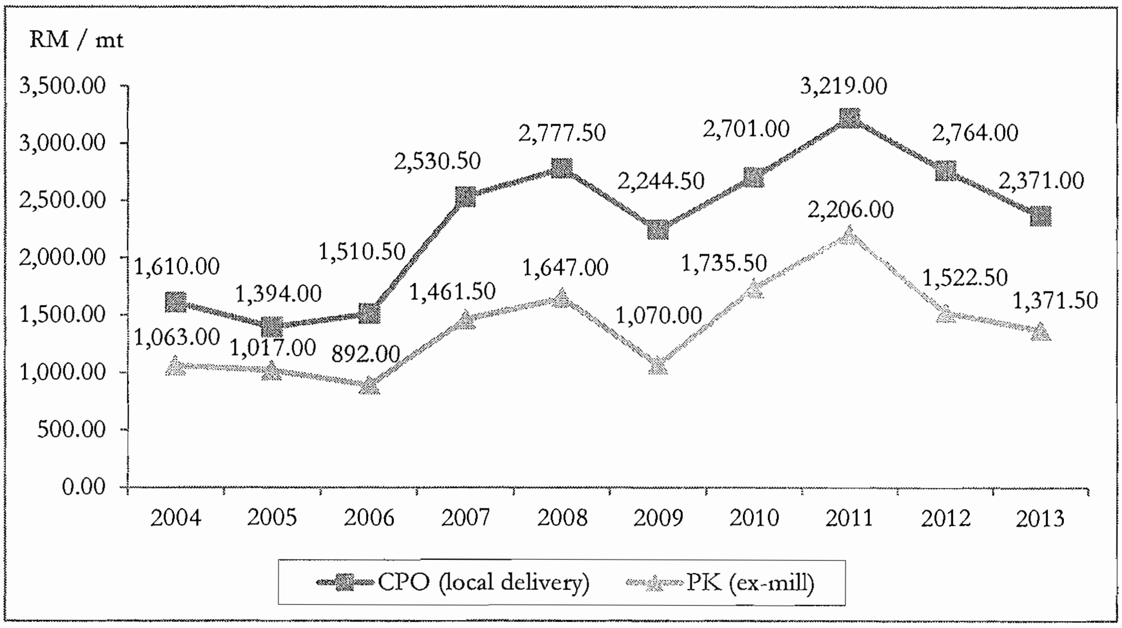
We are subject to risks inherent in the palm oil-based industry. These include but are not limited to the occurrence of unfavourable weather conditions and natural disasters, outbreaks of diseases in our oil palms, damage as a result of pests, fire and/or other natural disasters, unscheduled interruptions in our operations, downturn in the global, regional and national economies, the entry of new players into our market, changes in law and tax regulations that directly or indirectly affect the prices of CPO and PK, increases in labour and other production costs and changes in business or other credit conditions.

The quantity of FFB harvested is partially dependent on there being a sufficient level of rainfall. However, excessive flooding may adversely affect the quality and supply of our FFB. Certain low lying areas of our Ladang Sri Jelutung have in the past and will in the future likely to be flooded during the monsoon seasons. The flooding has not in the past, and is unlikely to materially affect our financial position in the future as the floods do not affect the harvesting process for prolonged periods of time.

Our ability to effectively mitigate the abovementioned risks depends on a multitude of factors including, but not limited to our ability to keep abreast with the latest technologies and best practices related to our business and industry such as planting materials, disease prevention, pest control and plantation operations and our ability to effectively implement and manage our business strategies.

5.1.1.3 Commodity prices fluctuate based primarily on local and international market conditions, and will affect the prices of FFB, CPO, PK and other oil palm-based products

Movements in CPO and PK prices influence the prices of FFB and also palm oil-based products. As with the price of other commodities, CPO and PK prices are influenced by cyclical factors and as such are prone to volatility. Between 2004 and 2013, the annual average CPO prices published by the MPOB have been as high as RM3,219.00 per mt (local delivery) in 2011 and as low as RM1,394.00 per mt (local delivery) in 2005. Between 2004 and 2013, the annual average PK prices published by the MPOB have been as high as RM2,206.00 per mt (ex-mill) in 2011 and as low as RM892.00 per mt (ex-mill) in 2006. The table below illustrates the volatility of CPO and PK prices between 2004 and 2013.



Both local and international prices for CPO and oil palm-based products are affected by a variety of factors which include (but are not limited to) the following:

(i) the price of crude oil, which affects the prices of biofuels, which in turn impacts the price of CPO;

(ii) the global supply and demand for CPO, oil palm-based products and for their related substitutes such as soyabean oil, rapeseed oil and sunflower oil. This includes global consumer preference for oil palm-based products and their related substitutes;

(iii) the global production level and also available physical stock of CPO and its related substitutes which are inclined to be affected principally by adverse weather conditions and the availability of land for such product cultivation, which in turn is affected by competition from both rival CPO-substitute plantation companies and also parties attempting to procure available plantation land;

(iv) global consumption levels of CPO and its related substitutes;

(v) both political and economic developments in Malaysia, and on a regional and global level;

(vi) foreign exchange rates; and

(vii) government regulations and tax policies. Amongst others, as Indonesia is the major competitor to Malaysian CPO and oil palm-based products, any restructuring of Indonesia's palm oil export duty structure would apply downward pressure on prices for CPO and oil palm-based products.

A significant and prolonged reduction in the prices for FFB, CPO and palm oil-based products would have a material adverse effect on our results of operation and cash flows.

5.1.1.4 We face competition from other local and international palm oil producers and producers of substitute oils

The palm oil-based industry, both in Malaysia and globally, is highly competitive and comprises a large number of producers. Indonesia and Malaysia are the world's largest producers of palm oil. In 2013, Indonesia produced approximately 28.30 million mt or 50.75% of global palm oil production and Malaysia produced approximately 19.22 million mt or 34.46% global palm oil production. As a result, our immediate competitors are palm oil producers in Malaysia and Indonesia.

Our other competitors are also producers of other edible oils such as soyabean oil, rapeseed oil and sunflower oil, which are substitute products of palm oil. A decline in prices of these edible oils will have an impact on the demand of palm oil as consumers will increase the usage of these edible oils in place of palm oil. As a result, our Group's oil palm business and financial performance will be adversely affected.

Although we seek to continue to adopt appropriate strategies to remain competitive, there can be no assurance that competition from palm oil producers and other producers of substitute products of palm oil will not have a material adverse effect on our performance.

5.1.1.5 We may be adversely affected if we fail to obtain or renew requisite permits and licences to operate oil palm plantations and palm oil mill to produce and sell FFB, CPO and PK

Oil palm plantation owners and palm oil mill operators in Malaysia are required to comply with the requirements mandated by applicable laws and regulations, including policies and procedures established by competent authorities designed for the implementation of such laws and regulations. They are required to obtain as well as maintain various regulatory permits, licences, and approvals ("**Plantation Approvals**") in order to carry on their respective businesses. The Plantation Approvals held by our Group are as set out in Annexure B of this Prospectus.

There is no assurance that we will not encounter problems in obtaining and/or maintaining such Plantation Approvals in the future, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the palm oil-based industry in general. Whilst we will endeavour to comply with all new laws, regulations or policies that may come into effect from time to time, the failure in obtaining and maintaining the relevant Plantation Approvals or fulfillling the conditions of the Plantation Approvals may adversely affect our business, financial condition and results of operations as well as our future prospects.

5.1.1.6 Our new field development and replanting programme will have a short to medium term impact on the amount of FFB produced on the oil palm plantation estates, which may affect our revenues and margins

The economic viability of an oil palm tree is approximately 30 years, after which the oil palm trees will be replanted as their production of FFB is significantly reduced. Generally an oil palm tree will take approximately four years to reach maturity (i.e., harvestable age). Young oil palm trees will also produce a lower yield of FFB as compared to matured oil palms. Young-matured plantation (i.e., oil palm trees aged between four and eight years old) will produce lower yield of FFB as compared to prime-matured oil palm trees (i.e., oil palm trees aged between nine and 18 years old).

As at the LPD, 1,800.66 ha which represents approximately 10.56% of our plantable area, are immature (zero to three years old oil palm trees). Furthermore, 3,515.59 ha which represents approximately 20.61% of our plantable area are at the maturity stage of 19 years or more which is the end of its economic lifespan. Replanting of our plantations containing old-matured oil palms is an on-going process except for Ladang Bukit Goh as the land is for the development of the KotaSAS Township.

Although we have introduced a detailed replanting programme whereby replanting is carried out on a periodic basis so as to minimise the effect of replanting on our FFB production in any given year, there is no assurance that our revenue and margin will not be affected during the replanting periods, especially with regard to the four year period from the commencement of the replanting programme.

5.1.1.7 We rely on palm oil mill operators and traders located nearby to our oil palm plantation estates to purchase our FFB as FFB typically has to be processed within 48 hours after harvesting

We are dependent on palm oil mill operators and traders located nearby to four of our oil palm plantation estates, namely Ladang Sungai Selama Lanar, Ladang Sri Telang, Ladang Empang Jaleh and Ladang Lembah Klau to purchase our FFB. This is because FFB typically has to be processed within 48 hours after harvesting to minimise the build-up of FFA, which reduces the quality of the CPO extracted. Therefore, we do not transport our FFB to other palm oil mill operators and traders located farther away from our said four plantation estates because of factors such as timing considerations that affect the quality of the CPO and transportation costs. Notwithstanding the said reliance on palm oil mill operators and traders located nearby to four of our oil palm plantation estates, we are not dependent on the contracts of any single third party trader or miller.

Nevertheless, there can be no assurance that our Group's business and financial condition will not be materially and adversely affected should the palm oil mill operators and traders located nearby to our said four plantation estates stop acquiring FFB from us, or if the amount of FFB acquired from us is reduced.

5.1.1.8 The LKPP-leased Land contributes to a significant amount of our FFB production, any loss of the right to use the LKPP-leased Land would have a material adverse effect on our FFB production

LKPP is entitled to terminate the lease agreements in respect of all or any of the LKPP-leased Land in the event, among others, we breach any of the terms and conditions stipulated under the lease agreements. However, in the event that LKPP terminates the lease agreements in the absence of breach on our part and the court refuses to grant us specific performance relief, we will lose our right to use such land and this will have a material adverse effect on our business, financial condition and results of operations.

For a summary of the terms of the lease agreements in relation to the LKPP-leased Land, please refer to Section 7.2.17 of this Prospectus.

5.1.1.9 Our business may be affected by any changes in the perception of climate change costs and benefits connected with palm oil production as well as cost arising from the imposition and enforcement of more stringent environmental regulations

Growth in the oil palm-based industry is expected to be driven in part by the expansion for demand in biofuels as part of a global effort to reduce global greenhouse emission. Environmental non-governmental organisations have however challenged the sustainability of growth in palm oil production and whether the climate change benefits obtained from using biofuel outweigh the perceived environmental costs of increased palm oil production. It is possible that plantation owners will face pressure to demonstrate sustainable practices and for palm oil processors (including those operating palm oil mills) to demonstrate sustainable sourcing. It may also be possible that there will be increasing limitations placed on the operations of those in the oil palm-based industry in the form of government legislation or by internal policies adopted by customers.

It is possible that increased governmental enforcement of environmental laws or more stringent regulations might be put in place in the future and compliance with them may require us to allocate additional capital expenditures or incur significant costs. We may be required to invest significant financial and managerial resources to comply with environmental laws and regulations and we anticipate that we will continue to be required to do so in the future in order to comply with the laws of Malaysia. This may consequently have an adverse effect on our business and financial performance or the results of our operations as a whole. Any failure to comply with the laws and regulations may also subject us to liabilities and penalties or even the suspension or cessation of our facilities and operations by the relevant authorities.

While we are taking steps to demonstrate more environmentally friendly practices, there is no assurance that restriction on the expansion of the oil palm-based industry will not be imposed or that there will be a rise in demand for palm oil as a result of climate change concerns.

Please see Sections 7.2.4.2 and 7.2.13 of this Prospectus on the steps which our Group has taken to demonstrate environmentally friendly practices.

5.1.1.10 We will be susceptible to legal, regulatory, political and economic conditions in Sabah and Sarawak, and those outside Malaysia, as well as operational risks different from those we have in Malaysia, if we decide to expand our plantation business to Sabah, Sarawak or outside Malaysia

In future, we may consider expanding our plantation business to Sabah, Sarawak or even outside Malaysia, if there are opportunities to acquire suitable land in these locations. However, we are cognisant that expansion to Sabah, Sarawak and outside Malaysia will subject us to risks that are different from those that we face currently.

We are aware of potential land disputes with local communities should we venture into Sabah and Sarawak. For example, land disputes may arise when oil palm plantations are established on large tracts of land in Sabah and Sarawak, where there may be claims of native customary rights on some of these lands. Land disputes arising from these claims issues may result in the Company being embroiled in prolonged and costly litigation suits and/or cause interruptions to our operations which could adversely affect our business and financial performance or the results of our operations. Therefore, if the results of our evaluation indicate that it is not a feasible venture, we will not acquire such lands.

With transactions or operations outside Malaysia, our Group performance would also be affected by international political, economic and operating conditions in countries where we decide to operate, transact business or have interests. We will also be required to comply with foreign laws and regulations. Therefore, before we decide to venture outside Malaysia, we would have to conduct country assessments to understand the legal and regulatory operating environment and the political and economic consequences of operating in a particular country, both when beginning to work in or with that country and on an ongoing basis if we have established operations within that country. Failure to address these issues associated with ventures outside Malaysia could adversely affect our business and financial performance or the results of our operations. Moreover, with ventures outside Malaysia, we would be exposed to foreign exchange risk. For example, an appreciation of the RM against the currency of the particular country that we have ventured into may have an adverse effect on our financial performance and financial position because we may incur foreign exchange losses and foreign currency translation losses.

5.1.2 Business risks relating to our property development business

5.1.2.1 Our property development business is dependent on the performance of the property market in the State of Pahang specifically and in Malaysia generally and may be affected by changes in the social, political and economic conditions, including government policies and regulations in Malaysia

Our property development business is dependent on the continued growth of the Malaysian economy and the property market of Malaysia specifically in Kuantan, Pahang as all of our current property development projects are located in Kuantan, Pahang. The property market in Malaysia is cyclical in nature and it may be adversely affected by any downturn in economic, political, social, regulatory developments in or affecting the Malaysian property market in general. Our property development business is also vulnerable to unfavourable changes in inflation, interest rates, taxation, or other regulatory, political, social or economic factors affecting Malaysia, and any adverse developments in property prices or in the supply and demand of building materials and property units.

5.1.2.2 We face risks before we can realise any benefit from our property development

The time span for completing a property development usually lasts more than a year, depending on the size of the development. Consequently, changes in the business environment during the term of the project may affect the revenue and cost of the development, which in turn may have a direct impact on the profitability of the project. Factors that may affect the cost of development and profitability of a project include the unforeseen material expenditures, shortage of skilled labour, the rise in the cost of building materials such as steel and cement, adverse weather conditions, industrial accidents, disputes with contractors, delays in obtaining government approvals, failure to complete construction according to original specifications on schedule and within budget, delay in handover date to end-purchasers and lacklustre sales.

The sales and the value of a property development project may be adversely affected by a number of factors, including but not limited to the international, regional and local economic climate, local property conditions, perceptions of property buyers, competition from other available property developments, changes in market rental rates for comparable properties and increased operating costs.

If any of the property development risks described above materialise, our returns on investments may be lower than originally expected and our financial condition may be materially and adversely affected.

5.1.2.3 The results of our operations may be adversely affected if we fail to obtain, or if there is material delay in obtaining requisite governmental approval for our property development business

Property developers in Malaysia are required to comply with various requirements mandated by applicable laws and regulations, including the policies and procedures established by authorities designed for the implementation of such laws and regulations.

In order to develop and complete a property development, property developers are required to obtain various permits, licences, certificates and other approvals from the relevant authorities ("**Development Approvals**") at various stages of the property development, including planning permission, building plans approvals, developers' licence, advertising and sale permits, and CCC.

There is no assurance that we will not encounter problems in obtaining and maintaining the necessary Development Approvals and in fulfilling the conditions required for obtaining and maintaining the same, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the property development industry in general. Whilst we will endeavour to comply with all new laws, regulations or policies that may come into effect from time to time, if we fail to obtain or maintain the relevant Development Approvals or fulfill the conditions of the Development Approvals for a significant number of our property developments, these developments may not proceed on schedule, and our business, financial condition and results of operations as well as our prospects may be adversely affected.

5.1.2.4 We face increasing competition that could adversely affect our property development business and financial condition

In recent years, a number of property developers have expanded their operations in Kuantan, Pahang. These developers have significant financial, managerial, marketing and other resources, as well as experience in property and land development. Competition among property developers is intense and may result in, among others, oversupply of properties in Kuantan and thus lowering our margins arising from provision of incentives as part of our marketing strategies. This may adversely affect our business, results of operations and financial condition.

5.1.2.5 We may incur losses arising from failure or delay in the delivery of our sold properties

In line with industry practice, we sell our properties prior to completion. In the event of a failure or delay in the delivery of vacant possession of our sold properties to purchasers, we may be liable for potential claims from purchasers for the losses suffered by them as a result. Failure to complete a property development on time may be attributed to unforeseen factors such as non-performance or delays in performance by contractors, disputes with contractors, delays in obtaining requisite licences, permits or approvals from government agencies or authorities, delays in issuance of CCC by the architects, shortages of labour, inclement weather, natural disasters, labour disputes, accidents and changes in government policies.

As we rely on independent third-party contractors and consultants to provide various services in respect of our property development business, including planning and design, construction, piling and foundation, and building and property fit-out works, any difficulties (such as financial difficulties or procurement of labour) experienced by these contractors and consultants that may affect their ability to carry out or complete on a timely basis the work for which they were contracted for, will delay the completion of our property development projects.

In the event that a delay in delivery extends beyond its contractually specified period, purchasers may be entitled to a claim of liquidated ascertained damages calculated from day to day at a certain percentage of the purchase price until delivery of the property to the purchaser under the terms of the sale and purchase agreements. In the event that we encounter delays in the delivery of our sold units and incur or are liable to pay for damages and other forms of compensation to refund monies to the purchasers, the results of our operations, profitability and reputation may be adversely affected.

Whilst we acknowledge the risks associated with the late delivery of vacant possession of properties, we pride ourselves with having delivered all our projects in the last three years ahead of or on schedule and aim to consistently deliver our products ahead of or on schedule to our purchasers.

5.1.2.6 Our business may be adversely affected if we are unable to sell our properties

In the event that we are unable to sell a significant portion of our properties, our financial results will be materially and adversely affected as we may incur running costs in maintaining the unsold properties. Furthermore, the unsold properties that we continue to hold for sale post-completion may affect our cash flow adversely. In the event that we are required to sell the unsold properties urgently we may not be able to sell at the original targeted price or at all. In such an event, our cash flow and financial condition may be adversely affected.

As at the LPD, 97.30% of the current residential properties that we have developed in the KotaSAS Township have been sold.

5.1.2.7 We may be adversely affected by the implementation of GST in Malaysia

The Government had announced that GST will be implemented with effect from 1 April 2015 at a fixed rate of 6%. Generally, GST is charged at every production and distribution stage of the supply chain. Firstly, GST to be paid by our Group to our suppliers is known as input tax. For example, building materials used in the construction of our residential properties and professional services associated with such property development, among others, will be subject to input tax. Secondly, GST to be collected from our customers for the sale of our final products is known as output tax. The input tax is allowed as input tax credits, which may, in most cases, be offset against the output tax i.e. GST collected by our Group from our customers. Any balance of the output tax that is not offset against the input tax credits will be remitted to the Royal Malaysian Customs.

However, in certain circumstances, we may not be able to pass on our cost for the input tax to our customers. This will happen if our final products are exempt from GST. For example, if we are not able to charge GST to our customers for our residential properties that we sell to our customers, the input tax that we pay to our suppliers and consultants in respect of the development of such residential properties will be our sunken cost and this will directly increase our total costs and our financial results may be adversely affected. On the other hand, if we opt to increase the price of our residential properties to absorb the additional cost, our customers' ability to purchase our residential properties may be adversely affected. Even if we are able to charge GST to our customers for non-exempt goods, our customers' ability to purchase such non-exempt goods may also be adversely affected.

5.1.2.8 Any change to and/or differing interpretation of the relevant FRS after the date of this Prospectus may affect the financial results of our Group

Our Group's financial reporting is made in accordance with the relevant FRS which in turn may be subject to changes after the date of this Prospectus. The Malaysian Accounting Standards Board ("**MASB**") may review the relevant FRS, modify the existing relevant FRS requirements or release additional relevant FRS requirements from time to time and any such modifications or additional requirements may affect both our accounting policies and accounting outcomes.

Differing interpretations of the relevant FRS may arise which may result in different financial results for our Group. In particular, IC Interpretation 15 for "Agreements for the Construction of Real Estate" ("**IC 15**") which was issued by the IFRS Interpretations Committee of the International Accounting Standards Board and which was implemented by the MASB and became effective on 1 January 2012, but for which MASB has allowed the deferral of the adoption of IC 15 by affected entities to 1 January 2015, may have effect on the financial results of our Group.

Our Group may have to apply IC 15 in relation to our property development business for the year ending 31 December 2015 onwards. Whilst the application of IC 15 may result in our property development revenue and expenses in relation to our property development business only being recognised upon the completion of our projects, the overall profits earned by our Group with respect to such projects should not be materially affected.

5.2 Business risks relating to our overall businesses

5.2.1 We depend on our key management personnel for our continued success, and we may not be able to replace them on a timely basis in the event that they cease to work for us

We believe our success to date can largely be attributed to the contributions and expertise of our key management personnel, most of whom have an average of 10 years' of experience in the palm oil-based or property development industries. Our continued success will depend, to a certain extent, on our ability to retain the services of our key management personnel. The loss of their services without suitable and timely replacement, or the inability to attract and retain other qualified personnel, may affect our Group's continued ability to compete in these industries and could adversely affect our operations and hence, our revenue and profitability.

In addition, continuous efforts are being taken to groom junior and middle level executives to ensure continuity of the management team. We identify promising "second liners" to be trained and developed to acquire skills necessary to take over certain key positions once it is vacant. Such succession planning ensures the uninterrupted continuance of our Group's operations and at the same time provides career advancements for the existing employees.

5.2.2 We may not be able to procure funding on terms acceptable to us

We may, from time to time, come across and pursue business opportunities that we consider to be favourable for our future growth and prospects. To the extent that funds generated from our operations have been exhausted, we may need to obtain additional funding (through bank borrowings or from the debt or equity capital markets) to finance such opportunities. Our working capital and capital expenditure needs may also vary materially from those presently planned and this may also result in the need for substantial new capital or funding.

Such facilities may include restrictive covenants such as (i) limiting certain of our ability to pay dividends or requiring us to seek consent from the relevant financial institutions for the payment of dividends; (ii) requiring us to maintain certain financial ratios, failing which repayment of the debt may be accelerated; (iii) restricting our ability to undertake or requiring us to obtain consents from the relevant financial institutions for corporate restructurings, mergers and acquisitions, additional financing or other fund raising exercises; and/or (iv) requiring the retention of ultimate majority shareholding interest in our Group by the controlling shareholders. As such, there can be no assurance that we will be able to obtain any additional funding, whether bank borrowings, equity or debt, at commercially reasonable terms acceptable to us, or at all. Our failure to obtain adequate or additional funding at commercially acceptable terms that will allow us a commercially acceptable return may limit the expansion and growth of our business which will have a material and adverse impact on our business, results of operations and prospects. Furthermore, any increase in cost of financing may also adversely affect our ability to service our loans and other borrowings, and to raise and service long-term debts. As at 31 December 2013, our outstanding bank borrowings amounted to RM51.92 million.

5.2.3 We may not have sufficient insurance coverage to cover all losses and liabilities that may arise in connection with our business operations

While we maintain insurance policies that are customary in the industries in which we operate to protect against losses and liabilities, there is no assurance that the policies that we maintain are adequate to cover all losses or liabilities that we may incur in our operations.

In the event our losses exceed our insurance coverage, or if we are not covered by the insurance policies we have taken up, we may be liable to cover such losses. This may adversely affect our Group's business and may have an adverse impact on our financial results and profitability.

In addition, in the event of claims made under the insurance policies obtained by our Group, the premiums for such insurance policies may rise substantially. This will increase our cost of operations.

5.3 Risks relating to our shares

5.3.1 There has been no prior market for our Shares and the offering of our Shares may not result in an active liquid market of our Shares

There has been no prior public market for our Shares. There can also be no assurance that an active trading market for our Shares will develop or, if developed, will be sustained, or that the market price for our Shares will not decline below the IPO Price. The IPO Price may not be indicative of the market price for our Shares after completion of the IPO. None of us, the Promoters, the Selling Shareholders and the Principal Adviser, Managing Underwriter, the Joint Underwriters and Sole Placement Agent have an obligation to make a market for our Shares.

The approval of Bursa Securities for the Listing (including the IPO Shares) has been obtained, and it is expected that there will be a 10 Market Day gap between closing of the Retail Offering and commencement of trading of our Shares. However, we cannot assure that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us during this period that would adversely affect the market price of our Shares when they begin trading.

5.3.2 Our Share price may be volatile

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

(i) general market, political and economic conditions;

(ii) changes in the market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;

(iii) involvement in litigation, if any. As at the LPD, our Group is not involved in any material litigation;

(iv) success or failure of our management in implementing business and growth strategies;

(v) additions or departure of key management personnel;

(vi) the trading liquidity of our Shares;

(vii) negative publicity involving our Group, any of our Directors, executive officers or substantial shareholders, whether or not it is justified; and

(viii) changes in securities analysts' recommendation, perceptions or estimated of our financial performance.

5.3.3 There may be a delay in, or termination of, our Listing

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

(i) we are unable to meet the minimum public spread requirement as determined by Bursa Securities, that is, having at least 25% of our issued and paid-up share capital in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing;

(ii) the revocation of approvals from the relevant authorities for the Listing and/or admission to the Official List for whatever reason other than the reasons specified in paragraph (iv) below;

(iii) the Joint Underwriters exercise their rights under the Retail Underwriting Agreement to discharge themselves of their obligations thereunder; or

(iv) if the SC issues a stop order pursuant to section 245 of the CMSA prior to Listing or if permission is not granted by Bursa Securities for the Listing before the expiration of six weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC pursuant to section 243 of the CMSA.

On the occurrence of any event as specified in paragraphs (i), (ii) and (iii) above, the investors will not receive any IPO Shares, and we in respect of the Issue Shares and the Selling Shareholders, in respect of the Offer Shares shall return in full all monies paid in respect of any application for the IPO Shares. However, in a case where the IPO Shares have been issued and/or transferred to the applicants, we cannot cancel the IPO Shares or repay the monies paid in respect of the IPO Shares without undertaking a capital reduction exercise in accordance section 64 of the Act whereby, among others, a special resolution to approve the capital reduction exercise must be obtained and confirmation by the High Court will be required. There can be no assurance that the IPO Shares can be cancelled or that such monies can be recovered within a short period of time or at all in such circumstances.

On the occurrence of an event as specified in paragraph (iv) above, the issue and transfer, as the case may be, of the IPO Shares shall be deemed void and the investors will not receive any IPO Shares. In such event, we and the Selling Shareholders shall be liable to forthwith repay all monies received for the IPO Shares.If such monies are not repaid within 14 days after the date of the service of the stop order, then, pursuant to sub-sections 245(7) or 243(2) of the CMSA, as the case may be, we and/or the Selling Shareholders will be liable to repay the monies together 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.

5.3.4 We may not be able to pay dividends

We propose to pay dividends out of cash generated from our operations after setting aside necessary funding for capital expenditures and working capital needs. Dividend payments are not guaranteed, and our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends or to pay lesser dividends than we currently propose. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected which may lead to the value of the investment in our Shares being reduced.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditures as well as our ability to make interest and principal repayments on any borrowings we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, any new borrowings subsequent to our Listing may be subject to covenants restricting our ability to pay dividends or other forms of distribution.

We also conduct significant portion of our operations through our Subsidiaries. Accordingly, an important source of our income, and consequently an important factor in our ability to pay dividends on our Shares, is the dividends and other distributions received from our Subsidiaries. The ability of our Subsidiaries to pay dividends or other forms of distributions to us in the future will depend on their operating results, earnings, capital requirements and financial condition.

5.3.5 Our proceeds from the Public Issue will be used as disclosed in Section 4.8 of this Prospectus

We will utilise proceeds from the Public Issue as disclosed in Section 4.8 of this Prospectus. Though we may have believed at the time the decision on the utilisation of proceeds was made that the decision would be beneficial to us and would maximise returns to our shareholders, the returns from such utilisation of proceeds may not be realised as expected due to a number of factors.

We intend to utilise the proceeds from the Public Issue for estate development, expansion of our palm oil mill and infrastructure work of the KotaSAS Township, the repayment of bank borrowings and the payment of listing expenses, as detailed in Section 4.8 of this Prospectus. You are providing your funds to us, upon whose judgment you must depend for the specific uses which we will make of the proceeds from the Public Issue.

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5.3.6 The sale, or the possible sale, of a substantial number of our Shares in the public market following our IPO could adversely affect the price of our Shares

Following the offering and sale of up to 101,590,000 IPO Shares, up to 25.02% of our Shares will be publicly held by investors participating in our IPO, while 183,645,644 Shares or 46.12% of our enlarged issued and paid-up share capital will be held by the Promoters. In addition, 79,631,878 Shares or 20.00% of our enlarged issued and paid-up share capital will be held by LKPP, which is our major shareholder. Following our Listing, the Shares sold in our IPO will be tradable on the Main Market of Bursa Securities without restriction.

Notwithstanding our existing level of cash or cash equivalents, we may issue additional Shares and it will be possible that our substantial shareholders may dispose some or all of their Shares pursuant to their own investment objectives. The market price of our Shares may be adversely affected in the event our substantial shareholders sell a substantial amount of our Shares.

5.3.7 Given that the IPO Price is higher than our net assets value per Share, purchasers of our Shares in our IPO will experience immediate and substantial dilution

The IPO Price is higher than the net assets value per Share. As such, if you purchase our Shares in this IPO, you will pay more for your Shares than the amounts paid by our existing Shareholders for their Shares and you will suffer an immediate dilution in net assets value of approximately RM0.29 per Share.

5.3.8 Forward-looking statements in this Prospectus are subject to inherent uncertainties

Some of the statements in the Prospectus include forward-looking statements which include, without limitation, those in relation to financial performance, business strategy prospects, plans and objectives with respect to the Group and the sectors and industries in which the Group operates. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those expressed or implied by such forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies in which we will operate in the future. You should specifically consider the factors identified in the Prospectus which could cause actual results to differ before making an investment decision. You should not place undue reliance on any such forward-looking statements. In addition, their inclusion in this Prospectus shall not be regarded as a representation or warranty by our Company, the Promoters, the Selling Shareholders and the advisers that the plans and objectives of our Group will be achieved.

5.3.9 Our substantial shareholders will continue to hold a majority of our Shares after the IPO and will therefore be in a position to determine the outcome of shareholder voting

Upon the completion of the IPO, our substantial shareholders will collectively hold approximately 63.83% of our enlarged issued and paid-up share capital and voting rights. No assurance can be given that the objectives of our substantial shareholders, as shareholders, will not conflict with our business goals and objectives, or that they may not deter or delay a future take-over of our Company. Other than matters in which the substantial shareholders or persons connected with them may be interested and our substantial shareholders must therefore abstain from voting as required under the Listing Requirements, our substantial shareholders may be able to influence the approval of all, if not most corporate matters requiring shareholders' approval under the Act or the Listing Requirements.

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6.1 Privatisation of Kurnia Setia and key developments since Privatisation

By way of background, substantially all of the plantation businesses currently held by our Group were the businesses of Kurnia Setia. Kurnia Setia was previously listed by LKPP on the Bumiputra Stock Exchange on 1 December 1984 and was subsequently listed on the Main Market on 6 November 1991.

On 5 June 2009, Kurnia Setia received an offer from us (which was subsequently revised on 17 June 2009) to acquire the entire business and undertaking, including all assets and liabilities of Kurnia Setia at an aggregate purchase consideration equivalent to: (i) RM2.70 per Kurnia Setia share multiplied by the total outstanding Kurnia Setia shares, and (ii) RM1.20 per Kurnia Setia warrant multiplied by the total outstanding Kurnia Setia warrants ("**Offer**"). Subsequently, on 3 July 2009, we entered into a sale of business agreement with Kurnia Setia to formalise the acquisition of the entire business and undertaking of Kurnia Setia.

The Privatisation was completed on 30 November 2010, which resulted in the transfer of the entire assets and liabilities of Kurnia Setia, including all the shares held by Kurnia Setia in all its subsidiaries, to our Company. Following the completion of the Privatisation, Kurnia Setia was officially delisted from the Main Market effective 21 December 2010.

The offer price for each Kurnia Setia share of RM2.70 ("**Share Offer Price**") represented a premium over the five-day and one-month volume weighted average market prices of Kurnia Setia shares up to 3 June 2009 (being the date immediately preceding the date of the trading suspension of Kurnia Setia securities to facilitate the Offer that was made on 5 June 2009) of 20.00% and 26.17% respectively.

The offer price for each Kurnia Setia warrant of RM1.20 ("**Warrant Offer Price**") represented a premium over the five-day and one-month volume weighted average market prices of Kurnia Setia warrants up to 3 June 2009 (being the date immediately preceding the date of the trading suspension of Kurnia Setia securities to facilitate the Offer that was made on 5 June 2009) of 37.93% and 46.34% respectively.

Over a three-year period up to 3 June 2009 (being the date immediately preceding the date of the trading suspension of Kurnia Setia securities to facilitate the Offer that was made on 5 June 2009), the shares of Kurnia Setia had traded below the Share Offer Price approximately 94.00% of the time. Meanwhile, since the listing of the Kurnia Setia warrants on 25 April 2008 up to 3 June 2009, the warrants of Kurnia Setia had traded below the Warrant Offer Price approximately 70.00% of the time. *Source: Independent advice letter included in the circular to shareholders of Kurnia Setia dated 20 July 2009 in relation to the Privatisation.*

We had thus initiated the Privatisation, having taken into consideration the lack of investors' interests in Kurnia Setia shares and the market's perceived valuation of its shares, which is below that of its comparable peers. Despite the premiums at which the Offer was made, Kurnia Setia shares would still be deemed to be traded at:

(i) an implied price earnings multiple of approximately 6.27 times, after taking into account the existing shares and warrants of Kurnia Setia in June 2009. The implied price earnings multiple was lower than the average industry price earnings multiple of the comparable companies of Kurnia Setia of 8.35 times based on the five-Market Days volume weighted average share prices up to 4 June 2009 (being the last Market Day prior to the date of the initial Offer); and

(ii) an implied price to book multiple of approximately 0.82[(1)] times, after taking into account the existing shares and warrants of Kurnia Setia in June 2009. The implied price to book multiple was lower than the average industry price to book multiple of the comparable companies of Kurnia Setia of 1.10 times based on the five-Market Days volume weighted average share prices up to 4 June 2009 (being the last Market Day prior to the date of the initial Offer).

At that stage of Kurnia Setia's development, private ownership would enable the group to diversify its business activities, which was mainly in cultivation and management of oil palm plantations, to include milling and property development activities. The Privatisation was timely for the group to concentrate and build up its property development business in Kuantan, Pahang, without distraction by external commitments specifically earnings expectation by the wider group of public shareholders and inflexibility on management's ability to act in a timely manner due to the need for approval from the wider group of public shareholders on major decisions, if need be. In essence, the Privatisation was part of our strategy to unlock and maximise the value of certain parcels within our plantation landbank that we view as suitable for property development, apart from growing our plantation business, both in respect of expanding our plantation lands and through forward integration where we now own a palm oil mill in Mukim Bebar, Pekan, Pahang.

Note:

(1) After taking into account the updated valuation of the Kurnia Setia Group's net assets and certain other adjustments as stated in the independent advice letter included in the circular to shareholders of Kurnia Setia dated 20 July 2009 in relation to the Privatisation.

6.1.1 Key developments since Privatisation

Since the completion of the Privatisation, we had concentrated our efforts and resources into creating our reputation in township property development in Kuantan, Pahang, as well as extended our downstream plantation activities to include a palm oil mill with a 30 tph capacity. Our progression to include plantation, milling and property development activities has proceeded successfully, and we are properly primed to proceed to our next phase of expansion.

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(i) Key achievements of our business

Set out below are the key achievements of our business from Privatisation until the LPD:

	Prior to Privatisation	As at the LPD
Plantation landbank	14,427.54 ha	17,969.06 ha (an increase of 3,541.52 ha or 24.55%)
Milling	Nil	Ventured into downstream activities with the completion of our palm oil mill which has a 30 tph capacity and a compost plant. Both have commenced operations since July 2012.
Property development	Potential venture into property development business in Bukit Goh. Clearing and infrastructure works, and sample residential units had commenced for Precinct 1 (Phase 1) of the property development project.	Successfully launched and completed certain phases of the KotaSAS Township, which comprises the development of approximately 1,500 acres (607.04 ha) of land over 15 years. Completed the sale of properties in Precinct 1, and Precinct 2 (Phases 1 and 2) of our KotaSAS Township. Launched Precinct 2 (Phase 3), Precinct 3 (Phases 1, 2, and 3) and Precinct Lakeside 1 (LS1) of our KotaSAS Township.
Property development		The development sizes of Precinct 1, Precinct 2, Precinct 3 and Lakeside 1 are approximately 44.70 acres, 46.00 acres, 38.00 acres and 16.40 acres, respectively, bringing it to a total development size of approximately 145.10 acres. Successfully delivered 555 units out of 1,045 residential units launched and sold within the KotaSAS Township, between the time of the Offer in June 2009 until as at the LPD.

Please refer to Section 7.1.2 of this Prospectus for our other key milestones since the initiation of the Privatisation.

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(ii) Summary of historical financial results of our Group

The table below depicts a summary of our historical financial results for the years ended 31 December 2010, 31 December 2011, 31 December 2012 and 31 December 2013, demonstrating our performance since the completion of the Privatisation on 30 November 2010.

	Pro forma	Audited		
	For the year ended 31 December			
	2010	2011	2012	2013
	RM	RM	RM	RM
Our Group				
Revenue	165,381,657	282,423,731	207,656,541	243,486,164
Gross profit	87,795,619	146,329,949	104,489,752	91,836,848
Profit for the year net of tax	54,522,414	85,378,666	65,713,703	44,691,003
Business segments				
Plantation				
- Revenue	134,924,766	183,453,940	144,210,459	179,513,870
- Gross profit	85,415,342	127,877,175	90,324,264	76,048,660
The average CPO selling price (RM/mt)	2,746	3,230	2,777	2,376
FFB production (mt)	208,530	240,184	229,890	232,605
FFB yield per ha (mt/ha)				
- our Group	20.21	23.76	22.07	20.43
- Pahang	17.66	18.97	18.94	20.21
- Peninsular Malaysia	17.91	19.24	19.05	19.26
- Malaysia (including Sabah and Sarawak)	18.03	19.69	18.89	19.02
Property development				
- Revenue	33,894,207	98,969,791	63,446,082	63,972,294
- Gross profit	2,380,277	18,452,774	14,165,487	15,788,188

The revenue, gross profit and profit for the year net of tax of our Group for the years ended 31 December 2011 and 31 December 2012 had increased compared to the financial performance of Kurnia Setia as reflected in the pro forma financial results for the year ended 31 December 2010[1]. The revenue and gross profit of our Group for the year ended 31 December 2013 had increased but profit for the year net of tax had decreased, as compared to the financial performance of Kurnia Setia reflected in the pro forma financial results for the year ended 31 December 2010[1]. The said decrease in the profit for the year net of tax for the year ended 31 December 2013 was recorded despite the increase in FFB production from 208,530 mt in 2010 to 232,605 mt in 2013. This was mainly due to the decrease in the selling price of FFB along with the significantly lower average CPO selling price from RM2,746 per mt in 2010 to RM2,376 per mt in 2013. We take cognisance that our plantation revenue and profit is strongly correlated to the movement of CPO prices; however, it should be distinguishable that the Group's FFB production (mt) and FFB yield per ha (mt/ha) output have been at a higher rate subsequent to the completion of the Privatisation.

Note:

(1) The pro forma financial results for the year ended 31 December 2010 has been prepared for illustrative purposes only, and is not an accurate reflection of the full year results of Kurnia Setia since the Privatisation was completed on 30 November 2010. Nevertheless, we are of the view that the pro forma financial results for the year ended 31 December 2010 would provide a fair indication of the full year financial results of Kurnia Setia in 2010.

Our FFB yields which have been consistently above the average FFB yield per ha in the State of Pahang, Peninsular Malaysia and Malaysia for the years reflected in the above table, is mainly due to our best estate practices ("**BEP**") which uses cost-effective and practical agronomic methods. We also retain the services of an agronomist on a yearly basis, and a visiting agent is engaged on a case-to-case basis, in relation to the BEP. Our BEP which was already in place since 2008, had constantly been improved on. Set out below are some of the BEP in which we have implemented:

(a) Crop recovery BEPs:

(i) Harvesting interval between 10 and 12 days;

(ii) Minimum ripeness standard of two to three loose fruits before harvesting depending on the age of the oil palms;

(iii) Grading and transport of harvested crop to our palm oil mill within 24 hours;

(iv) Monitoring completeness of crop recovery and quality such as ripeness of the harvested crop;

(v) Good in-field accessibility;

(vi) Clean weeded circles;

(vii) Building and maintaining palm platforms when needed;

(viii) Recovery of loose fruits; and

(ix) Continuous pruning of all palms especially tall palms to ensure crop visibility.

(b) Canopy management BEPs:

(i) Maintenance of sufficient fronds to support high oil palm productivity;

(ii) Removing abnormal, unproductive oil palms;

(iii) In-filling unplanted areas which are suitable;

(iv) Selective thinning in close planted areas; and

(v) Monitoring and management of oil palm pests and diseases.

(c) Nutrient management BEPs:

(i) Stacking pruned fronds in inter-row area and between oil palms;

(ii) Eradication of woody perennial weeds;

(iii) Mulching with EFB;

(iv) Management of applied fertilisers such as the type, dosage, timing and placement; and

(v) Monitoring of plant nutrient status and growth.

(d) Water management:

(i) Water table is maintained not less than 75 cm below the ground surface;

(ii) Drains and silt pits is maintained wherever possible for water retention especially during dry season;

(iii) Maintaining water management in peat area to:
- retain an optimum water table for superior palm growth and high yield production;
- drain out excess water and avoid prolonged flooding periods;
- avoid irreversible drying of the peat surface; and
- minimise the risk of peat fires.

(e) Pest and disease management:

(i) Integrated pest management (IPM) which use the roles of cultural, physical and biological measures to minimise the frequency and quantity of synthetic pesticides used; and

(ii) The eradication measures depend on the pest census.

(f) Weed management:

(i) Apply circle weeding and selective weeding;

(ii) Integrated cattle rearing to save cost on weeding;

(iii) Circle weeding with a 2.4 metre radius; and

(iv) Use of herbicides on our plantations to achieve equilibrium in weed and ground coverage.

(iii) Capital expenditure of our Group since Privatisation

Since the completion of the Privatisation, we have invested approximately RM104.73 million in capital expenditure for the past three years. The table below depicts our capital expenditures for the years ended 31 December 2011, 31 December 2012 and 31 December 2013:

Analysis of capital expenditure by business segments	For the year ended 31 December		
	2011	**2012**	**2013**
	RM'mil	**RM'mil**	**RM'mil**
Plantation			
(i) Acquisition of plantation lands			
- Ladang Sri Telang	3.02	-	-
- Ladang Alur Seri	-	8.12	0.06
- Ladang Ulur Lepar	-	-	2.90
- Ladang Sungai Selama Lanar	-	3.97	2.47
- Expenditure for newly identified plantation lands	-	-	0.63[1]
(ii) New planting expenditure (including Ladang Ulu Lepar/ Alur Seri, and Ladang Sri Telang)	8.12	7.23	8.90
(iii) Re-planting expenditure (including Ladang Kampong Bongsu, Ladang Sungai Sering, Ladang Aur Gading and Ladang Sungai Selama Lanar)	0.74	3.88	3.43
(iv) Construction of staff quarters –at Ladang Sri Telang	-	2.96	2.85
(v) Purchase of equipment, machineries and vehicles	1.75	0.87	2.98
Milling			
(i) Construction of palm oil mill and compost plant	15.55	7.32	0.20
(ii) Construction of staff quarters	0.84	3.24	0.81
(iii) Purchase of equipment, machineries and vehicles	3.71	4.82	1.11
Property Development			
(i) Purchase of equipment, machineries and vehicles	1.14	1.09	0.02
Total	**34.87**	**43.50**	**26.36**

Note:

(1) This capital expenditure mainly relates to land premium and deposits paid to LKPP for the acquisition of two parcels of newly identified plantation lands. The acquisition of these parcels of land has not been completed yet.

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6.1.2 Listing of our Group

Driven by expansion and our key strategies as set out in Section 7.2.2 of this Prospectus, our Board believes that this is an opportune time to re-introduce Kurnia Setia, via Tanah Makmur to the Malaysian equity market via our IPO. The IPO will enable us to tap the equity markets for funding to pursue growth opportunities, which include:

(i) oil palm cultivation on 3,092.67 ha of our estates over a three year period;

(ii) expansion of our palm oil mill capacity from 30 tph to 45 tph, and

(iii) improvements to our property development plans pursuant to the anticipated relocation of the new State Administrative Complex of the State Government of Pahang to our KotaSAS Township, that will increase the overall gross development value of the KotaSAS Township from the presently estimated RM1.8 billion.

Please see Section 4.6 and Section 4.8 of this Prospectus for the objectives of our IPO and our utilisation of IPO proceeds. Our Listing will further support our expansion, as being listed will enhance our company's profile, credibility and visibility, which will further improve the perception of our customers, suppliers and employees in us.

Furthermore, prior to the Privatisation, the market capitalisation of Kurnia Setia was RM286.39 million comprising 106.07 million ordinary shares with a par value of RM1.00 each in Kurnia Setia at the Share Offer Price. The public float for Kurnia Setia at the point of Privatisation was approximately 51.99 million Kurnia Setia shares. Having taken into consideration the historical trading disinterest of investors in Kurnia Setia shares, we have included the subdivision of our shares as part of our Pre-IPO Restructuring to: (i) reduce the par value of the shares to improve its affordability, while at the same time, (ii) increasing the number of shares to the public, which is expected to improve the trading liquidity of our shares. Our Listing will entail a subdivision of our existing 173,009,796 ordinary shares with a par value of RM1.00 each to 346,019,592 ordinary shares with a par value of RM0.50 each as well as an additional issuance of 52,140,000 new Shares, which in total will accord a market capitalisation of approximately RM497.70 million comprising 398.16 million of our Shares at the IPO Price. Our public float at the point of Listing is expected to be approximately 99.62 million Shares.

With the lower price of RM1.25 per Share on Listing, coupled with the increase in the number of shares to the public of approximately 99.62 million Shares, it is expected that our Shares will be more affordable, while trading liquidity of our Shares will improve, thus increasing the marketability of our Shares compared to the historical trading performance of Kurnia Setia shares.

The re-introduction of Kurnia Setia, via Tanah Makmur to the Malaysian equity market via the IPO is also expected to create a market for our Shares and provide an opportunity for the general public and the investing community, to invest directly and to participate in the continuing growth of our Group.

We note that there is no one company that we consider to be truly comparable to us in terms of composition of business activities, scale of operations, geographical spread of activities, track record, shareholders' profile and future prospects. However, for illustration purposes only, we have compared our price earnings multiple and price to book multiple to that of companies set out below, as they are in our belief, engaged primarily in core business activities that are similar to that of our Group, and able to provide an indication of the current market expectations with regard to the valuation of companies involved in such businesses of a similar nature, mainly where the core principal activity is the cultivation of oil palms, and other ancillary activities. The comparable companies, their principal activities and respective price earnings multiples and price to book multiple are as follows:

Name of company[(1)]	Principal activities	Planted area (ha)[(2)]	Price earnings multiple as at LPD (times)[(3)]	Price to book multiple as at LPD (times)[(3)]
Tanah Makmur Berhad	Principally involved in the cultivation of oil palms and its ancillary activities comprising the operation of a palm oil mill and a compost plant. It is also involved in other non-oil palm activities such as property development in Pahang, Malaysia	13,530	11.60	1.31
Far East Holdings Bhd	Principally involved in the cultivation of oil palms, and the production and sales of FFB, CPO and PK	20,768	14.95	1.05
Harn Len Corporation Bhd	Principally involved in the oil palm plantation and palm oil milling operations	12,483	1.73	0.67
Hap Seng Plantations Holdings Bhd	Principally involved in the cultivation of oil palms and processing of FFB	35,697	23.30	1.18
Kim Loong Resources Bhd	Principally involved in oil palm plantations and palm oil milling operations	14,350	16.91	1.76
Kretam Holdings Bhd	Principally involved in the cultivation and sale of oil palm products	19,842	73.78[(4)]	1.21
Sarawak Oil Palms Bhd	Principally involved in the cultivation of oil palms, palm oil milling, PK crushing and palm oil refining	63,530	31.52	2.36
Sarawak Plantation Bhd	Principally involved in the development, cultivation and management of oil palm plantations; and the milling of FFB into CPO and PK	31,266	17.25	1.18
UNICO-DESA Plantations Bhd	Principally involved in the cultivation of oil palms and palm oil milling	12,700	39.66[(5)]	1.38[(5)]
United Malacca Bhd	Principally involved in the cultivation of oil palms and palm oil milling	21,661	21.08	0.94
Low		12,483	1.73	0.67
Average		25,811	20.80[(4)]	1.29
High		63,530	39.66[(4)]	2.36

Notes:

(1) The comparable companies have been selected based on the following criteria:
   (i) listed on Bursa Securities;
   (ii) involved in both oil palm plantations and palm oil milling; and
   (iii) not involved in oil-palm based operations overseas.

(2) Planted hectarage size is based on reported and/or estimated numbers in the latest annual reports of the comparable companies.

(3) The price earnings multiple and price to book multiple are based on each respective company's earnings and net assets disclosed in their its annual audited financial statements and its share prices as at LPD extracted from the website of Bursa Securities.

(4) Outlier excluded as explained in the second paragraph of item (i) below.

(5) Extracted from the offer document of the conditional take-over offer by IOI Plantation Sdn Bhd dated 23 October 2013.

(i) **The price earnings multiple of our Group is within the range of comparable companies**

Our price earnings multiple of 11.60 times based on our earnings attributable to the owners of the parent for the year ended 31 December 2013 and the IPO Price is lower than the average price earnings multiple of the comparable companies of 20.80 times but within the overall range of 1.73 times to 39.66 times.

Since 4 June 2009 (being the last Market Day prior to the date of the initial Offer for the Privatisation), the average price earnings multiple of these comparable companies has increased by 149.10% from 8.35 times to 20.80 times. A majority of these comparable companies have seen enhancement in their price earnings multiple ranging from 52.28% to 143.01%. Kretam Holdings Bhd and Sarawak Oil Palms Bhd had been excluded from the price earnings multiple range above as they are outliers with enhancements in their price earnings multiple of approximately 944.06% and 361.01% respectively. Unico-Desa Plantations Bhd had also been excluded from the price earnings multiple range above as the significant enhancement in its price earnings multiple of 383.66% since the point of the Privatisation was due to it being the target of a conditional take-over offer.

(ii) **The price to book multiple of our Group is within the range of comparable companies**

Our price to book multiple of 1.31 times based on our proforma net assets as at 31 December 2013 and the IPO Price is close to the average price to book multiple of comparable companies of 1.29 times and also within the overall range of 0.67 times to 2.36 times. The implied price to book multiple accorded to Kurnia Setia at the point of the Privatisation was approximately 0.82 times (after taking into account the premiums at which the Offer was made and the existing shares and warrants in June 2009) vis-à-vis the average price to book multiple of the comparable companies at the time of the Privatisation of 1.10 times.

Since 4 June 2009 (being the last Market Day prior to the date of the initial Offer for the Privatisation), the average price to book multiple of these comparable companies has increased by 17.27% from 1.10 times to 1.29 times. Some of these comparable companies have seen enhancement in their price to book multiple ranging from 13.91% to 64.25%.

Investors should note that the business profile of our Group may be different from that of Kurnia Setia prior to the completion of the Privatisation, in view of our palm oil milling business and property development business segments subsequent to the completion of the Privatisation.

We have also set a dividend policy which is set out in Section 12.12 of this Prospectus.

6.2 Our Company

Our Company was incorporated in Malaysia under the Act as a private limited company on 18 December 2008 under the name of Kreatif Selaras Sdn Bhd and we commenced our business on 5 May 2009. On 17 October 2013, our name was changed to Tanah Makmur Sdn Bhd and on 29 November 2013, our Company was subsequently converted into a public limited company and assumed its present name of Tanah Makmur Berhad. Our Group is principally involved in the cultivation of oil palms and its ancillary activities comprising the operation of our palm oil mill and compost plant. Our Group is also involved in other non-oil palm related activities such as property development in Pahang, Malaysia.

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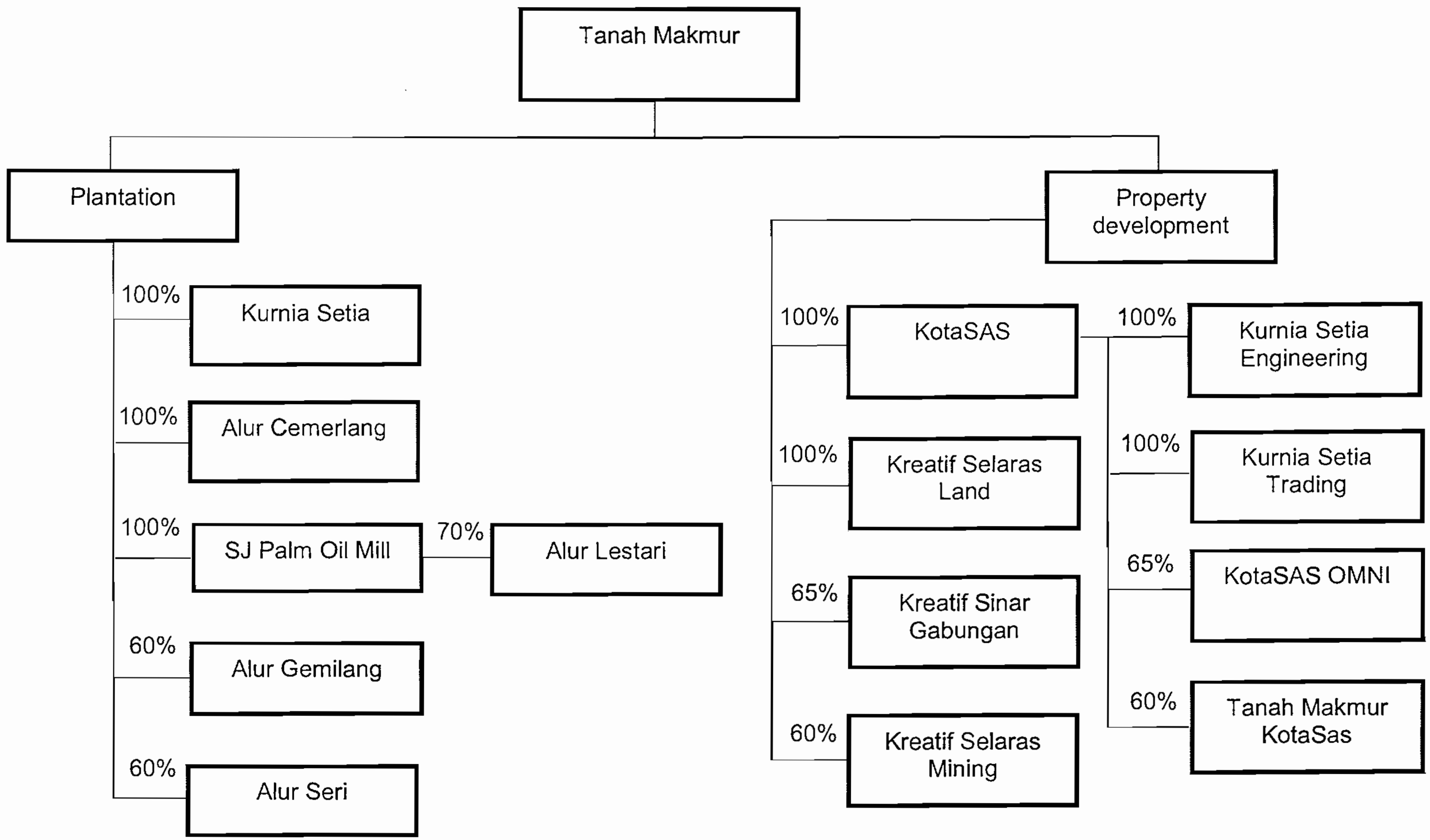
6. INFORMATION ON OUR GROUP *(Cont'd)*

Our current Group structure is set forth below:



6.3 Our share capital

As at the date of this Prospectus, our authorised share capital is RM500,000,000.00 comprising 980,000,000 Shares, 30,000,000 RPS of RM0.10 each and 70,000,000 RCPS of RM0.10 each, out of which RM173,009,796.00 comprising 346,019,592 Shares have been issued and credited as fully paid-up.

As at the LPD, our Company and our Subsidiaries do not have any outstanding warrants, options or uncalled capital.

Prior to the implementation of the IPO and the Listing, our Company had undertaken and had completed the Pre-IPO Restructuring which comprised the following:

(i) subdivision of all the existing 173,009,796 ordinary shares with a par value of RM1.00 each in our Company to 346,019,592 ordinary shares with a par value of RM0.50 each on 30 May 2014; and

(ii) full redemption of all 7,000,487 RPS with a par value of RM0.10 each in our Company held by LKPP in cash at its issue price of RM1.00 each, at a total cash of RM7,000,487.00 on 30 May 2014.

Pursuant to our shareholders' resolution dated 25 November 2013, our shareholders resolved to, among others, approve the conversion of our Company from a private limited company to a public limited company, and the amendment of the Articles of Association of our Company in conjunction with the said conversion. Our shareholders, through the shareholders' resolution resolved to approve the amendment of the Articles of Association of our Company in conjunction with the IPO. Subsequently, our shareholders, through our shareholders' resolution dated 7 January 2014 resolved to, among others, approve the issuance of 52,140,000 new Shares in conjunction with the IPO.

Details of the changes in our issued and paid-up share capital since our incorporation on 18 December 2008 until the date of this Prospectus are as follows:

Date of allotment/ Conversion/ redemption	No. of shares/ RPS/ RCPS	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
Shares				
18 December 2008	2	1.00	Cash	2.00
9 November 2010	93,803,523	1.00	(i) Cash; (ii) Other than cash (1)	93,803,525.00
15 November 2010	9,244,000	1.00	Cash	103,047,525.00
30 November 2010	51,902,939	1.00	Cash	154,950,464.00
30 December 2010	15,083,836	1.00	Cash	170,034,300.00
8 May 2012	2,975,496	1.00	Conversion of 2,975,496 RCPS into 2,975,496 Shares	173,009,796.00
15 May 2014	173,009,796	1.00	Other than cash (2)	173,009,796.00

Date of allotment/ Conversion/ redemption	No. of shares/ RPS/ RCPS	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
30 May 2014	346,019,592	0.50	Subdivision of the par value from RM1.00 to RM0.50	173,009,796.00
RPS				
30 November 2010	17,501,216	0.10	Cash	1,750,121.60
30 November 2011	-	0.10	First redemption of 3,500,243 RPS	1,400,097.30
30 November 2012	-	0.10	Second redemption of 3,500,243 RPS	1,050,073.00
30 November 2013	-	0.10	Third redemption of 3,500,243 RPS	700,048.70
30 May 2014	-	0.10	Fourth redemption of 7,000,487 RPS	-
RCPS				
15 November 2010	2,975,496	0.10	Cash	297,549.60
8 May 2012	-	0.10	Redemption of 2,975,496 RCPS	-

Notes:

(1) Out of the 93,803,523 ordinary shares allotted and issued, one ordinary share was allotted and issued for cash consideration and the remaining 93,803,522 ordinary shares were allotted and issued for consideration other than cash. The allotment of shares were made pursuant to the sale of securities agreement dated 23 June 2009 entered into between Tanah Makmur and certain shareholders of Kurnia Setia before the completion of the Privatisation whereby these shareholders had acquired an aggregate of 30,941,769 ordinary shares of RM1.00 each in Kurnia Setia and an aggregate of 8,550,622 warrants of Kurnia Setia for the total purchase price of RM93,803,523.00. The purchase price was a debt due to these shareholders and shall be satisfied through the allotment and issuance by the Company of 93,803,523 ordinary shares of RM1.00 each in Tanah Makmur.

(2) Pursuant to the order of the High Court of Malaya relating to the reduction of all the issued and paid-up share capital of Tanah Makmur, we have cancelled all the 173,009,796 ordinary shares of RM1.00 each in Tanah Makmur on 15 May 2014. In return, our shareholders had received the rights of allotment of new shares in Tanah Makmur. Subsequently, 173,009,796 new ordinary shares of RM1.00 each in Tanah Makmur were issued following the exercise of the rights of allotment on the same day.

6.4 Subsidiaries

As at the LPD, our Subsidiaries are as follows:

Name	Date and country of incorporation	Issued and paid-up share capital	Effective equity interest	Principal activities
		RM	%	
Plantation				
Kurnia Setia	7 May 1968 Malaysia	2.00	100.00	Dormant
Alur Cemerlang	19 December 2007 Malaysia	1,000,000.00	100.00	Cultivation of oil palms
Alur Gemilang	22 March 2000 Malaysia	100,000.00	60.00	Cultivation of oil palms
Alur Seri	11 March 2011 Malaysia	15,000,000.00	60.00	Cultivation of oil palms
Milling				
SJ Palm Oil Mill	5 September 2007 Malaysia	5,000,000.00	100.00	Production of CPO and cultivation of oil palms
Alur Lestari (1)	19 May 2011 Malaysia	1,000,000.00	70.00	Production of compost fertiliser
Property Development				
KotaSAS	6 July 1983 Malaysia	49,697,046.00	100.00	Construction and property development
Kreatif Selaras Land	12 October 2011 Malaysia	2.00	100.00	Dormant
Kreatif Sinar Gabungan	9 January 2013 Malaysia	10,000.00	65.00	Construction and property development
Kurnia Setia Engineering(2)	23 November 1995 Malaysia	400,100.00	100.00	Construction, services and leasing of machineries and vehicles
Kurnia Setia Trading(2)	29 June 1993 Malaysia	656,707.00	100.00	Trading of construction materials
KotaSAS OMNI(2)	8 June 2009 Malaysia	342,860.00	65.00	Construction and property development

Name	Date and country of incorporation	Issued and paid-up share capital	Effective equity interest	Principal activities
		RM	%	
Tanah Makmur KotaSAS(2)	1 March 2013 Malaysia	1,000,000.00	60.00	Construction and property development
Others				
Kreatif Selaras Mining	4 April 2011 Malaysia	800,000.00	60.00	Mining of mineral deposits

Notes:

(1) Alur Lestari is a subsidiary of SJ Palm Oil Mill.

(2) Kurnia Setia Engineering, Kurnia Setia Trading, KotaSAS OMNI and Tanah Makmur KotaSAS are subsidiaries of KotaSAS.

The details of our Subsidiaries as at the LPD are set out below:

6.4.1 Subsidiaries of Tanah Makmur

6.4.1.1 Kurnia Setia (Company No. 7770-D)

(i) History and business

Kurnia Setia was incorporated in Malaysia under the Act on 7 May 1968 as a public company under the name of Sharikat Kurnia Setia Berhad. On 22 June 1988, Kurnia Setia changed its name to Syarikat Kurnia Setia Berhad and subsequently assumed its present name of Kurnia Setia Berhad on 28 May 1997. It commenced its business in June 1968.

Kurnia Setia is currently dormant.

(ii) Share capital

As at the LPD, the authorised share capital of Kurnia Setia is RM350,000,000.00 comprising 350,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Kurnia Setia is RM2.00 comprising two ordinary shares of RM1.00 each.

Save as disclosed below, there has been no changes in the issued and paid-up share capital of Kurnia Setia for the past three years preceding the LPD.

Date of allotment/ cancellation	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
25 January 2010	5,000	1.00	Employee Share Option Scheme ("**ESOS**") at RM1.51 per Kurnia Setia share	102,118,418.00
25 January 2010	3,000	1.00	ESOS at RM1.00 per Kurnia Setia share	102,121,418.00
17 February 2012	90,000	1.00	ESOS at RM1.91 per share	102,211,418.00
15 March 2010	10,000	1.00	ESOS at RM1.43 per share	102,221,418.00
11 May 2010	4,000	1.00	ESOS at RM1.00 per Kurnia Setia share	102,225,418.00
8 June 2010	3,014,200	1.00	Conversion of warrants to ordinary shares at RM1.50 per Kurnia Setia share	105,239,618.00
10 June 2010	407,982	1.00	Conversion of warrants to ordinary shares at RM1.50 per Kurnia Setia share	105,647,600.00
15 June 2010	138,700	1.00	Conversion of warrants to ordinary shares at RM1.50 per Kurnia Setia share	105,786,300.00
18 June 2010	275,900	1.00	Conversion of warrants to ordinary shares at RM1.50 per Kurnia Setia share	106,062,200.00
13 July 2010	2,600	1.00	Conversion of warrants to ordinary shares at RM1.50 per share	106,064,800.00
4 November 2010	1,200	1.00	Conversion of warrants to ordinary shares at RM1.50 per Kurnia Setia share	106,066,000.00
15 November 2010	5,133	1.00	Conversion of warrants to ordinary shares at RM1.50 per Kurnia Setia share	106,071,133.00
30 November 2010	180,320,926	1.00	Bonus issue on the basis of 1.7 new Kurnia Setia share for every one existing Kurnia Setia share held	286,392,059.00
30 November 2010	-	1.00	Reduction of capital[(1)]	2.00

Note:

(1) Pursuant to the lodgement of the court order dated 24 September 2010 made by the High Court of Malaya, Kuantan, confirming the reduction in the issued and paid-up share capital of Kurnia Setia with the Companies Commission of Malaysia ("**CCM**") and issuance by the CCM of the Form 29 dated 30 November 2010 confirming the lodgement.

(iii) Shareholder

As at the LPD, Kurnia Setia is our wholly-owned Subsidiary.

(iv) Subsidiary and associated company

As at the LPD, Kurnia Setia does not have any subsidiary or associated company.

6.4.1.2 Alur Cemerlang (Company No. 800104-M)

(i) History and business

Alur Cemerlang was incorporated in Malaysia under the Act on 19 December 2007 as a private limited company under the name of Puncak Pengkalan Sdn Bhd. It assumed its present name on 5 February 2008. It commenced its business on 1 June 2008.

The principal activity of Alur Cemerlang is cultivation of oil palms.

(ii) Share capital

As at the LPD, the authorised share capital of Alur Cemerlang is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Alur Cemerlang is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each.

Save as disclosed below, there has been no changes to the issued and paid-up share capital of Alur Cemerlang for the past three years preceding the LPD.

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
25 August 2011	999,998	1.00	Cash	1,000,000.00

(iii) Shareholder

As at the LPD, Alur Cemerlang is our wholly-owned Subsidiary.

(iv) Subsidiary and associated company

As at the LPD, Alur Cemerlang does not have any subsidiary or associated company.

6.4.1.3 Alur Gemilang (Company No. 508585-X)

(i) History and business

Alur Gemilang was incorporated in Malaysia under the Act on 22 March 2000 as a private limited company. It commenced its business on 1 August 2000.

The principal activity of Alur Gemilang is cultivation of oil palms.

(ii) Share capital

As at the LPD, the authorised share capital of Alur Gemilang is RM5,000,000.00 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Alur Gemilang is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each.

There has been no changes to the issued and paid-up share capital of Alur Gemilang for the past three years preceding the LPD.

(iii) Shareholder

As at the LPD, Alur Gemilang is our 60.00% owned Subsidiary, whilst YAM Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah owns 40.00% shareholding in Alur Gemilang.

(iv) Subsidiary and associated company

As at the LPD, Alur Gemilang does not have any subsidiary or associated company.

6.4.1.4 Alur Seri (Company No.935828-T)

(i) History and business

Alur Seri was incorporated in Malaysia under the Act on 11 March 2011 as a private limited company under the name of Alunan Rezeki Sdn Bhd. It assumed its present name on 24 May 2011. It commenced its business on 1 August 2012.

The principal activity of Alur Seri is cultivation of oil palms.

(ii) Share capital

As at the LPD, the authorised share capital of Alur Seri is RM25,000,000.00 comprising 25,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Alur Seri is RM15,000,000.00 comprising 15,000,000 ordinary shares of RM1.00 each.

Save as disclosed below, there has been no changes to the issued and paid-up share capital of Alur Seri since the incorporation until the LPD.

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
11 March 2011	2	1.00	Cash	2.00
3 September 2012	999,998	1.00	(i) Cash; and (ii) other than cash[(1)]	1,000,000.00
20 September 2012	14,000,000	1.00	(i) Cash; and (ii) other than cash[(2)]	15,000,000.00

Notes:

(1) Out of the 999,998 ordinary shares allotted and issued, 599,998 ordinary shares were allotted and issued for cash consideration and the remaining 400,000 ordinary shares were allotted and issued as part of the consideration for land injected into Alur Seri.

(2) Out of the 14,000,000 ordinary shares allotted and issued, 8,400,000 ordinary shares were allotted and issued for cash consideration and the remaining 5,600,000 ordinary shares were allotted and issued as the remaining consideration for land injected into Alur Seri referred to in Note (1) above.

(iii) Shareholder

As at the LPD, Alur Seri is our 60.00% owned Subsidiary, whilst KDYMM Sultan Haji Ahmad Shah Ibni Al-Marhum Sultan Abu Bakar owns 40.00% shareholding in Alur Seri.

(iv) Subsidiary and associated company

As at the LPD, Alur Seri does not have any subsidiary or associated company.

6.4.1.5 SJ Palm Oil Mill (Company No. 787424-X)

(i) History and business

SJ Palm Oil Mill was incorporated in Malaysia under the Act on 5 September 2007 as a private limited company under the name of Inland Residences Sdn Bhd. Its name was subsequently changed to Kurnia Setia Land Sdn Bhd on 5 February 2008 and it assumed its present name on 24 April 2009. It commenced its business on 10 February 2009.

The principal activities of SJ Palm Oil Mill are production of CPO and cultivation of oil palms.

(ii) Share capital

As at the LPD, the authorised share capital of SJ Palm Oil Mill is RM5,000,000.00 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM5,000,000.00 comprising 5,000,000 ordinary shares of RM1.00 each.

Save as disclosed below, there has been no changes in the issued and paid-up share capital of SJ Palm Oil Mill for the past three years preceding the LPD.

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
9 September 2011	4,900,000	1.00	Cash	5,000,000.00

(iii) Shareholder

As at the LPD, SJ Palm Oil Mill is our wholly-owned Subsidiary.

(iv) Subsidiary and associated company

As at the LPD, SJ Palm Oil Mill's only subsidiary is Alur Lestari, details of which are set out in Section 6.4.1.6 of this Prospectus. As at the LPD, SJ Palm Oil Mill does not have any associated company.

6.4.1.6 Alur Lestari (Company No. 945092-P)

(i) History and business

Alur Lestari was incorporated in Malaysia under the Act on 19 May 2011 as a private limited company under the name of Jelapang Agrohijau Sdn Bhd. It assumed its present name on 7 July 2011. It commenced its business on 20 June 2011.

The principal activity of Alur Lestari is production of compost fertiliser.

(ii) Share capital

As at the LPD, the authorised share capital of Alur Lestari is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Alur Lestari is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each.

Save as disclosed below, there has been no changes in the issued and paid-up share capital of Alur Lestari since the incorporation preceding the LPD.

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
19 May 2011	2	1.00	Cash	2.00
25 October 2013	999,998	1.00	Other than cash(1)	1,000,000.00

Note:

(1) Out of 999,998 ordinary shares issued, 699,998 new ordinary shares were issued to SJ Palm Oil Mill whereby the consideration was for part settlement of the advances received amounting to RM4,339,374.02 as at 30 September 2013 and 300,000 new ordinary shares were issued to MyAgri Nutribio Sdn Bhd whereby the consideration was for part settlement for the debt amounting to RM381,204.20 as at 30 September 2013.

(iii) Shareholder

As at the LPD, Alur Lestari is our 70.00% owned Subsidiary of SJ Palm Oil Mill whilst MyAgri Nutribio Sdn Bhd owns 30.00% shareholding in Alur Lestari.

(iv) Subsidiary and associated company

As at the LPD, Alur Lestari does not have any subsidiary or associated company.

6.4.1.7 KotaSAS (Company No. 103846-K)

(i) History and business

KotaSAS was incorporated in Malaysia under the Act on 6 July 1983 as a private limited company under the name of Pamara Sdn Bhd and the name was subsequently changed to Kurnia Setia Development Sendirian Berhad on 13 October 1999. On 5 December 2008, the name was changed to Kota SAS Sdn Bhd and KotaSAS assumed its present name on 13 January 2010. It commenced its business on 14 November 1983.

The principal activities of KotaSAS are construction and property development.

(ii) Share capital

As at the LPD, the authorised share capital of KotaSAS is RM100,000,000.00 comprising 100,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM49,697,046.00 comprising 49,697,046 ordinary shares of RM1.00 each.

There has been no changes to the issued and paid-up share capital of KotaSAS for the past three years preceding the LPD.

(iii) Shareholder

As at the LPD, KotaSAS is our wholly-owned Subsidiary.

(iv) Subsidiary and associated company

As at the LPD, KotaSAS has four subsidiaries namely Kurnia Setia Engineering, Kurnia Setia Trading, KotaSAS OMNI and Tanah Makmur KotaSAS. As at the LPD, KotaSAS does not have any associated company.

6.4.1.8 Kreatif Selaras Land (Company No. 963823-H)

(i) History and business

Kreatif Selaras Land was incorporated in Malaysia under the Act on 12 October 2011 as a private limited company under the name of Citypoint Development Sdn Bhd. The name was subsequently changed to its present name on 16 December 2011.

Kreatif Selaras Land is currently dormant.

(ii) **Share capital**

As at the LPD, the authorised share capital of Kreatif Selaras Land is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM2.00 comprising two ordinary shares of RM1.00 each.

There has been no changes to the issued and paid-up share capital of Kreatif Selaras Land since its incorporation until the LPD.

(iii) **Shareholder**

As at the LPD, Kreatif Selaras Land is our wholly-owned Subsidiary.

(iv) **Subsidiary and associated company**

As at the LPD, Kreatif Selaras Land does not have any subsidiary or associated company.

6.4.1.9 Kreatif Sinar Gabungan (Company No. 1030877-V)

(i) **History and business**

Kreatif Sinar Gabungan was incorporated in Malaysia under the Act on 9 January 2013 as a private limited company under the name of JV Corridor Sdn Bhd. It assumed its present name on 5 February 2013. It commenced its business on 7 September 2013.

The principal activities of Kreatif Sinar Gabungan are construction and property development.

(ii) **Share capital**

As at the LPD, the authorised share capital of Kreatif Sinar Gabungan is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Kreatif Sinar Gabungan is RM10,000.00 comprising 10,000 ordinary shares of RM1.00 each.

Save as disclosed below, there has been no changes to the issued and paid-up share capital of Kreatif Sinar Gabungan since its incorporation until the LPD.

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
9 January 2013	2	1.00	Cash	2.00
4 September 2013	9,998	1.00	Cash	10,000.00

(iii) **Shareholder**

As at the LPD, Kreatif Sinar Gabungan is our 65.00% owned Subsidiary whilst Gabungan AQRS and Sinar Realiti Sdn Bhd own 30.00% and 5.00% shareholdings respectively in Kreatif Sinar Gabungan.

(iv) **Subsidiary and associated company**

As at the LPD, Kreatif Sinar Gabungan does not have any subsidiary or associated company.

6.4.1.10 Kurnia Setia Engineering (Company No. 368308-H)

(i) **History and business**

Kurnia Setia Engineering was incorporated in Malaysia under the Act on 23 November 1995 as a private limited company under the name of Nature Innovation Sdn Bhd. Its name was subsequently changed to Kurnia Setia Furniture Sendirian Berhad on 15 November 1997, Kurnia Setia Air Conditioning Sendirian Berhad on 9 February 1999 and to its present name on 18 October 2007. It commenced its business on 1 March 1997.

The principal activities of Kurnia Setia Engineering are construction, services and leasing of machineries and vehicles.

(ii) **Share capital**

As at the LPD, the authorised share capital of Kurnia Setia Engineering is RM500,000.00 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Kurnia Setia Engineering is RM400,100.00 comprising 400,100 ordinary shares of RM1.00 each.

There has been no changes to the issued and paid-up share capital of Kurnia Setia Engineering for the past three years preceding the LPD.

(iii) **Shareholder**

As at the LPD, Kurnia Setia Engineering is a wholly-owned Subsidiary of KotaSAS.

(iv) **Subsidiary and associated company**

As at the LPD, Kurnia Setia Engineering does not have any subsidiary or associated company.

6.4.1.11 Kurnia Setia Trading (Company No. 268435-H)

(i) History and business

Kurnia Setia Trading was incorporated in Malaysia under the Act on 29 June 1993 as a private limited company under the name of Sunny Dale Surface Treatment Sdn Bhd. Its name was subsequently changed to Kurnia Setia Marketing Sendirian Berhad on 9 February 2001 and to its present name on 9 October 2007. It commenced its business on 30 December 1993.

The principal activity of Kurnia Setia Trading is trading of construction material.

(ii) Share capital

As at the LPD, the authorised share capital of Kurnia Setia Trading is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Kurnia Setia Trading is RM656,707.00 comprising 656,707 ordinary shares of RM1.00 each.

There has been no changes to the issued and paid-up share capital of Kurnia Setia Trading for the past three years preceding the LPD.

(iii) Shareholder

As at the LPD, Kurnia Setia Trading is a wholly-owned Subsidiary of KotaSAS.

(iv) Subsidiary and associated company

As at the LPD, Kurnia Setia Trading does not have any subsidiary or associated company.

6.4.1.12 KotaSAS OMNI (Company No. 859864-M)

(i) History and business

KotaSAS OMNI was incorporated in Malaysia under the Act on 8 June 2009 as a private limited company under the name of Prestine Start Sdn Bhd. It assumed its present name on 18 January 2010. It commenced its business on 11 March 2010.

The principal activities of KotaSAS OMNI are construction and property development.

(ii) Share capital

As at the LPD, the authorised share capital of KotaSAS OMNI is RM500,000.00 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of KotaSAS OMNI is RM342,860.00 comprising 342,860 ordinary shares of RM1.00 each.

Save as disclosed below, there has been no changes to the issued and paid-up share capital of KotaSAS OMNI for the past three years preceding the LPD.

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
17 August 2010	299,998	1.00	Cash	300,000.00
31 May 2011	42,860	1.00	Cash	342,860.00

(iii) Shareholder

As at the LPD, KotaSAS OMNI is a 65.00% owned Subsidiary of KotaSAS whilst OMNI Holdings Sdn Bhd owns 35.00% shareholding in KotaSAS OMNI.

(iv) Subsidiary and associated company

As at the LPD, KotaSAS OMNI does not have any subsidiary or associated company.

6.4.1.13 Tanah Makmur KotaSAS (Company No. 1036705-T)

(i) History and business

Tanah Makmur KotaSAS was incorporated in Malaysia under the Act on 1 March 2013 as a private limited company under the name of Tanah Dinamik Sdn Bhd. It assumed its present name on 2 April 2013. It commenced its business on 2 April 2013.

The principal activities of Tanah Makmur KotaSAS are construction and property development.

(ii) Share capital

As at the LPD, the authorised share capital of Tanah Makmur KotaSAS is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each.

Save as disclosed below, there has been no changes to the issued and paid-up share capital of Tanah Makmur KotaSAS since its incorporation until the LPD.

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
1 March 2013	2	1.00	Cash	2.00
10 September 2013	299,998	1.00	Cash	300,000.00
1 November 2013	700,000	1.00	Cash	1,000,000.00

(iii) Shareholder

As at the LPD, Tanah Makmur KotaSAS is our 60.00% owned Subsdiary of KotaSAS whilst Tanah Makmur Perkasa Sdn Bhd owns 40.00% shareholding in Tanah Makmur KotaSAS.

(iv) Subsidiary and associated company

As at the LPD, Tanah Makmur KotaSAS does not have any Subsidiary or associated company.

6.4.1.14 Kreatif Selaras Mining (Company No. 800104-M)

(i) History and business

Kreatif Selaras Mining was incorporated in Malaysia under the Act on 4 April 2011 as a private limited company under the name of Alunan Kristal Sdn Bhd. It assumed its present name on 25 April 2011. It commenced its business on 6 July 2011.

The principal activity of Kreatif Selaras Mining is mining of mineral deposits. As at the LPD, Kreatif Selaras Mining has not commenced commercial operations of its mining business.

(ii) Share capital

As at the LPD, the authorised share capital of Kreatif Selaras Mining is RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of Kreatif Selaras Mining is RM800,000.00 comprising 800,000.00 ordinary shares of RM1.00 each.

Save as disclosed below, there has been no changes to the issued and paid-up share capital of Kreatif Selaras Mining since its incorporation until the LPD.

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
4 April 2011	2	1.00	Cash	2.00
14 September 2011	99,998	1.00	Cash	100,000.00
22 March 2012	100,000	1.00	Cash	200,000.00
14 May 2013	300,000	1.00	Cash	500,000.00
4 September 2013	300,000	1.00	Cash	800,000.00

(iii) Shareholder

As at the LPD, Kreatif Selaras Mining is our 60.00% Subsidiary whilst Aura Pelangi Sdn Bhd and YAM Tengku Dato' Hajjah Nong Fatimah binti Sultan Haji Ahmad Shah own 30.00% and 10.00% of the shareholdings in Kreatif Selaras Mining respectively.

(iv) Subsidiary and associated company

As at the LPD, Kreatif Selaras Mining does not have any subsidiary or associated company.

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7.1 Corporate structure and history

7.1.1 History

Our Company was incorporated in Malaysia on 18 December 2008 under the Act as a special purpose private company. On 3 July 2009, we entered into a sale of business agreement with Kurnia Setia to acquire the entire business and undertaking including all assets and liabilities of Kurnia Setia, previously a listed company on the Main Board, now Main Market, of Bursa Securities, at an aggregate purchase consideration equivalent to: (i) RM2.70 per Kurnia Setia share multiplied by the total outstanding Kurnia Setia shares, and (ii) RM1.20 per Kurnia Setia warrant multiplied by the total outstanding Kurnia Setia warrants. On 30 November 2010, we completed the Privatisation which resulted in the transfer of the entire assets and liabilities of Kurnia Setia including all the shares held by Kurnia Setia in all its subsidiaries to our Company. Kurnia Setia was delisted from the Main Board, now Main Market, of Bursa Securities effective from 21 December 2010. As a result of the Privatisation, Kurnia Setia and its then subsidiaries became our subsidiaries and all the previous shareholders and warrantholders of Kurnia Setia had received their respective cash entitlements from the capital reduction exercise and warrant scheme exercise which were undertaken by Kurnia Setia to repay and distribute the purchase consideration paid by our Company to Kurnia Setia pursuant to the Privatisation.

Immediately upon the completion of the Privatisation, our Company had seven subsidiaries, six of which were previously the subsidiaries of Kurnia Setia which were transferred to our Company. As at the LPD, we have a total of 14 subsidiaries.

Following the completion of the Privatisation, we are principally involved in the cultivation of oil palms and its ancillary activities comprising the operation of a palm oil mill which produces CPO and PK, and a compost plant which produces compost fertiliser. We are also involved in property development, building and general construction as well as general trading in construction materials. However, our plantation business has been and is expected to continue to be the principal activity of our Group.

7.1.2 Key milestones

The following table highlights our Group's key dates and milestones:

Year	Key milestones
2005	• The TAS group[(1)] had increased its equity interest to approximately 26% in Kurnia Setia. It was at this point that the TAS group[(1)] took over the helm of Kurnia Setia, in order to unlock the potential value of Kurnia Setia. This led to the expansion of Kurnia Setia's plantation lands and the improvement of their plantation yield, as well as Kurnia Setia's venture into property development in subsequent years.
2008	• Kurnia Setia ventured into property development by converting Ladang Bukit Goh into building for the purposes of residential and commercial development. The property development business was initiated by KotaSAS to design, develop and construct the KotaSAS Township.

Year	Key milestones
2010	• Tanah Makmur completed the Privatisation.
	• KotaSAS executed a joint venture agreement with OMNI Holdings Sdn Bhd on 14 January 2010 for the development of Precinct 1 and Precinct 2 of the KotaSAS Township through KotaSAS OMNI.
	• Launched Precinct 1 of the KotaSAS Township.
	• We began construction of our palm oil mill and compost plant.
2011	• Launched Precinct 2 (Phases 1 and 2) of the KotaSAS Township.
2012	• Commenced operations of our palm oil mill and compost plant in July 2012.
	• Launched Precinct 2 (Phase 3) and Precinct 3 (Phase 1) of the KotaSAS Township.
2013	• KotaSAS entered into a shareholders' agreement with Tanah Makmur Perkasa Sdn Bhd for the combination of effort of the shareholders to develop the remainder portion of land located in Ladang Bukit Goh that has yet to be developed.
	• Launched Precinct 3 (Phase 2 and Phase 3) and Precinct Lakeside 1 of the KotaSAS Township.
2014	• KotaSAS and Tanah Makmur KotaSAS executed the development agreement dated 8 January 2014 which was subsequently substituted by the amended restated development agreement dated 12 May 2014, to develop and complete the development of the remaining land under the KotaSAS Township.

Note:

(1) The TAS group refers to TAS Industries Sdn Bhd (one of our Promoters) and individuals/corporations that are related to the shareholders of TAS Industries Sdn Bhd.

7.2 Our business

7.2.1 Overview

We are primarily an oil palm plantation company, and had in 2012 extended our plantation activities to include a palm oil mill. Our involvement in property development in Kuantan is secondary to our plantation business. Ancillary to our property development business, we have also commenced the mining of bauxite on certain parcels of land within our Ladang Bukit Goh that is being cleared for our property development activities. As the mining and extraction of bauxite from the land will not interfere with our property development plans, we had commenced the extraction and sale of bauxite in April 2014 after we obtained the Proprietary Mining Licence on 27 February 2014 and the approved Operational Mining Scheme on 21 March 2014, for the mining of bauxite. The mining of bauxite activities shall be over a period of three years, subject to the renewal of the Proprietary Mining Licence that will expire on 26 February 2016 and the Operational Mining Scheme that will expire on 31 March 2015. We currently operate only in the State of Pahang where all our oil palm plantation estates and our KotaSAS Township are located.

As at the LPD, we have an aggregate of 17,969.06 ha of plantation land in the State of Pahang comprising of 11,633.19 ha that we own and 6,335.87 ha of the LKPP-leased Land. Our oil palm plantation estates produced approximately 229,890 mt and 232,605 mt of FFB for the years ended 31 December 2012 and 2013 respectively. We sell the FFB we produce to our own palm oil mill as well as third party traders and other palm oil millers. Presently, seven of our plantation estates supply FFB to our palm oil mill, namely Ladang Paloh Hinai, Ladang Sri Jelutung, Ladang Aur Gading, Ladang Bukit Goh, Ladang Kampong Bongsu, Ladang Charuk Puting and Ladang Sungai Sering.

By building our own palm oil mill, we would have better control over the milling process which is expected to yield higher OER obtained from our palm oil mill, compared to the OER used in determining the price paid for the purchase of FFB. Due consideration is also given to easy accessibility to palm oil mills so that FFB can be processed quickly after harvesting to minimise the build-up of FFA which will affect the quality of CPO and the OER. Our palm oil mill is strategically located within close proximity to several of our major plantation estates that provide part of the FFB for processing by our own palm oil mill. For the year ended 31 December 2013, approximately 49.18% of the FFB processed in our palm oil mill was sourced from our own plantation estates. For the period from 1 January 2014 up to the LPD, the percentage of FFB sourced from our own plantations, and that was processed by our palm oil mill improved to approximately 54.86%.

By supplying the FFB from our own plantation estates to our own palm oil mill, we would reduce our dependency on external millers and traders, who have been pricing our FFB based on a lower OER than that achievable by our own palm oil mill. We also took into consideration that the storage life of CPO is six months versus FFB, which has to be processed within 48 hours from harvesting. Therefore, by having our own palm oil mill that process CPO, we would have some flexibility in timing the sale of our CPO based on market outlook of CPO prices. Pursuant thereto, we decided to extend our plantation activities to include milling.

We began construction work on our palm oil mill and compost plant in 2010. This marked the commencement of our venture into downstream activities of our plantation business, such as the production of CPO, PK and compost fertiliser. Upon completion of our palm oil mill and compost plant, we began the production of CPO and PK and the processing of compost fertiliser in July 2012. Along with the FFB sourced from our own plantation estates, our palm oil mill also processes FFB from nearby plantation estates owned by third parties and traders as our palm oil mill's current processing capacity of a maximum of approximately 187,200 mt of FFB per year exceeds the FFB supply produced by our plantation estates within the locality of our palm oil mill.

Our plantation business has been and is expected to continue to be the core activity of our Group.

Ancillary to our oil palm business, we have in place an integrated cattle rearing scheme in some of our plantation estates, namely Ladang Sungai Sering, Ladang Lembah Klau and Ladang Sungai Selama Lanar.

In 2008, in order to maximise the potential value of our lands and to improve our Group's financial performance, we ventured into the property development business via our existing subsidiary, KotaSAS which commenced the development of our KotaSAS Township measuring approximately 1,500 acres over the next 15 years. The KotaSAS Township is being developed on part of our Ladang Bukit Goh, the category of land which was converted to "building" use for the purpose of residential and commercial development in 2008. As at the LPD, approximately 314.00 ha out of the land on Ladang Bukit Goh is still being used for our plantation activities.

7.2.2 Our competitive strengths

Our key competitive strengths are as follows:

(i) Leverage position with LKPP, our major shareholder

We have a strong working relationship with our major shareholder, LKPP, since the inception of our Group back in 1968. Kurnia Setia was formerly owned by LKPP. LKPP is an agency of the State Government of Pahang that has been entrusted to be the leader for agriculture and other activities in the State of Pahang. Over the years, LKPP has provided strong support to our Group's plantation businesses where we were able to acquire and lease plantation lands at a competitive price from them. Moving forward, LKPP is expected to remain as our major shareholder and to continue to provide support to our businesses.

(ii) We have an experienced and professional management team

We are managed by a team of professionals with experience in the oil palm-based and property development industries. Our Managing Director and our team of key management have experience in the management and operation of oil palm plantations and its ancillary activities as well as property development. Most of the key personnel possess management qualifications and long term operation experiences, thus creating a strong foundation and hands-on culture throughout our Group.

In our plantation segment, our plantation managers have an average of 10 years' of experience operating in the oil palm plantation industry. Through their experience, we have achieved respectable results from our production of FFB, which is above the MPOB industry average for the State of Pahang from 2011 to 2013 and Malaysia from 2011 to 2013.
Since the first sale launch of the KotaSAS Township, we have successfully delivered 555 units out of 1,045 residential units launched and sold over three years.

We are committed to the continuous development of the skills and expertise of our management team through the provision of internal and external training programmes, and offering a good working environment and culture as well as attractive incentives and remunerations to retain and reinforce the quality and dedication of our management team.

Since we acquired and took over the management and operations of Kurnia Setia's oil palm plantation business, we have been continuously fine tuning our best estate practices to enhance the oil palm plantation's productivity and efficiencies in cost management. A high FFB yield is important to the plantation business. Hence, we also retain the services of an agronomist on a yearly basis to conduct sampling on the condition of our oil palms and study on the soil and water conditions at our plantation estates. Through our experienced management team, we have implemented effective estate management practices which include ensuring adequate fertiliser and water supply to the oil palm and proper weeding control. Effective estate management enables us to enhance operation efficiency and productivity as well as cultivate high quality FFB.

In respect of our property development business, we have consistently completed our phases on time. In fact all our phases of residential properties in the past three years have been delivered on schedule or ahead of schedule as follows:

No.	Phases	Months ahead of schedule
1	Precinct 1 (all phases)	Delivered vacant possession on schedule
2	Precinct 2 (Phase 1)	Delivered vacant possession two months ahead of schedule
3	Precinct 2 (Phase 2)	Delivered vacant possession a month ahead of schedule

(iii) **We operate our own palm oil mill which is strategically located within close proximity to most of our plantation estates and we have the capacity to expand our palm oil mill**

To become a major oil palm player and to compete effectively in the oil palm-based industry, we need to expand our business focus and operation from being a pure plantation owner to becoming involved in other downstream activities. Hence, we ventured into the production of CPO with the commencement of operation of the palm oil mill and compost plant in July 2012. Having our own palm oil mill, we are able to better control the OER for CPO and thus improve our profits.

(iv) **Proven track record in plantation and property development businesses**

We believe we have established a sound corporate reputation and proven track record in our oil palm-based and property development businesses, especially in the State of Pahang.

In terms of average FFB yield and PK recovery rate, Tanah Makmur performed better than the State of Pahang and Malaysia as a whole for the period between January 2013 and December 2013. However, Tanah Makmur performed below Pahang and Malaysia as a whole in terms of OER for the same period. Our performance matrices for this period are as set out in the following table:

	Average FFB Yield (mt/ha) between January 2013 and December 2013	OER (%) between January 2013 and December 2013	PK recovery rate (%) between January 2013 and December 2013
Tanah Makmur	20.43	19.98	5.97
Pahang	20.21	20.02	5.44
Malaysia	19.02	20.25	5.12

Our management team has continuously been exploring and identifying new business opportunities to expand our Group's potential value of our Group's assets and strengths to venture into viable businesses where we can improve our Group's operations as well as financial performance. Our management has transformed, improved and expanded our businesses. This can be proven by the increasing production of FFB from our existing plantation estates, increase in plantation land bank, introduction of a new business venture (i.e., production of CPO and PK) as well as the development of a township in Kuantan. Since our initial launch, we have successfully delivered 555 units out of 1,045 residential units launched and sold within the KotaSAS Township, as at the LPD.

(v) We have the capability and the expertise to develop a township in Kuantan

We have been involved in the development of the KotaSAS Township since its early planning and implementation stages. We have delivered 555 units out of 1,045 residential units of residential units launched and sold comprising of single storey and double storey link houses, super-link houses and semi–detached houses. We have received encouraging feedback from our customers on the properties that we developed.

We had proposed to the State Government of Pahang for the new State Administrative Complex of the State Government of Pahang to be included in the KotaSAS Township and in September 2013, the Prime Minister of Malaysia, Dato' Sri Haji Mohammad Najib bin Tun Haji Abdul Razak launched the development of the new State Administrative Complex of the State Government of Pahang in our KotaSAS Township. As at the LPD, we, through Kreatif Sinar Gabungan, are awaiting for the said development project to be awarded by the State Government of Pahang.

If the development project of the new State Administrative Complex of the State Government of Pahang is not awarded to us or there is a delay in the award of the said project to us, then the expected returns to our shareholders from this project will not be realised or may be affected.

As a township developer, we will benefit from the favourable prospects of the property development industry particularly in Kuantan due to the following factors:

(a) According to the Independent Market Researchers' Report, Kuantan is a future growth centre and a hub for trade and commerce under the East Coast Economic Region (ECER)'s master plan.

(b) We are a township developer in Kuantan with a proven track record in the launches and sales of our residential units.

7.2.3 Our strategies and future plans within the next five years

The future prospects of our key business segments are predominantly associated with changes in economic conditions, fluctuating prices in CPO prices and other substitute products, as well as taxation, political, social, and regulatory factors affecting the Malaysian economy, especially in the agricultural and manufacturing sectors. According to the Independent Market Researchers' Report, the oil palm-based industry in Malaysia is forecasted to grow by a CAGR of 7.1% between 2011 and 2020.

Due to the anticipated continued growth in the oil palm-based industry, we have put in place plans to expand our Group's land bank and milling capacity as well to as improve our FFB harvest and CPO and PK production yields over the next five years.

Furthermore, we will also continue to develop and expand our property development activities as well as venturing into other opportunities that may arise in the future.

(i) Replanting and new planting programmes

We currently have approximately 3,515.59 ha of plantation estates which have reached old age (i.e., 19 years and above). Generally, oil palm has an economic lifespan of 30 years. After reaching the age of 30 years, an oil palm tree is then subject to replanting. Out of the 3,515.59 ha of our old oil palms, we plan to replant 2,060.96 ha over the next four years.

Furthermore, we will also carry out new planting programmes in two of our plantation estates, namely Ladang Alur Seri and Ladang Ulu Lepar, measuring up to an aggregate of 3,092.67 ha as listed in the table below:

Plantation Estate	Size of land with old palms (ha)	Average age of old palms	Year planned for replanting/new planting
Replanting programmes			
Ladang Charuk Puting	808.70	40	2014 and 2015
Ladang Sungai Sering	145.00	33	2014
Ladang Lembah Klau	974.00	24	2017 and 2018
Ladang Empang Jaleh	133.26	33	2014
Sub-total	**2,060.96**		
New planting programmes			
Ladang Alur Seri	2,023.00	-	2014 and 2015
Ladang Ulu Lepar	1,069.67	-	2015 and 2016
Sub-total	**3,092.67**		
Grand total	**5,153.63**		

It will take approximately four years before our replanting and new planting of oil palm becomes mature and produce FFB. We estimate the replanting and new planting expenditure to replace our old oil palms and the planting of new oil palms respectively to cost approximately RM84.52 million for the next four years.

(ii) **Continued expansion of our current land bank**

Our core business activities are in the oil palm-based industry, and in the medium and long term, oil palm-based industry will continue to remain our primary business. Hence, to compete effectively in the oil palm-based industry, it is vital for us to grow our plantation land bank. We intend to increase our plantation land bank to at least 25,000 hectares over the next three years, and see ourselves eventually managing double our existing plantation landbank in the future, subject to the availability of suitable land tract and justifiable valuations. Although our primary concentration is on the expansion of our plantation land banks within Pahang, we may consider expanding into Sabah, Sarawak or even outside Malaysia, if there are opportunities to acquire suitable land in these areas. The mode of consideration for the potential land acquisitions will be assessed at a future date when the opportunity presents itself, depending on our financial position and available cash reserves. The acquisition of any land bank (if opportunity arises) will also be subject to the approvals of relevant authorities (where required) or shareholders (where required by the Listing Requirements or any applicable laws).

Currently, we have identified two potential plantation lands in Kampong Bongsu and Ulu Lepar with land size measuring approximately 1,214.0 ha and 1,436.0 ha respectively. We are working together with LKPP to secure the acquisition of these lands from the State Government of Pahang. On 16 April 2012, LKPP made an application for the Ulu Lepar land acquisition to the State Government of Pahang. As at the LPD, the said application is still pending approval.

We are still conducting feasibility studies on the suitability of the land in Kampong Bongsu for our plantation operations.

It is estimated that the acquisition of these two plantation land banks will cost approximately RM10.0 million.

(iii) The continued development of the KotaSAS Township

Our KotaSAS Township is a development of an approximately 1,500 acres piece of land into a township which consists of residential and commercial properties. Since we began the development and construction of the township in 2010, our property development projects consist of only residential properties.

Moving forward, we plan to launch commercial properties which include government and private offices, retail malls and office suites. We expect to launch 478 residential units, which include our first introduction of bungalows in our KotaSAS Township, and 40 units of commercial shop lots valued at approximately RM245.00 million by end of this year. However, the number of property units to be launched and the estimated RM245.00 million GDV for this year will be lower if the prevailing market demand for properties in Kuantan is not conducive, which will result in the launches being deferred to the subsequent year.

As at the LPD, we, through Kreatif Sinar Gabungan, are awaiting to be awarded a development project by the State Government of Pahang to develop and construct a new State Administrative Complex and a State Assembly Hall in Kuantan, Pahang which will be located in our KotaSAS Township. Subject to the receipt of the relevant approvals and the letter of award from the State Government of Pahang, we expect to commence construction of the new Pahang State Administration Complex and the new State Assembly Hall in 2014. In our proposal to the State Government of Pahang, we had estimated the value of the project at approximately RM399.00 million. However, the estimated value cannot be relied on, until we are able to secure the award of this project and determine the final project value.

If the development project of the new State Administrative Complex of the State Government of Pahang is not awarded to us or there is a delay in the award of the said project to us, then the expected returns to our shareholders from this project will not be realised or may be affected.

Our future plans for our property development business, in the short and long term, are to continue to develop this land into a reputable township in Kuantan. We estimate that the period to fully develop the KotaSAS Township will take another 10 to 15 years. The overall GDV of our KotaSAS Township can increase to potentially RM3.00 billion from the presently estimated RM1.80 billion, taking into consideration the improvements to our property development plans that we had made on the assumption of the relocation of the new State Administrative Complex and a State Assembly Hall to our KotaSAS Township, and favourable market demand for our properties. The improvements to the property development plans of our KotaSAS Township that had been re-submitted to Majlis Perbandaran Kuantan on 30 January 2014 has not been approved as at the LPD.

(iv) Expansion of our palm oil mill and compost plant

We anticipate a continued growth of FFB harvested from our plantation estates as well as other neighbouring plantation estates. Hence, to cater for the anticipated growth and capture the market share, we are planning to expand the capacity of our palm oil mill by 2016. With the increase in production of CPO and PK from FFB, more waste such as EFB and slurry are also generated. Therefore, to cater for our waste management procedure, we will also expand our compost plant to increase our production of compost fertiliser.

Currently, our palm oil mill has the ready infrastructure to expand its existing 30 tph mill to 75 tph mill if there is an increase in demand. For our immediate expansion of our palm oil mill capacity, we are planning to increase the capacity of our palm oil mill from 30 tph to 45 tph by 2016 by upgrading the existing processing line at our palm oil mill involving certain upgrades and installations at the press station, oil room, nut plant and boiler station of the existing processing line. The acquisition, installation and commissioning processes will take no more than eight months from the date of purchase of the production line from our supplier. With the additional 15 tph production capacity and assuming our palm oil mill runs at full capacity, we expect our production of CPO and PK to increase by another 50.0%. The expansion plan is estimated to cost about RM5.0 million, which will be funded through the IPO proceeds.

(v) Obtaining RSPO or MSPO accreditations

Many palm oil producers in Malaysia are doing their best to subscribe to international requirements such as abiding by sustainability practices and certifications, including the RSPO. The RSPO is a multi-stakeholder organisation which is the pioneer in certified sustainable palm oil for the world market, and is an assurance to consumers that the products are derived from environmentally-friendly and socially responsible sources. The requirements include doing away with development of oil palm plantations on peat land, which releases large amounts of greenhouse gases such as carbon dioxide and methane. Besides oil palm growers and palm oil processors, the other RSPO stakeholders are major European retailing groups, consumer goods manufacturers and non-governmental organisations.

In the pipeline, Malaysia is working hard to implement the MSPO, a voluntary-based scheme scheduled to be introduced in 2014.

We intend to submit our applications for the RSPO and/or MSPO accreditations by the end of 2014.

7.2.4 Plantation business

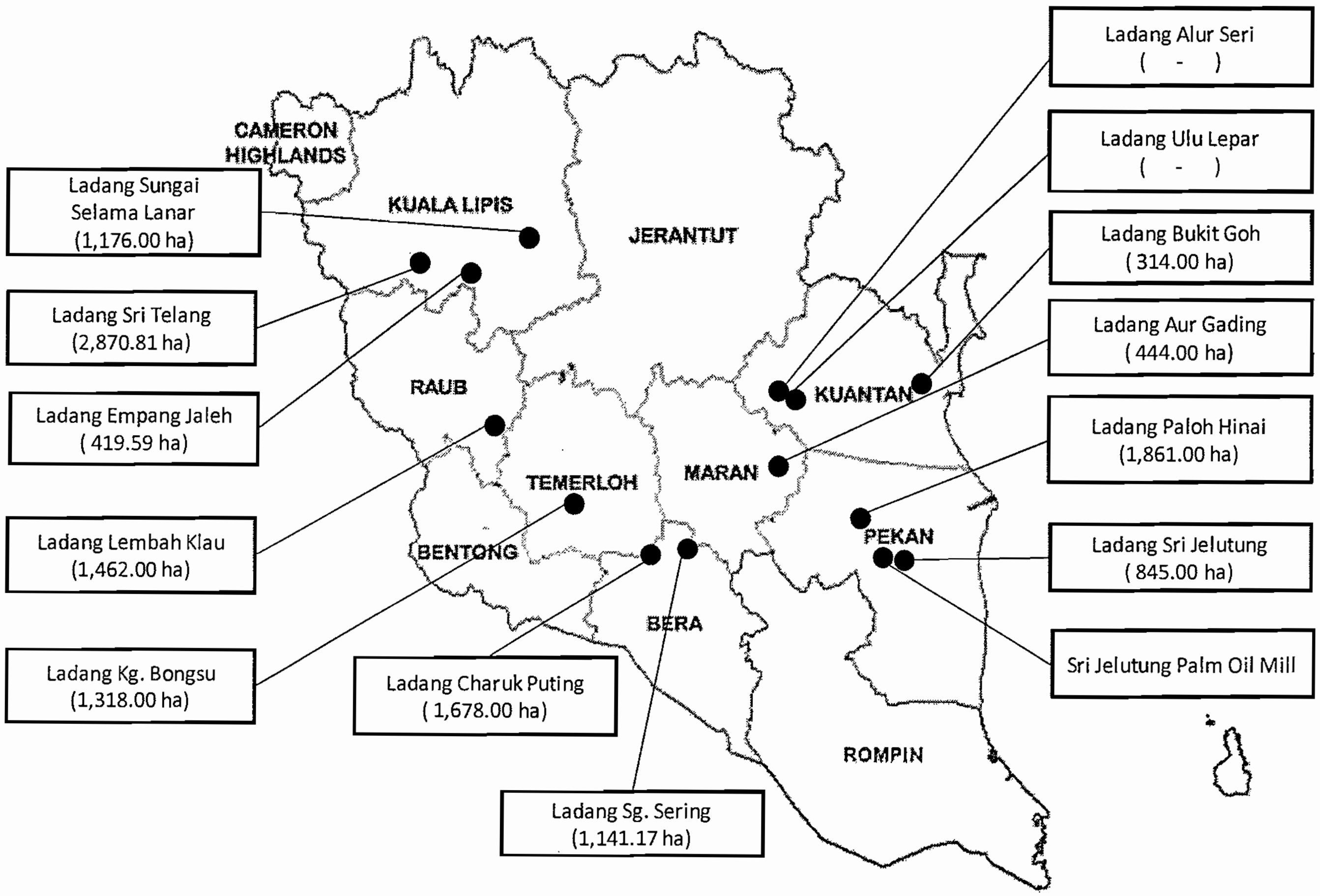
We only harvest FFB from our mature oil palms. The oil palms in approximately 11,728.91 ha of our oil palm plantation estates have reached maturity. We process some of our FFB in our own palm oil mill. However, as our plantation estates are located all across the State of Pahang, it is economically more viable to sell the FFB to other palm oil mills and traders, besides our own palm oil mill.

We produced 240,184 mt, 229,890 mt and 232,605 mt of FFB in years ended 31 December 2011, 31 December 2012 and 31 December 2013, respectively. We derived an average of 60.40% of our revenue for the three year period ended 31 December 2013 from the sale of FFB.

Oil palm plantation estates

The following map shows the location of our oil palm plantation estates with the respective planted area, and our palm oil mill in the State of Pahang.

Tanah Makmur Group's Plantation Estates and Palm Oil Mill



The oil palm plantation business is our Group's core activity, which constituted 73.73% of our Group's total revenue for the year ended 31 December 2013. Our oil palm plantation activities are carried out by Tanah Makmur, Alur Gemilang, Alur Cemerlang, Alur Seri, SJ Palm Oil Mill and Alur Lestari which are involved in the cultivating and harvesting of oil palms, the selling of FFB and the production of CPO, PK and compost fertiliser.

Presently, we have 13 plantation estates in the State of Pahang, Malaysia with a total land area of 17,969.06 ha comprising 11,633.19 ha that we own and 6,335.87 ha of the LKPP-leased Land. Out of the 17,969.06 ha, approximately 17,057.06 ha is plantable. The remaining 912.00 ha of the land area is unplantable and is mainly used for roads, buildings and drainage in our plantation estates. As at the LPD, approximately 13,529.57 ha or 79.32% of our plantable area is planted, of which 11,728.91 ha and 1,800.66 ha are mature and immature plantations, respectively. In 2011, we acquired Ladang Alur Seri measuring approximately 2,023.00 ha and in 2013, we acquired Ladang Ulu Lepar measuring approximately 1,069.67 ha. Both of these estates will be gradually planted in the coming years to increase our production of FFB.

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7. BUSINESS OVERVIEW *(Cont'd)*

The following table sets out the details of our oil palm plantation estates as at the LPD:

		A = D + E	B	C	D = B + C	E	
No.	**Plantation estate**	**Total land area (ha)**	**Planted area (ha)**	**Planting reserve (ha)**	**Plantable area (ha)**	**Unplantable area (ha)**	**% of planted area over plantable area**
1	Ladang Sri Telang	3,035.15	2,870.81	153.00	3,023.81	11.34	94.94
2	Ladang Paloh Hinai (LKPP-leased Land entirely)	2,056.83	1,861.00	157.12	2,018.12	38.71	92.21
3	Ladang Alur Seri	2,023.00	-	1,901.62	1,901.62	121.38	-
4	Ladang Charuk Puting (LKPP-leased Land entirely) (1)	1,841.36	1,678.00	126.11	1,804.11	37.25	93.01
5	Ladang Lembah Klau	1,528.20	1,462.00	-	1,462.00	66.20	100.00
6	Ladang Sungai Selama Lanar						
	- LKPP-leased Land	444.80	380.00	61.90	441.90	2.90	85.99
	- owned by our Group	927.54	796.00	118.60	914.60	12.94	87.03
		1,372.34	1,176.00	180.50	1,356.50	15.84	86.69
7	Ladang Kampong Bongsu (LKPP-leased Land entirely)	1,354.08	1,318.00	-	1,318.00	36.08	100.00
8	Ladang Sungai Sering (2)						
	- LKPP-leased Land	638.80	601.00	-	601.00	37.80	100.00
	- owned by our Group	580.48	540.17	-	540.17	40.31	100.00
		1,219.28	1,141.17	-	1,141.17	78.11	100.00
9	Ladang Sri Jelutung	1,215.00	845.00	-	845.00	370.00	100.00
10	Ladang Ulu Lepar	1,069.67	-	1,005.49	1,005.49	64.18	-
11	Ladang Empang Jaleh	486.55	419.59	1.75	421.34	65.21	99.58
12	Ladang Aur Gading	453.60	444.00	1.90	445.90	7.70	99.57
13	Ladang Bukit Goh	314.00	314.00	-	314.00	-	100.00
	Total	**17,969.06**	**13,529.57**	**3,527.49**	**17,057.06**	**912.00**	**79.32**

Notes:

(1) 8.24 ha (this hectarage has excluded the hectarage for compulsory acquisition) of land held under H.S.(D) 1508, PT 1212, Mukim Perak, Temerloh, Pahang ("**said land**"), of which 7.42 ha has been planted with oil palms by Kurnia Setia since 2001, which is prior to its Privatisation. However, there was no formal arrangement between Kurnia Setia and LKPP for the said land.

As at the date of this Prospectus, Kurnia Setia and LKPP are in the midst of formalising the arrangement for the said land and our Board is not aware of any material circumstances that may prejudice the formation of the arrangement.

(2) The hectarage disclosed includes 250 acres of land which is further explained below. Kurnia Setia had in 2006 made an application to the State Government of Pahang through Unit Perancang Ekonomi Negeri, Negeri Pahang ("**UPEN**") to undertake cattle feedlot and planting of dragon fruit ("**Projects**") in Paya Puchong, Bera, Pahang. Majlis Mesyuarat Kerajaan Negeri Pahang in its first meeting of 2007 on 10 January 2007 had agreed with such application as evidenced in the letter dated 12 February 2007 issued by UPEN to Kurnia Setia. The agreement was subject to certain conditions, among others, for a lease to be granted to Kurnia Setia over the land, to be divided into 200 acres of land for the cattle feedlot project and another 50 acres of land for the planting of dragon fruit project ("**State Land**"), for a period of 10 years with an option to renew for another 10 years subject to the development of the Projects. It was intended for the State Land to be alienated to Pahang State Secretary Incorporated ("**PSK**"), who will then grant such lease to Kurnia Setia.

As at the LPD, the State Land has not been alienated to PSK and therefore, the lease has not been granted to our Group yet. However, following an in-depth study that our Group had undertaken, our Group did not proceed with the implementation of the Projects on the State Land because we had determined that the Projects would not be economically viable. Since 2009, our Group has cultivated the State Land with oil palms and also uses it for the integrated cattle rearing scheme instead.

As at the date of this Prospectus, Kurnia Setia is in the process of regularising and formalising the arrangement with UPEN for the cultivation of oil palm trees on the State Land.

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Plantation profile

The following table sets out the maturity profile of the oil palms on our plantation estates as at the LPD:

Profile [1]	Area (ha)	% of planted area over plantable area
Immature		
0 to 1 year old	564.00	3.31
2 years old	945.00	5.54
3 years old	291.66	1.71
Sub-total	**1,800.66**	**10.56**
Mature		
Young		
4 to 8 years old	2,718.32	15.93
Prime		
9 to 13 years old	3,312.00	19.42
14 to 18 years old	2,183.00	12.80
	5,495.00	32.22
Old		
19 to 25 years old	2,235.00	13.10
Over 25 years old	1,280.59	7.51
	3,515.59	20.61
Sub-total	**11,728.91**	**68.76**
Total planted area	**13,529.57**	**79.32**
Plantable area that is unplanted [2]	3,527.49	20.68
Total plantable area	**17,057.06**	**100.00**
Unplantable area (mainly used for roads, buildings and drainage in our plantation estates)	912.00	
Total land area	**17,969.06**	

Notes:

(1) The age profile of the oil palms begins from the point of planting in the nurseries.

(2) Inclusive of the acquisition of Ladang Ulu Lepar measuring approximately 1,069.67 ha and Ladang Alur Seri measuring approximately 2,023.00 ha. Ladang Alur Seri will be gradually planted in 2014 and 2015, and Ladang Ulu Lepar in 2015 to 2016 to increase our production of FFB.

7.2.4.1 FFB

FFB yield

The main product from our oil palm plantation is FFB which we sell to our own palm oil mill as well as third party traders and other palm oil millers, including Sern Lee Enterprise Sdn Bhd, TT Max Enterprise Sdn Bhd and Kilang Sawit C.P Sdn Bhd. Presently, seven of our plantation estates supply FFB to our palm oil mill, namely Ladang Paloh Hinai, Ladang Sri Jelutung, Ladang Aur Gading, Ladang Bukit Goh, Ladang Kampong Bongsu, Ladang Charuk Puting and Ladang Sungai Sering. We also sell FFB to third party traders and other palm oil millers located nearby to four of our oil palm plantation estates, namely Ladang Sungai Selama Lanar, Ladang Sri Telang, Ladang Empang Jaleh and Ladang Lembah Klau. This is because FFB typically has to be processed within 48 hours after harvesting to minimise the build-up of FFA, which reduces the quality of the CPO extracted.

The yield of FFB of our oil palm plantation estates is dependent upon a variety of factors, including the quality of oil palm seeds used, soil and climatic conditions, application of fertilisers, quality of plantation management such as the timely harvesting and processing of FFB.

The following table sets out our Group's FFB production and average FFB yield per ha, for the years ended 31 December 2011, 31 December 2012 and 31 December 2013. Our plantation estates have produced a higher FFB yield per ha as compared to the MPOB industry average for the State of Pahang, Peninsular Malaysia and Malaysia from 2010 to 2013.

	For the year ended 31 December		
	2011	**2012**	**2013**
Our Group			
FFB production (mt)	240,184	229,890	232,605
Matured plantation (ha)	10,107.00	10,415.97	11,387.71
FFB yield per ha (mt/ha)			
Our Group	23.76	22.07	20.43
Pahang	18.97	18.94	20.21
Peninsular Malaysia	19.24	19.05	19.26
Malaysia (including Sabah and Sarawak)	19.69	18.89	19.02

Plantation process

We have four main activities in the oil palm plantation as set out below:

(i) *Cultivation process*

The plantation process begins with the planting of seeds in our nurseries. We only use Dura x Pisifera seedlings, a high yielding clone that is commonly used in plantation, to cultivate our oil palms. The Dura x Pisifera seeds are purchased from established seed producers, such as Kumpulan Guthrie Berhad, Felda Agricultural Services Sdn Bhd and IOI Corporation Berhad. The seeds are germinated in our pre-nurseries for approximately up to four months before being transferred to our main nurseries for a further period of up to nine months before the young oil palms are transferred from our nurseries to our fields. We also carry out effective maintenance of our young oil palms to ensure optimal growth and development. We achieve this through measures which include the application of appropriate fertilisers at the right dosage and frequency and by ensuring that the area surrounding the young oil palms is free from other non-essential vegetation which may compete for fertiliser, water and sunlight.

In new field development and field replanting, we are also involved in the clearing of land and building of drainage such as the removal of native vegetation and habitats, including the bulldozing of secondary forests and old plantation estates.

(ii) *Harvesting of FFB*

The harvesting of our oil palms begins when they reach maturity which is approximately four years of age. However, the yield of an oil palm is relatively low at this stage. Oil palms normally require approximately four years to mature and typically reach their peak production of FFB in approximately nine years from the time that they are first planted in the nursery. Peak production years for oil palms range from approximately nine to 18 years of age, after which their production of FFB gradually declines. On average, oil palms have an economic lifespan of 30 years. Harvesting of FFB is typically carried out in an interval of 10 to 12 days.

Fully matured oil palms produce between 18 mt and 30 mt of FFB per ha per year. The yield depends on a variety of factors, including age of the oil palm, manuring programme, seed quality, soil and climate conditions, quality of plantation management and timely harvesting.

We harvest the FFB of our oil palms only when an appropriate quantity of fruit becomes detached from the FFB, which is in accordance with MPOB's ripeness standard. The ripeness of FFB harvested is critical in maximising the quality and quantity of palm oil extraction. Loose fruits are collected together with the harvested FFB. FFB harvested from our oil palm plantation estates are sold to traders and palm oil mills, including our own palm oil mill. We typically process 100.0% of our FFB within 48 hours after harvesting to minimise the build-up of FFA, which reduces the quality of CPO extracted.

We have constantly achieved results from our production of FFB which has been consistently above the MPOB industry average for the State of Pahang from 2011 to 2012 and Malaysia from 2011 to 2013. We also carry out regular up keeping of our oil palms by weeding, manuring, pruning and applying pesticides as well as maintaining our roads and drainage. Typically, at the end of the production lifespan of the oil palm, the land upon which it is planted will be cleared and prepared for replanting.

We adopt the practice of cutting and stacking pruned palm fronds around our palms to help protect the soil from erosion and to enrich its organic content. The pruned fronds are cut and stacked between palm rows which serves the dual purpose of ensuring that the soil beneath the stacked fronds remain moist, which helps quicken the manuring process, and to ensure that the pruned fronds do not hinder the harvesting process. The pruning and stacking of palm fronds helps minimise leaching, loss of nutrients and reduce competition of noxious weeds to the oil palms.

(iii) *Manuring*

Before applying fertiliser to the soil, we apply agrochemicals to ensure that the area surrounding each oil palm is free from other forms of vegetation. Fertiliser is an important input in oil palm plantations; we use various types of fertilisers such as straight fertiliser (i.e., rock phosphate and/or kieserite), compound fertiliser (i.e., Korn Kali) and mixture fertiliser (i.e., NK mixture) to ensure that our oil palms receive sufficient nutrients. For effective placement of fertilisers for our oil palm, we practise sub-soil application, whereby we dig holes near the plant and fill them with the right mixture and dosage of fertilisers. Once completed, the holes are covered. To ensure that our oil palms obtain the recommended dosage of fertilisers, we conduct soil tests periodically. Furthermore, we also protect our oil palms from pests and diseases using pesticides.

We carry out manuring process at least six to seven rounds per year in our plantation estates.

(iv) *Weeding*

Weeding plays an important role in oil palm plantation. Weeds and unwanted vegetation in the field compete with oil palms for space, water and fertiliser. Hence, we conduct preventive measures such as weed control to remove unwanted vegetation in our plantation estates. Prior to carrying out the weeding process, we will prepare the required chemicals (i.e., herbicides) to kill weeds in our plantation estates. We practice the circle and selective weeding approaches to spray herbicides in our plantation estates as it is found to be the most effective weeding method. We carry out the weeding process at least three to four rounds per year in our plantation estates.

Ancillary to our oil palm business, we have, as at the LPD also initiated an integrated cattle rearing scheme in some of our oil palm estates, namely Ladang Sungai Sering, Ladang Lembah Klau and Ladang Sungai Selama Lanar. The cattle reared on our plantation estates proffer the additional benefit assisting in our weeding activities which eventually contributes to reducing our weeding costs to a small extent.

7.2.4.2 CPO, PK and compost fertiliser

We also produce CPO, PK and compost fertiliser. The production of CPO, PK and compost fertiliser contributed approximately 24.07% to our Group's total revenue for the year ended 31 December 2013. The production of CPO and PK is carried out by SJ Palm Oil Mill, while the production of compost fertiliser is carried out by Alur Lestari.

To improve our financial performance, our management decided to diversify our business into downstream activities of our oil palm-based business, such as the production of CPO. By extracting CPO from the FFB harvested from our own plantation estates, where applicable, we are able to better control the OER for CPO and thus improve our profits. As such, we embarked into the milling business when we commercialised the production of CPO in July 2012. As at the LPD, our palm oil mill has the capacity to process 30 mt of FFB per hour, with the capability of expanding to 75 tph if there is an increase in demand.

When our mill produces CPO from FFB, PK is also produced as a by-product of this process, making main products produced from our mill CPO and PK. We sell our CPO to local refineries and PK to kernel crushing plant operators. We typically sell our CPO on contract price (which are in turn based on monthly MPOB prices) and spot rate, while our PK is sold only at spot rate.

The main raw material required to produce CPO and PK in a palm oil mill is FFB. We source FFB from our own plantation estates as well as third party plantation owners and traders. Presently, seven of our plantation estates supply FFB to our palm oil mill, including Ladang Paloh Hinai, Ladang Sri Jelutung, Ladang Aur Gading, Ladang Bukit Goh, Ladang Kampong Bongsu, Ladang Charuk Puting and Ladang Sungai Sering. Notwithstanding the above, as our palm oil mill's processing capacity exceeds the FFB supply produced by our plantation estates, we still rely on nearby third party plantation estates and traders to supply FFB to our palm oil mill. Going forward, we will be looking to channel more FFB processed from our own plantation estates to our own palm oil mill, namely from Ladang Alur Seri and Ladang Ulu Lepar, once the oil palm trees on these two plantation estates are matured. Ladang Alur Seri and Ladang Ulu Lepar are/will be undergoing new planting in 2014 and 2015. For the period from July to 31 December 2012 (our palm oil mill commenced operations in July 2012) and for the year ended 31 December 2013, approximately 83.10% and 49.18% of the FFB processed in our palm oil mill was sourced from our own plantation estates, respectively.

Our palm oil mill is strategically located within close proximity to several of our major plantation estates, which helps ensure that we can provide FFB sourced from our own plantation estates for the production of CPO and PK as well as to ensure the quality of the FFB that arrives at our mill is consistently maintained. The ripeness of FFB harvested is critical in maximising the quality and quantity of palm oil extracted. Ideally, harvested fruits are usually processed within 48 hours to minimise the build-up of FFA.

Since we began our milling operations in July 2012, we have produced approximately 14,243.39 mt and 31,676.18 mt of CPO, and 3,564.25 mt and 9,465.26 mt of PK for the period from July to 31 December 2012 and year ended 31 December 2013, respectively. For further information on our Group's production capacity and utilisation rate for CPO and PK for the year ended 31 December 2013, please refer to Section 7.2.12 of this Prospectus.

The following table sets out our CPO and PK extraction rates, in each case compared to the MPOB industry average for the State of Pahang and Malaysia as a whole.

<u>Intake of FFB (mt)</u>	For the period from July to 31 December 2012	For the year ended 31 December 2013
Our Group's plantation estates	58,019.67	77,965.25
Third party plantation owners and traders	11,801.28	80,567.76
Total	69,820.95	158,533.01
<u>Output of CPO and PK (mt)</u>		
Production of CPO	14,243.39[1]	31,676.18
Production of PK	3,564.25[1]	9,465.26

Intake of FFB (mt)	For the period from July to 31 December 2012	For the year ended 31 December 2013
Average OER		
Our Group	20.58$^{(1)}$	19.98
Pahang	20.32	20.02
Malaysia	20.34	20.25
Average PK recovery rate		
Our Group	5.14$^{(1)}$	5.97
Pahang	5.26	5.44
Malaysia	5.05	5.12

Note:

(1) Our mill commenced operations in July 2012. Statistics for the production of CPO and PK is from July 2012 to 31 December 2012.

We have also implemented an effective waste management system in our mill operation, whereby waste such as shredded EFB and slurry generated from the production of our CPO and PK can be re-processed by using microbes to decompose and recycle the waste into compost fertilisers. In 2010, we began the construction of a compost plant situated next to our palm oil mill to carry out the production of compost fertilisers. The compost plant was completed and commissioned in 2012. The operation of the compost plant is carried out by Alur Lestari. Currently, the compost plant has the capacity to produce approximately 40,000 mt of compost fertiliser per annum. The compost produced from our compost plant is sold to MyAgri Nutribio Sdn Bhd.

In October 2012, we have registered our CDM project which will entitle us for carbon credits. The carbon credits may be traded and sold and used by industrialised countries to meet their emission reduction targets under Kyoto Protocol which was adopted by the UNFCCC in 1992. As at the LPD, we are in the monitoring period for a minimum of 12 months after which verification will be done by an external CDM auditor. Upon verification, a report will be submitted to the UNFCCC and upon approval by the UNFCCC, we will be granted the carbon credits. Our participation in the CDM project will enable us to contribute positively towards the environment by helping to reduce the greenhouse effect. We intend to monetise the carbon credits which will be recognised as supplementary income for SJ Palm Oil Mill.

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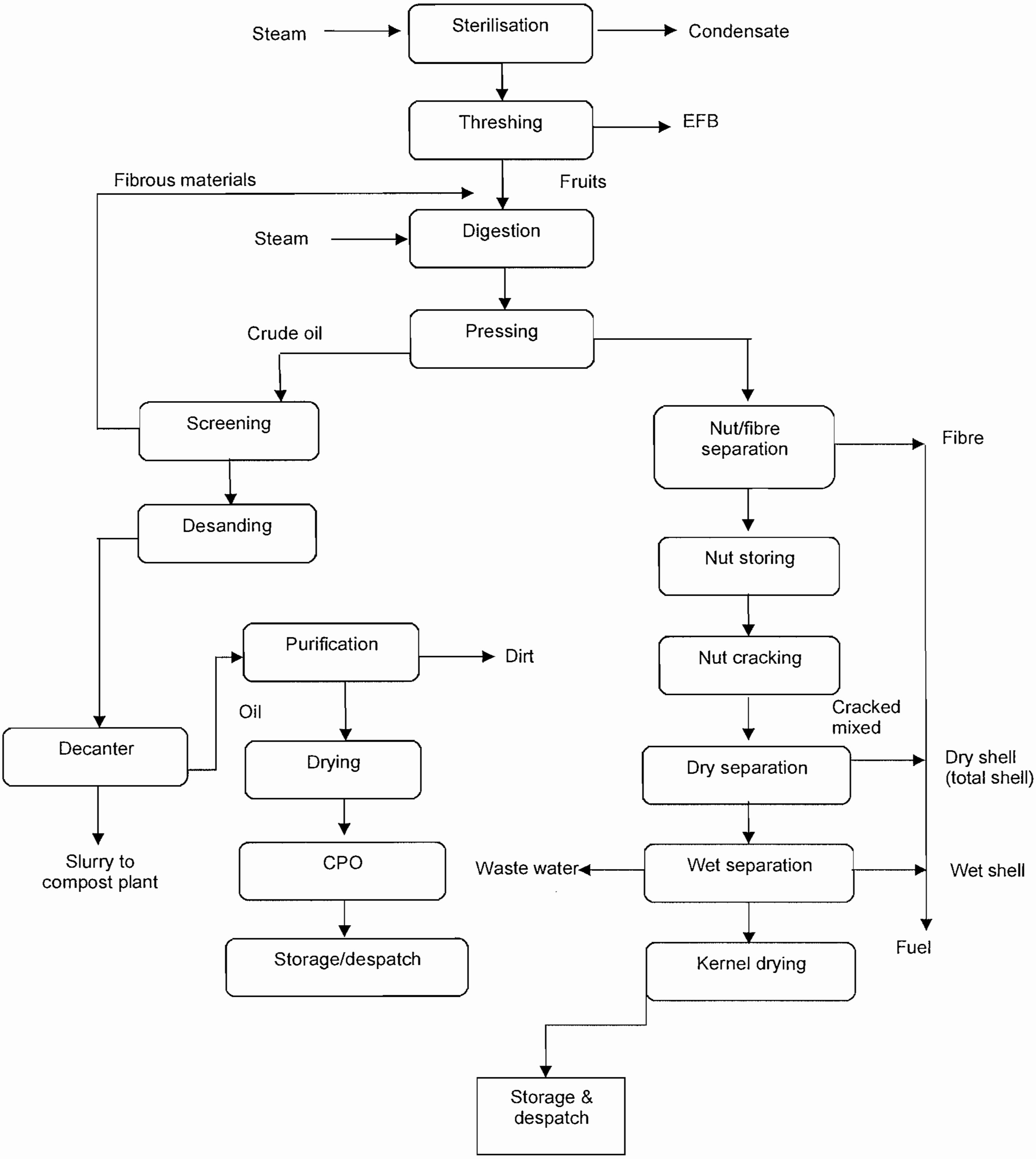
CPO and PK production process

The flow chart below sets out the key processes on the production of CPO and PK:



The milling process begins with the harvesting of ripe FFB. The FFB will typically be processed within 48 hours after being harvested. The FFB are first transported from our plantation estates and also from third party plantation estates in the vicinity to our palm oil mill. The milling process consists of the following steps:

(i) *Reception of the FFB*

The milling process starts with the reception of FFB at the weighing bridge at the entrance of our mill. All FFB received at our mill must be weighed. After weighing, the FFB will be unloaded at the ramp of the mill. The unloaded FFB will then be graded by our MPOB certified graders. The quality of the FFB is determined based on the ripeness and freshness of the fruits, bunch size, length of the stalk, formation of the FFB and the percentage of loose fruit. We accept only ripe FFB (according to MPOB standards for ripeness) from third party plantation estates and traders. Unripe or overripe FFB from third party suppliers will be rejected.

(ii) *Sterilisation*

FFB are first transferred to the palm oil mills for sterilisation by applying high-pressure steam, whereupon the palm fruits are enzyme-deactivated and separated from the palm bunches. The FFB is sterilised by being placed in a steel cage and cooked under pressurised steam for 60 minutes at a temperature of 130 degrees Celsius (2.81 kg/cm^2 saturated steam). The sterilisation process softens the FFB and loosens the fruits from the stalk of the FFB.

We have two sterilisers with the capacity to process 30 tph of FFB.

(iii) *Threshing*

The softened FFB is then sent for threshing, whereby they are rolled and threshed in a revolving slated steel drum to separate the fruits from the bunch stalks. The fruits are then transported to the fruit digester. The EFB is then shredded and palm oil from the EFB is extracted by using an EFB press.

(iv) *Digesting*

The fruits are placed in a steel vat known as a fruit digester. Steam is injected into the digester in order to release the oil in the fruit by rupturing oil bearing cells in the mesocarp. Mechanical arms are used to loosen the mesocarp from the nuts of the fruits. Simultaneously, the temperature in the digester is raised to facilitate the subsequent pressing process.

We have three digesters (each with a capacity of three tph) and three presses (each with the capacity of 15 tph).

(v) *Pressing*

The fibre nuts mash is placed in a perforated press cage and pressed. The oil and moisture from the fibre nuts mash is squeezed out, leaving a compacted mass known as the press fibre.

(vi) *Screening and purification*

The crude oil collected from the fruit digester and pressing processes is sieved to remove remnants of fibre and nut particles using a particle screen before the CPO is collected in a tank. Steam is then injected into the tank to accelerate the oil/sludge separation process. On settling, clean oil will collect at the top of the tank, while oil sludge will settle at the bottom of the tank. The clean oil is collected and sent for centrifuging in a high speed centrifuge to separate any impurities from the oil. The oil is then passed through a vacuum drier to reduce its moisture content. The purified oil obtained from these processes is known as CPO, which is then stored in the oil storage tanks.

(vii) *CPO storage/despatch*

The CPO is stored at our oil storage tanks before being despatched to our customers. We have three storage tanks with a total storage capacity of 5,000 mt.

(viii) *Nut/fibre separation*

The press fibre from the pressing process is first fed a fibre cyclone/ depericarper drum for trunking. The process utilises air suction to separate the fibre from the PK. The fibre collected from this process is then collected for use as fuel to generate power for the palm oil mill.

(ix) *Rippling and winnowing*

The dried PK is fed into ripple mills and is then fed into a blowing machine known as a winnower. The lighter shell fragments and remaining fragments are blown off the kernels by an air-jet, leaving behind only PK with heavy parts of its shell still attached. The shell collected from this process is then collected for use as fuel to generate power for the palm oil mill.

(x) *Hydrocyclone*

The PK with parts of the nutshell still attached then undergoes a hydrocyclone process, whereby water is pumped in at the right pressure to separate the PK from the remaining portions of the nutshell.

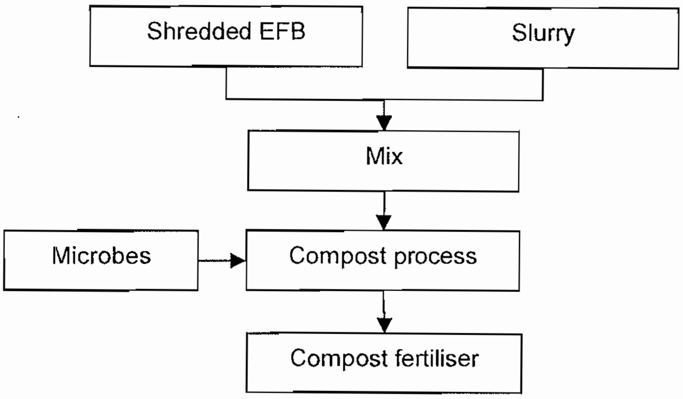
(xi) *Nut drying/storing*

The PK that emerge from the depericarper drum separation process are collected and dried with hot air in a kernel silo and then stored in a kernel bunker, pending delivery to our customers. The wet shell collected from this process is then collected for use as fuel to generate power for the palm oil mill.

(xii) *Waste management (Compost plant)*

The waste generated by the milling process (made up of primarily EFB and slurry) is then sent to our compost plant to be turned into compost fertiliser. We mix the shredded EFB with slurry in the composting process to produce wetted organic matter and wait for the materials to break down into organic matter after a period of time. Furthermore, we also add microbes in the composting process which help reduce the time of composting process. The composting period for our compost fertiliser takes 84 days. For the year ended 31 December 2013, it has produced approximately 22,607 mt of compost fertiliser.

The flow chart below sets out the key processes in the production of our compost fertiliser:



7.2.5 Property development business

We are also involved in the property development industry. Our property development business contributes approximately 26.27% of our Group's total revenue for the year ended 31 December 2013.

In 2008, we foresaw potential value in our Ladang Bukit Goh to transform part of the land into property development and to transform, build, construct and develop this land into a township (referred to as the KotaSAS Township) for the Kuantan community. The property development business was initiated by KotaSAS.

In 2010, KotaSAS entered into a joint venture agreement with OMNI Holdings Sdn Bhd, a local property development company in Kuantan, to begin the development and construction of the KotaSAS Township in Bukit Goh at Kuantan, Pahang. Subsequently, we established KotaSAS OMNI to become the main developer to carry out the development of the properties within the KotaSAS Township. KotaSAS will remain as the land owner of the KotaSAS Township. In the KotaSAS Township, our indirect wholly-owned subsidiary, Kurnia Setia Engineering also carries out construction activities, such as the construction and building of main infrastructures in the KotaSAS Township. We also carry out trading of construction materials and leasing of machineries to external contractors to construct, build and develop the properties in our KotaSAS Township. Our trading activities are carried out by Kurnia Setia Trading.

The KotaSAS Township project is the development of approximately 1,500 acres (equivalent to 607.04 ha) township over 15 years. Our property development business focuses on building residential, commercial, institutional and government properties. This township can be easily accessed through the East-Coast Expressway and Kuantan ByPass. As at the LPD, we have successfully launched and sold approximately 97.30% of the properties in Precinct 1,three phases of Precinct 2, three phases of Precinct 3 and Precinct Lakeside 1, which comprise of developed mixed residential properties such as link houses, semi-detached houses and bungalows, with total development size of 145.10 acres. Additionally, we have allocated approximately 228.53 acres of land for the development of commercial centres including government and private offices, retail malls and office suites. As part of our social responsibility, we have also allocated areas for the development of three primary and two secondary schools, recreational parks, lakes and sports facilities to benefit the Kuantan community.

As at the LPD, approximately 314.00 ha out of the land on Ladang Bukit Goh is still being used for our plantation activities and generating positive income for our Group.

As at the LPD, we have sold 1,045 residential units. The types of properties developed and sold by us as at the LPD are as follows:

Name of development	Type of property	No. of units developed	No. of units sold	Year/month of sales launch	No. of units delivered
Precinct 1 (44.70 acres)					
Sinaran	Single storey semi-detached ("**SSSD**")	54	54	January 2010	54
Embun	Double storey semi-detached ("**DSSD**")	24	24	January 2010	24
Bayu	DSSD	74	74	January 2010	74
Senja	Double storey link ("**DSL**")	34	34	January 2010	34
Suria 1	DSL	132	132	January 2010	132
Suria 2	DSL	7	7	January 2010	7
Total		**325**	**325**		**325**
Precinct 2 (46.00 acres)					
Fajar 1	Single storey link ("**SSL**")	87	87	April 2011	87
Fajar 2	SSL	94	92	June 2011	94
Bintang	Single storey super-link	36	36	June 2011	11
Cahaya	SSL	70	70	June 2011 & April 2012	30
Pancaran	SSSD	16	16	June 2011 & April 2012	8
Senja 2	DSL	16	16	April 2012	-
Total		**319**	**317**		**230**
Precinct 3 (38.00 acres)					
Ceria	DSL	68	68	June 2012	-
Pancaran	SSSD	40	40	June 2012 & February 2013	-
Rembulan	DSL	94	94	February 2013	-
Ceria 2	DSL	45	42	September 2013	-
Pancaran 2	DSSD	16	16	September 2013	-
Sinaran 2	2.5 storey semi-detached ("**2.5 SSD**")	18	16	September 2013	-
Total		**281**	**276**		-
Lakeside 1 (16.40 acres)					
Ceria 2	DSL	105	96	November 2013	-
Pancaran 2	DSSD	22	18	November 2013	-
Sinaran 2	2.5 SSD	22	13	November 2013	-
Total		**149**	**127**		-
Grand total		**1,074**	**1,045**		**555**

Our joint venture agreement between KotaSAS and OMNI Holdings Sdn Bhd was for the development of the KotaSAS Township up to Precinct 2 (Phase 3), with development size of approximately 90.70 acres in total. We intend to terminate the joint venture partnership between KotaSAS and OMNI Holdings Sdn Bhd upon completion of all the developments under Precinct 2 and the expiry of the two year defects liability period for Precinct 2 (Phase 3) in 2016.

Tanah Makmur KotaSAS was incorporated in March 2013 to become the developer in respect to the remaining developments of the KotaSAS Township project. KotaSAS entered into a joint venture agreement with Tanah Makmur Perkasa Sdn Bhd to continue with the development of the KotaSAS Township upon cessation of KotaSAS OMNI's role as the main developer and continue the development and construction of residential and commercial properties, from Precinct 3 (Phase 2) and other future development in the KotaSAS Township. Precinct 3 (Phase 1) with development size of approximately 7.97 acres was developed by KotaSAS.

We had proposed to the State Government of Pahang for the new State Administrative Complex of the State Government of Pahang to be included in the KotaSAS Township and in September 2013, the Prime Minister of Malaysia, Dato' Sri Haji Mohammad Najib bin Tun Haji Abdul Razak launched the development of the new State Administrative Complex of the State Government of Pahang in our KotaSAS Township.

As at the LPD, we, through Kreatif Sinar Gabungan, are awaiting for the said development project to be awarded by the State Government of Pahang.

If the development project of the new State Administrative Complex of the State Government of Pahang is not awarded to us or there is a delay in the award of the said project to us, then the expected returns to our shareholders from this project will not be realised or may be affected.

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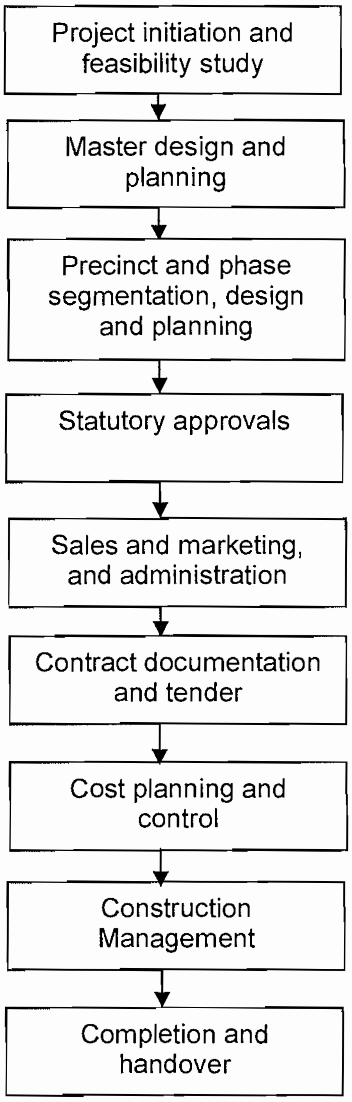
Property development process

The flow chart below sets out the key processes in our property development business:



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The property development operation consists of the following steps:

(i) *Project initiation feasibility studies*

Prior to the development and construction of a township, we conduct a preliminary study which includes inspection of the land (e.g. soil condition, topography, flood level, accessibility and presence of squatters) and the availability of infrastructure facilities (i.e. water, electricity supply and sewerage) in the surrounding. The objective of this study is to determine the suitability of the land for development, type of development and whether such development would comply with the requirements, by-laws and regulations of the relevant authorities.

In addition to our preliminary study, we also conducted a feasibility study to determine the financial viability of the project. This takes the form of desk and field research as well as informal enquiries with real estate consultants to ascertain the comparative market value of lands in the vicinity as well as prices of end-products.

Upon obtaining positive findings, we will submit our development proposals and findings to our Board for approval. Thereafter, we will enter into a joint venture agreement with an identified developer to venture into the continued property development and construction of the KotaSAS Township.

(ii) *Master design and planning*

Our architect will prepare an overall layout/master plan of the township. In the preparation of the overall layout plan and project plan, our architect will prepare a conceptual layout plan based on our management inputs. Once the conceptual layout is accepted, our architect will prepare a detailed layout plan indicating the type of property, total units, sizes, and area for public facilities and amenities in line with the authorities' requirement. Also, we will conduct more detailed and comprehensive feasibility studies in terms of product pricing, construction and all related costs and return on cost/profitability.

(iii) *Precinct and phase segmentation, design and planning*

We are developing an approximately 1,500 acres township. The township project is segmented into many precincts and phases for development. Currently, we have divided the township into eleven precincts. Each precinct may be sub-divided into several phases depending on the types of property which are going to be developed.

We develop properties in phases. For example, Precinct 1 was developed in two phases, with each phase consisting of between one to three types of properties. In the segmentation process, our architect will prepare the design and planning of overall layout of the segmented land.

(iv) *Statutory approvals*

Once approved by our Board, an overall layout plan is submitted to the authorities for approval. After approval by the authorities, our architects will start preparing the building plan which is then submitted to the authorities for further approval.

(v) *Sales and marketing, and administration*

After obtaining the building plan approval, we will apply for a developer licence, and an advertisement and sales permit. Once we obtained these licence and permit, we will conduct a property launch. We will advertise in newspapers and publications as well as conduct joint promotions (e.g. with banks, real estate agents and luxury car distributors), and participate in property fairs and exhibitions.

(vi) *Tendering process*

We will prepare the tender document. We place a lot of emphasis on the selection of appropriate contractors for our projects to ensure that our projects are completed on time and up to expectations (in terms of cost and quality). We will invite contractors to participate in the tenders. The short-listed tenderers are invited for an interview for clarification and the project will then be awarded to the contractor, who offers the most competitive package.

(vii) *Cost planning and control*

In the project development stages, we will meet regularly with our architects, consultants and contractors and carry out regular site visits to ensure that the development and construction work is carried out in accordance with contract documents, specifications, drawings, sales and purchase agreements and relevant authorities' requirements.

(viii) *Construction management*

During the development and construction work, our quality control officers will conduct a quality check after completion of each stage of construction and until the issuance of Certificate of Practical Completion. In addition, our Group conducts a final quality control check on each unit prior to delivery to our customers.

After completion of construction, the architect will issue a CCC for the properties. Once the CCC is issued, we will start preparing our properties for handover to our purchasers.

(ix) *Handover to purchasers and customer service*

Once our customers have inspected and paid all outstanding payments, the keys are then handed over to them. To deliver a high level of customer service, we have established a customer service department to serve our customers before, during and after a purchase. We continuously solicit feedback from our customers and conduct market surveys to incorporate customers' preferences into our future projects. During the defects liability period, any complaints received are investigated and if required, we will instruct the contractors to rectify the defects.

7.2.6 Ancillary activities

7.2.6.1 Bauxite extraction activities

In 2013, we discovered the presence of bauxite during the clearing of certain parts of the land within our Ladang Bukit Goh for our property development activities. We had commissioned Aycel Geoservices Sdn Bhd to conduct an evaluation of the potential for bauxite on the said parts of land. The report by Aycel Geoservices Sdn Bhd dated 20 December 2013 had indicated that the total tonnage of bauxite deposits on the parts of land surveyed is estimated at 1,426,500 tons. Please see Section 7.2.6.2 of this Prospectus for a summary of the report.

The mining and extraction of bauxite from our land will not interfere with our property development plans. We have commenced the extraction and sale of bauxite since April 2014 after we obtained the Proprietary Mining Licence on 27 February 2014 and the approved Operational Mining Scheme on 21 March 2014 for the mining of bauxite on certain parts of Ladang Bukit Goh. The operation for mining of bauxite on certain parts of Ladang Bukit Goh is expected to be undertaken over a period of three years, subject to the renewal of the Proprietary Mining Licence that will expire on 26 February 2016 and the Operational Mining Scheme that will expire on 31 March 2015.

We, through our subsidiary, Kreatif Selaras Mining, had on 10 January 2014 entered into an agreement appointing SE Satu Sdn Bhd as the exclusive operator to mine and extract the bauxite on the identified parts of land on our Ladang Bukit Goh. Part of Kreatif Selaras Mining's obligations include procuring KotaSAS (as landowner of the Ladang Bukit Goh) to apply for and obtain the relevant Proprietary Mining Licenses for the land.

Please see Section 11.1.1, item 5 of this Prospectus for details on the agreement dated 10 January 2014 between Kreatif Selaras Mining and SE Satu Sdn Bhd.

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7.2.6.2 Executive summary of the evaluation report by Aycel Geoservices Sdn Bhd
(Prepared for inclusion in this Prospectus)

GEOLOGICAL CONSULTING

AYCEL GEOSERVICES SDN BHD - 312716-U
UNIT E-1-7, PLAZA DAMAS, JALAN SRI HARTAMAS 1
SRI HARTAMAS, 50480 KUALA LUMPUR, MALAYSIA
TEL: +603.6211.0866 FAX: +603.6211.1338

Date: 12 JUN 2014

The Board of Directors
Tanah Makmur Berhad (formely known as Kreatif Selaras Sdn Bhd)
Bangunan Kurnia Setia
No. 1, Jalan Besar
25000 Kuantan
Pahang Darul Makmur
Malaysia

Dear Sirs,

EXECUTIVE SUMMARY OF THE EVALUATION OF THE POTENTIAL FOR BAUXITE ("THE PROJECT") OF THE BUKIT GOH / KOTA SAS PROJECT, STATE OF PAHANG, MALAYSIA ("PROJECT AREA") FOR TANAH MAKMUR BERHAD (FORMELY KNOWN AS KREATIF SELARAS SDN BHD)

The Executive Summary has been prepared for inclusion in the Prospectus pursuant to the listing of Tanah Makmur on the Main Market of Bursa Malaysia Securities Berhad.

The study was undertaken with the purpose of evaluating the potential and subsequent economic resources of bauxite in the Project Area. Geological survey, pitting, drilling and XRF assay were used to calculate the estimate resources of bauxite.

Dr.Yves Cheze a Director of Aycel Geoservices Sdn Bhd was responsible for the realisation of The Project and has prepared this Executive Summary in an independent and objective manner.

The Executive Summary is highlighted in the following sections.

For and behalf of Aycel Geoservices Sdn Bhd

Dr. Yves Cheze
Director

EVALUATION OF THE POTENTIAL FOR BAUXITE OF THE BUKIT GOH – KOTA SAS PROJECT STATE OF PAHANG, MALAYSIA

EXECUTIVE SUMMARY

The Consultant (Aycel Geoservices Sdn Bhd) was commissioned by Tanah Makmur Berhad to evaluate the potential for bauxite of Bukit Goh, a piece of land referred as "Kota Sas", measuring 1,500 acres and located near the city of Kuantan, State of Pahang, peninsular Malaysia. The project area corresponds to a new and large real estate development; it is easy to access and at immediate proximity of all facilities, including road networks and modern port.

The bauxite is the result of a specific alteration process affecting Tertiary basaltic lava that blanketed a large part of the Kuantan area; a chemical weathering (similar to lateritisation) of the basalt produced concretions which form the main elements of the bauxite.

An initial Phase 1 of regional mapping and sampling was conducted by way of geological mapping, channel sampling along the existing roads and pits:

- The bauxite is in the form of a surficial totally oxidised and almost flat 5 to 10m thick horizon, but only concentrated in the western half of the Kota Sas development estate. The mineralized horizon is either covered by an average of 1 m of original soil in the zones undisturbed or directly exposed in the portion already stripped in preparation for development.

- A total of 8 hills were identified with potentially economic bauxite, exploitable without major earthwork. The rest of the mineralized horizon lies in valleys or flat lands either covered by recent alluvium or sterilised by the new housing project.

Following the encouraging results of Phase 1, it was decided to proceed with the estimation of the bauxite resources on the selected 8 hills using shallow air-core drilling together and deeper pits.

- A total of 227 vertical holes for 2,106m were drilled at an average grid of 50 x 50m and a depth varying from 7m to 10m. The 50x50m is considered sufficient for a tabular mineralized body made of a material (bauxite) with regular and consistent grade and composition; the average depth of 7 to 10m is sufficient because the ore body is either exposed or near surface and has an average thickness or 5m.

- Samples were collected every m along the holes; each sample was split with one part used to measure the % of concretions > 2mm by wet sieving and to assay the concretions by XRF at the Jakarta Intertek laboratory; the other part was used to assay the raw ore by XRF.

- Some of the samples were also tested by chemical method.

- Other physical tests included multi-fractions sieving and systematic weighting.

- Main information and data for each hole were plotted on digital logs.

- The overall estimated resources for the 8 hills were calculated from 3D contouring with Surfer, simple block modelling with Surpac and manual block modelling, for the 1m drilling sections containing (cut-off) at least 15% of concretions of a size >2mm; these figures were used as requested by the client.

- A density of 2.0 was adopted; this figure is considered as conservative in comparison with the average density of other bauxite ores in the world which are in the range of 2.3 to 2.7; it was used to account the fact that the Bkt Goh bauxite is generally not compact and therefore not as dense as other similar but massive ores.

- The figures shown on the next table were those obtained from a basic Surpac block modelling because this method is commonly used in the mining industry; the WS hill resources were estimated by manual blocks because a computerised calculation may not have reflected the irregular drilling density done on the hill.

- The resources can only be classified as "Indicated" in the Australian JORC code because the lack of updated topographical survey including for the drill collars, because the ore density was not verified by physical tests, and because some hills were the object of significant earthwork with change in relief and volume of material after the drilling and subsequent resources estimate. However it is the view of the consultant that these uncertainties are not affecting significantly the overall estimated resources.

- More and significant resources concentration of bauxite may be available from some of the low and flat areas not yet covered by housing or other constructions.

- The bauxite ore (concretions) is of Industrial quality with an average of at least 50% $Al2O3$ and a low 5 to 7% average of $SiO2$.

- There is a good and regular negative correlation between the % of concretions and $SiO2$ along the drill holes with $SiO2$ increasing when the amount of concretions decreases.

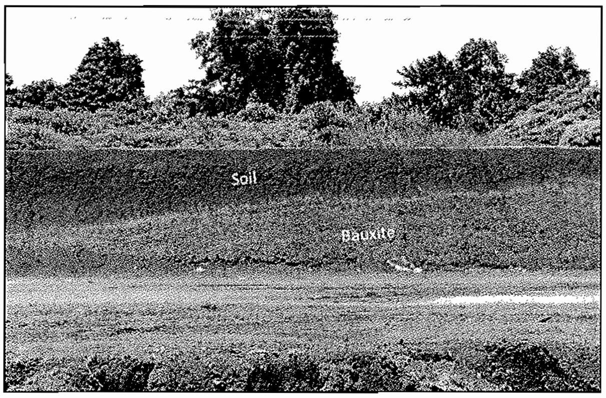
Bkt Goh Project - Bauxite "Indicated" Resources with a 15% concretions cut-off

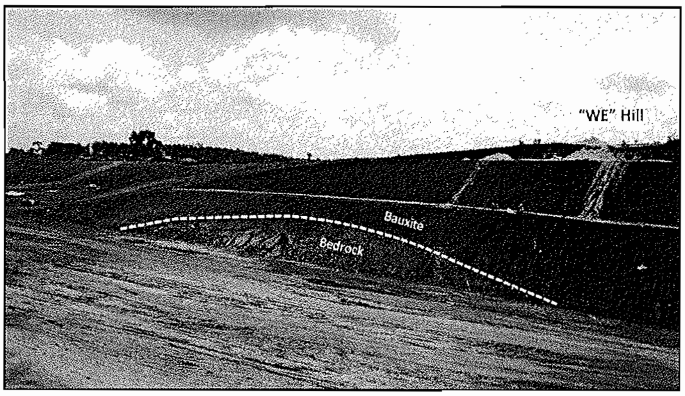
KREATIF SELARAS SDN BHD – Bkt GOH BAUXITE PROJECT
RESOURCES ESTIMATE (SURPAC Blocks (except for "WS" Hill calculated by manual blocks)
15% cutoff of concretions

HILL	RAW ORE		CONCRETIONS > 2mm		
	VOLUME (m3)	TONNAGE (tons)	THICKNESS (m)	%	TONNAGE (tons)
SE	509,265 m3	1,018,530 t	5.86 m	25.19 %	**274,592 t**
SW	380,000 m3	760,000 t	5.69 m	26.96 %	**204,893 t**
WE	425,000 m3	850,000 t	5.57 m	27.71 %	**235,550 t**
WW	680,000 m3	1,360,000 t	6.87 m	30.79 %	**418,733 t**
WS*	81,900 m3	163,000 t	4.57 m	28.85 %	**46,300 t***
NW	311,000 m3	622,000 t	5.63 m	20.84 %	**158,493 t**
NN	109,000 m3	218,000 t	3.38 m	20.84 %	**45,425t**
NE	72,000 m3	144,000 t	6.20 m	29.59 %	**42,614 t**
	Total:	*Total:*	*Average:*	*Average:*	*Total:*
	2,568,165 m3	**5,135,530 t**	**5.46 m**	**26.35 %**	**1,426,500 t**

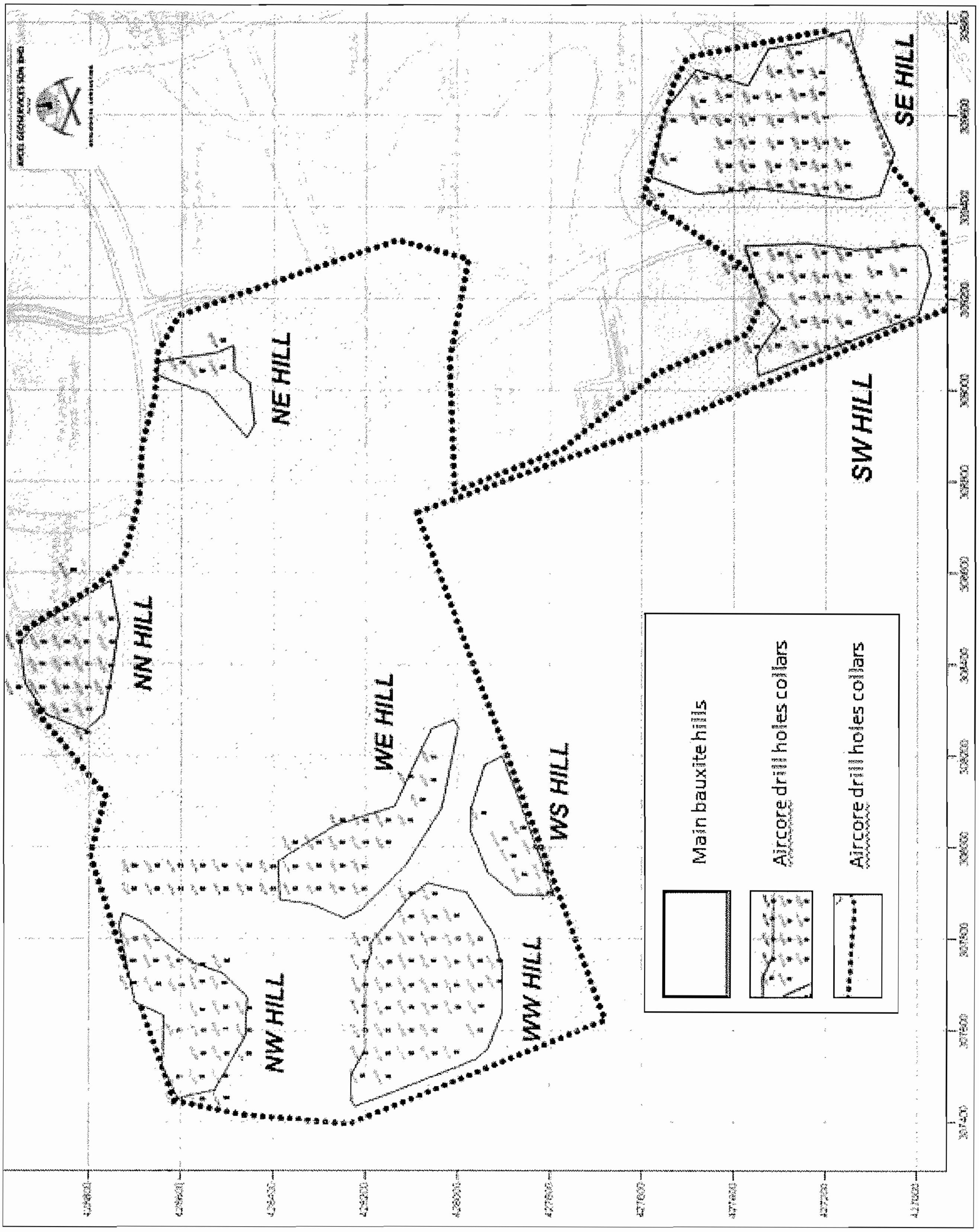
* WS" Hill calculated by manual blocks

Typical vertical section either original with overburden (soil) or already partly stripped





Outline of the 8 main hills and location of the drill-holes



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Independent Advisor's Declaration

The information in this report that relates to the exploration, identification and estimation of bauxite resources in the Bukit Goh/Kota SAS project area are compiled by Dr.Yves Cheze, a Director of Aycel Geoservices Sdn Bhd, a Member of the Australian Institute of Geoscientists (AIG) and qualified as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting Exploration Results, Mineral resources and Ore Reserves". Dr.Yves Cheze was commissioned for the study by Kreatif Selaras Mining Sdn Bhd and is an independent consultant geologist to the Company. Aycel Geoservices Sdn Bhd is a Malaysian incorporated company where business is reflected in the following extract of the Company M&A: "To carry on any of the trades, professions or consultants in relation to geology type of businesses, study of the earth, life of rocks, climate, land, natural features of the earth, inhabitants and any mining objects or concessions or any metalliferous lands, any lands of whatsoever tenure or title containing tin, precious stones, silver, iron, coals and other valuable objects; the preparation and provision of any related investigation, specialist contractor services, text facilities and instrumentation, the construction, study and preparation of all kinds of related business as aforesaid and structures of all descriptions being carried out in any part of the world and to cover all activities usually or necessarily carried on in connection herewith or incidental thereto." The projects that Aycel Geoservices Sdn Bhd had been involved in include evaluation, exploration and identification of potential minerals in various parts of Malaysia, Indonesia, Papua New Guinea and Laos.

Dr.Yves Cheze qualifications and professional experience:

- *Education: Ph.D, University of Clermont-Ferrand, France, 1977, B.Sc. and M.Sc.*
- *Qualifications and experience*
  - *More than 36 years of experience in most technical and corporate aspects of mineral exploration, in Western and Eastern Africa, SE Asia including 15 years in Malaysia , PNG, North and South America.*
  - *Non-Executive Director of PGL Ltd, a Malaysian owned mining company listed on the AIM London Stock Exchange, Director of Bonanza Aycel Mining Sdn Bhd.*
  - *Director of Aycel Geoservices Sdn Bhd, a company supplying services to the mining industry*

- *Professional memberships & affiliations*
  - *Member of Australian Institute of Geoscientists (MAIG).*
  - *Member of the Geological Society of Malaysia (GSM)*
  - *Member of Malaysian Chamber of Mines (MCM)*
  - *Member of the Institute of Geology Malaysia (IGM)*

AYCEL GEOSERVICES SDN BHD

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Dr.Yves Cheze
Director

7.2.7 Major suppliers and customers

7.2.7.1 Major Suppliers

The following table sets forth our Group's major suppliers i.e. those individually contributing 10% or more of our purchases for the three years ended 31 December 2011, 31 December 2012 and 31 December 2013.

		For the year ended 31 December					
		2011		2012		2013	
Major supplier	**Type of product**	**RM**	**% of cost of sales**	**RM**	**% of cost of sales**	**RM**	**% of cost of sales**
Behn Meyer & Co (M) Sdn Bhd	Fertiliser	4,624,665	3.40	15,174,680	14.71	3,878,359	2.56

Our Group purchases fertilisers through a tendering process and we award tenders based on criteria such as pricing, quality of fertilisers and service, and industry reputation of the suppliers. As the price of fertiliser is market based, we are not dependent upon the contracts with the abovementioned supplier.

7.2.7.2 Major customers

The following table sets forth our Group's major customers i.e. those individually contributing 10% or more of our turnover for the three years ended 31 December 2011, 31 December 2012 and 31 December 2013.

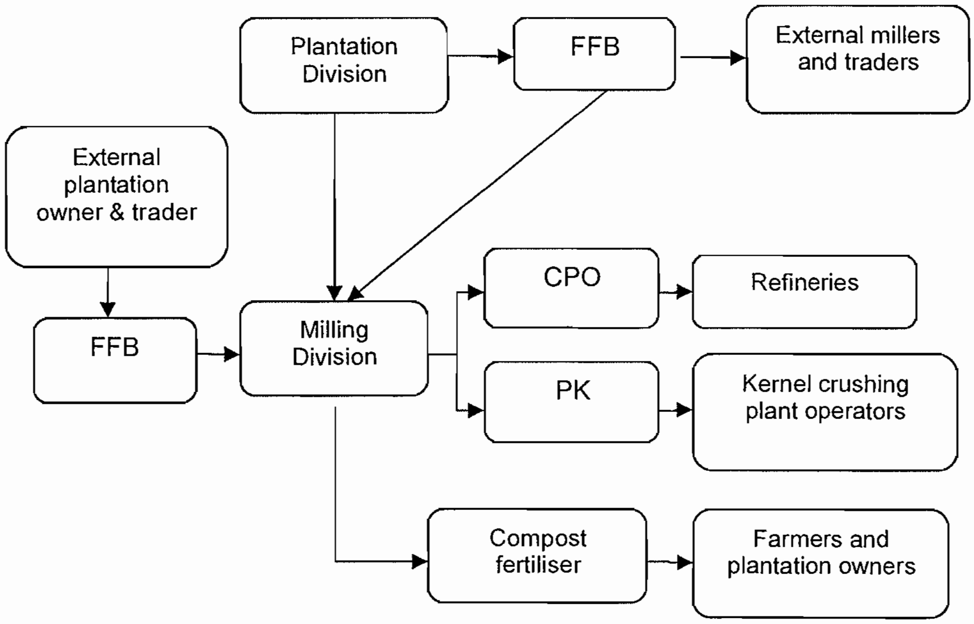
		For the year ended 31 December					
		2011		2012		2013	
Major customers	**Type of product**	**RM**	**% of revenue**	**RM**	**% of revenue**	**RM**	**% of revenue**
Kilang Sawit C.P Sdn Bhd	FFB	-	-	1,830,755	0.88	30,704,460	12.61
Sern Lee Enterprise Sdn Bhd	FFB	82,292,414	29.14	75,392,640	36.31	11,718,798	4.81
TT Max Enterprise Sdn Bhd	FFB	61,542,269	21.79	11,640,940	5.61	-	-

Our Group sells our FFB through a yearly tendering process and it is sold to the customer with the highest bid. The FFB contracts are entered into for a year with those third party traders and millers that have been selected based on their respective bids. Notwithstanding that pricing is a main consideration in the selection process, the creditworthiness and industry reputation of the customer is also considered. As there is no lack of demand for FFB in Malaysia, we are not dependent upon the contracts with any of the abovementioned customers. Our sales and marketing processes are as described in Section 7.2.8 below.

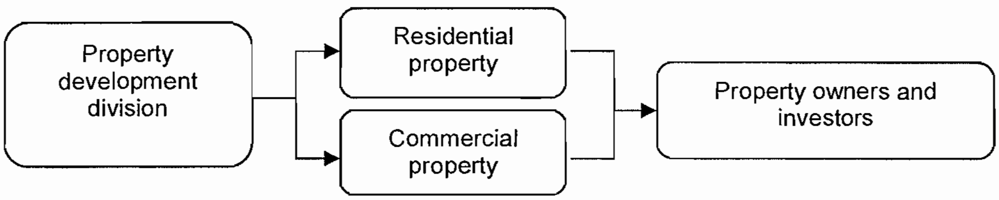
7.2.8 Sales and marketing

The flow charts below set out the distribution channels of our plantation business, and property development business:

Plantation business



Property development business



Plantation business

Currently, all FFB produced and collected at our plantation estates are sold to our own palm oil mill and other third party traders and millers. We sell our FFB to external palm oil mills and traders via a tendering process to ensure better pricing to be achieved on our sales of FFB. As there is no lack of demand for FFB in Malaysia, we are not dependent upon contracts with any particular customer.

The CPO and PK produced at our mill are sold to local refineries and kernel crushing plant operators respectively.

Property development business

We have a sales and marketing division for our property development business. We have a sales office cum showroom located at the KotaSAS Township to promote and market the properties that are developed by us. As at the LPD, we have a total of nine sales and marketing staff in the property development division to promote and market our properties. We do not have any major customers in our property development segment as our properties are sold to the general public.

7.2.9 Business interruptions

There has not been any material interruption to our business activities during the past 12 months.

7.2.10 Quality control, certification and recognitions

Plantation business

We place a heavy emphasis on the quality of our products. Our main products such as FFB, CPO and PK are subjected to the CPO price movement; however, the quality of FFB cultivated and harvested has an impact on the sales price of FFB as well. High quality FFB (FFB that is both ripe and fresh) can produce higher volume and quality CPO and PK. We practise quality control policies and procedures at various stages of our plantation and milling operations. All processes, including the planting of seeds, harvesting of FFB, extraction of CPO and storage of extracted CPO are closely monitored and checked by our Group.

In the plantation operations, we are committed to the use of best estate practices, which include good field and harvesting standards and proper application of fertilisers to optimise crop yields. We place emphasis on the ripeness and freshness of our FFB to ensure the quality is consistently maintained. Our Group's policy is to process the FFB within 48 hours after harvesting in order to minimise the build-up of FFA, as this reduces the quality of CPO extracted. All harvested FFB must be delivered to our mill or third party mills within a specific timeframe.

In the milling process, we only accept ripe FFB (according to MPOB standard for ripeness). All FFB received at our mill must be weighed and graded by our MPOB certified grader. During every stage of the milling process, our staff will conduct strict quality control procedures to ensure we produce quality CPO and PK. We have a laboratory at our mill to conduct tests on the extracted CPO and PK. Samples of CPO and PK are collected on a daily basis from the mill to be tested and analysed in accordance to the guidelines set by MPOB. This is to ensure the CPO and PK produced comply with industry standards and specifications (i.e., level of acidity or FFA content and DOBI of the CPO and PK).

We also frequently conduct quality checks on other raw material such as water, treated water and boiler water to maintain efficient operations in our mill. We also conduct schedule maintenance of the machinery in our mill to minimise machinery downtime as machinery breakdown will have an adverse effect on the performance of our milling operation which will delay the processing of FFB collected which may result in the spoilage of the FFB. This may in turn diminish our earnings.

Property development business

We place strong emphasis on the quality of properties which we develop, build and sell to home and property buyers and investors. We are and have always been committed to quality and timely delivery of our products.

We conduct quality control checks after the completion of each stage of construction, i.e., inspection of raw material used as well as inspection and testing of concreting and the civil, architectural, structure, mechanical and electrical works. Our quality control inspector is responsible for conducting site inspection on each unit under construction, to ensure conformity to our stringent specifications. Any non-conformance will be reported to the representative in charge. The representative in charge is then required to issue a report within an acceptable time, detailing the necessary actions that will be taken to rectify the non-conformance.

Where rectification works are required, our inspector and quality control inspector will follow up to ensure that the works are satisfactorily completed.

Once construction is completed, detailed quality control checks will be conducted on each unit, prior to delivery to our customers.

7.2.11 Machinery and equipment

Please refer to Annexure A of this Prospectus for information on the material machinery and equipment of our Group.

7.2.12 Operation capacity

Our primary business is in the oil palm-based industry, particularly oil palm plantation and milling activities. In our plantation business, our products are FFB, CPO, PK and compost fertiliser. Below is the production capacity and utilisation rate the Group's products from our plantation business for the year ended 31 December 2013:

Activity	Estimated annual maximum production capacity (mt)	Actual production for the year ended 31 December 2013 (mt)	Utilisation rate (%)
Production of CPO[(1), (2)]	37,440	31,676	84.60
Production of PK[(3)]	11,232	9,465	84.27
Production of compost fertiliser[(4)]	22,770	22,607	99.28

Notes:

(1) Our mill commenced operation in July 2012.

(2) Maximum production capacity of CPO is calculated based on 20% OER x 30 tph mill capacity x 20 hours processing time per day x 312 working days a year. During non-working day period, all machinery and equipment in the mill will be shut down for scheduled maintenance.

(3) Maximum production capacity of PK is calculated based on 6% PK recovery rate x 30 tph mill capacity x 20 hours processing time per day x 312 working days a year.

(4) Maximum production capacity of compost fertiliser is calculated based on 22% EFB recovery rate x 30 tph capacity x 20 hours processing time per day x 312 working days a year. During the composting process, 90% of the EFB recovered will be used for the composting process, whereas the remaining 10% is utilised as fuel for our broiler. The composting process typically results in a 50% weight reduction on the compost fertiliser.

Presently, we have 13 plantation estates in the State of Pahang, Malaysia with a total land area of 17,969.06 ha comprising 11,633.19 ha that we own and 6,335.87 ha of the LKPP-leased Land. Out of the 17,969.06 ha, approximately 17,057.06 ha is plantable. The remaining 912.00 ha of the land area is unplantable and is mainly used for roads, buildings and drainage in our plantation estates. As at the LPD, approximately 13,529.57 ha or 79.32% of our plantable area is planted, of which 11,728.91 ha and 1,800.66 ha are mature and immature plantations, respectively.

7.2.13 Occupational safety and health and environmental matters

We have comprehensive health, safety and environmental management policies and systems covering environmental protection and conservation, people safety, health and asset protection.

The occupational safety and health of our employees are of critical importance to our Group, and we are required to comply with a range of health and safety laws and regulations that are designed to protect our employees. In order to comply with these laws and regulations, we have developed standard operating and maintenance procedures and are required to maintain records and report data on a timely basis. We review our occupational and health and safety standards on an on-going basis and our operations are subject to inspections by government authorities periodically throughout the year.

We maintain compliance with health and safety regulations promulgated by local and national governing bodies. The results of inspections and other compliance requirements are typically within the required specifications.

Our cultivation of oil palms raises environmental considerations. We are mindful that certain aspects of our oil palm plantation and CPO processing may have an environmental impact on our environment. Therefore, with the view to conserving and preserving our surrounding environment, we promote environmentally-friendly oil palm plantation practices and have adopted best estate practices at our plantation estates to ensure sustainable oil palm cultivation. These include:

(i) constructing terraces on sloping land and planting leguminous cover crops to reduce soil and water runoff during early oil palm establishment;

(ii) avoiding blanket weeding, which allows soft grass to grow in between the oil palm rows in order to conserve moisture;

(iii) adopting "zero burn" techniques during replanting and new planting. We clear trees and vegetation using machinery and chain saws instead of traditional "slash-and-burn" methods of land-clearing that cause air pollution and risk forest fires. Although this method is deemed comparatively costly, we have voluntarily used it to minimise the impact of our land clearing activities on the environment; and

(iv) adopting a minimum waste management on CPO production waste: We apply a minimum waste policy among others, by turning our waste products such as EFB to compost fertiliser through our compost plant.

As part of our commitment to produce in an environmentally sound and sustainable manner, we aim to:

(i) take into consideration the environmental impact of any major change in our processes or expansion;

(ii) ensure the safety of our products and operations for the environment, using standards of environmental impact assessment and pollution prevention systems which are approved by the DOE;

(iii) develop and apply systems of environmental management as part of our day-to-day operational practice and on-going management reporting and control procedures; and

(iv) comply with all government environmental legislation regarding permissible levels of emissions from plant and machinery.

In order to reduce the environmental impact of oil palm plantations, the Government requires that an environmental impact assessment report be prepared and approved before any grant of approval to develop new oil palm plantations. Substantially all of our land suitable for cultivation of oil palms has been developed. Should we acquire new lands, we would comply with the environmental impact assessment requirements.

The air pollution and waste water effluent produced by our palm oil mill is monitored by the DOE, the Government agency responsible for implementing and monitoring the Government's pollution control regulations and policies, as well as by certain local government authorities. The DOE has the power to take action against us for any failure to comply with its environmental regulations. The DOE can order for the suspension of operations, impose fines and revoke licences and concessions.

We believe we are in material compliance with all applicable Malaysian environmental rules and regulations. However, it is possible that the Government, its environmental agency or other governmental authorities could impose additional regulations, which may require us to spend additional funds on environmental matters.

7.2.14 Insurance

Our Group maintains insurance coverage in respect of our equipment, machinery, motor vehicles, buildings, facilities and assets (excluding our oil palms). Such insurance coverage includes industrial all risk insurance coverage for our storage tanks, palm oil mill and inventory. These insurance policies cover losses caused by, inter alia, fires, explosions, lightning strikes, floods, typhoons, storms, sudden landslides, depressions and sinking of the ground and other force majeure events, but exclude, inter alia, wars, hostile acts, military actions, riots, nuclear radiation and earthquakes.

Our insurance coverage is consistent with standard practices in the Malaysian plantation and milling industries. We take other pre-cautionary steps to reduce the risks of fire, such as using watch towers on some of our plantation estates.

We generally maintain insurance policies for our employees, including personal accident coverage and hospitalisation; we also maintain SOCSO coverage for all our local employees. The insurance policies for construction work for our property development business are taken up on our behalf by our contractors. We ensure that we are named as beneficiaries under such policies.

For the three years ended 31 December 2011, 31 December 2012 and 31 December 2013, our Group paid an aggregate of RM212,873, RM261,619 and RM304,396 respectively, in insurance policy premiums.

7.2.15 Major licences and permits

Please refer to Annexure B of this Prospectus for information on the major licences and permits held by our Group.

7.2.16 Governing laws and regulations

Our Group's business activities in Malaysia are subject to regulation by various laws, regulations and government agencies. These regulations require us to possess various licences or approvals in order to carry out our operations. Please refer to Annexure B of this Prospectus for further information on the various licences and approvals we hold. We are also subject to the following governing laws and regulations. As at LPD, our Directors are not aware of any such breach of laws and regulations governing our business that may have a material adverse impact on our operations.

Oil palm-based industry

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, which among others, includes palm oil. The Ministry of Plantation Industries and Commodities is empowered to make regulations for the oil palm-based industry of Malaysia.

Other legislations

The cultivation, movement, sale, purchase and milling of the palm fruit as well as the sale, movement and purchase of palm oil and PK in Malaysia are governed by the following legislations:

(i) Malaysian Palm Oil Board Act, 1998 ("**MPOB Act**")

The MPOB Act empowers MPOB to govern and regulate every aspect of palm oil business in Malaysia. The MPOB Act emphasises on the composition and the powers of the MPOB. The establishment of the MPOB is 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. Furthermore, the MPOB is also responsible for regulating, registering, coordinating and promoting all activities relating to the planting, supply, sale, purchase, distribution, movement, storage, surveying, testing, inspecting, brokering, export and import of oil palm products, and the milling of oil palm fruit.

Our Group has a duty to work hand in hand with the MPOB to ensure that MPOB can achieve its objectives. Our Group will have to comply with regulations passed by the MPOB, where applicable.

(ii) Malaysian Palm Oil Board (Licensing) Regulations, 2005

The Malaysian Palm Oil Board (Licensing) Regulations 2005 regulate all oil palm licensed activities. These regulations prescribe the licenses required and the procedures and the relevant forms for applications for licences to produce, sell, store, purchase, and export or import of oil palm planting material, oil palm fruit, PK and other oil palm-based products.

As our main business revolves around the oil palm plantation business, we ensure that we adhere to these regulations so as to ensure smooth and legitimate operations. We monitor all our existing licences and ensure that we apply to renewals where necessary.

(iii) Malaysian Palm Oil Board (Quality) Regulations, 2005

The purpose of these regulations is to control, determine and maintain the quality of all activities in the oil palm-based industry. This includes, inter alia, the production and management of oil palm planting material; grading and milling of oil palm fruit, and processing, handling, storage, transfer and transportation of oil palm products. These regulations also provide that the MPOB may determine the type and quality of oil palm products that may be sold, exported, imported, consigned or otherwise dealt with.

Our Group is required to comply with the guidelines stated in the Malaysian Palm Oil Board (Quality) Regulations with relation to the quality of oil palm-based products.

(iv) Malaysian Palm Oil Board (Registration of Contracts) Regulations, 2005

The diverse nature of our Group's business in oil palm plantation involves a lot of highly dependent contracts to maintain a sustainable business model. The Malaysian Palm Oil Board (Registration of Contracts) Regulations provide for the registration of contracts in relation to the sale and purchase of oil palm products and the details of such contracts (other than contracts for palm oleochemicals which need not be registered but not including international contracts for export of palm oleochemicals). It is a requirement to ensure such contracts are specifically tailored for oil palm-based business. The MPOB must be informed of such contracts based on the procedures laid out under these regulations.

(v) Malaysian Palm Oil Board (Compounding of Offences) Regulations, 2005

These regulations provide that all offences committed under the MPOB Act and regulations enacted under the MPOB Act that are specified in these regulations, may be compounded by the Director-General of the MPOB. Due to the complexity of process and nature of the oil palm-based business, it is important for our Group to distinguish the act or conduct which amounts to an offence.

(vi) Windfall Profit Levy Act, 1998

Section 6 of this legislation prescribes that windfall profit levy may be imposed upon goods as prescribed under the legislation. Pursuant to the Windfall Profit Levy (Oil Palm Fruit) Order 2008, oil palm fruit falls within the definition of "prescribed goods" pursuant to the Windfall Profit Levy Act 1998. The levy under this legislation is triggered where the price of CPO exceeds RM2,500.00 per mt and the windfall profit levy imposed in Peninsular Malaysia is calculated as follows:

Windfall profit levy = (Monthly average national price of CPO - RM2,500.00) x 0.03 x Monthly total production of FFB in mt.

Property development industry

(i) Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994

This legislation requires all builders, contractors and sub-contractors, whether foreign or local, to register with the CIDB and comply with the provisions of this legislation before undertaking and executing any construction work in Malaysia.

(ii) Housing Development (Control and Licensing) Act 1966

This legislation provides that any housing development undertaken by a housing developer must in possession of a licence issued by the Ministry of Housing and Local Government.

7.2.17 Dependency on commercial contracts

The following contracts and arrangements, being contracts and arrangement within the ordinary course of business, are those which our Group is highly dependent on and are material to our business and profitability:

(i) Lease agreement dated 4 December 1984 made between LKPP and Kurnia Setia whereby LKPP had agreed to lease to Kurnia Setia 5,154 acres of land in Ladang Paloh Hinai, 3,346 acres of land in Ladang Kampong Bongsu and 4,560 acres of land in Ladang Charuk Puting for a period of 99 years, ending 13 December 2074. Kurnia Setia shall pay LKPP a sum of RM10 per acre for the first year, RM20 per acre for the second year, RM30 per acre for the third year, RM40 per acre for the fourth year and RM50 per acre starting from the fifth year until the expiration of the lease agreement. The term of lease for the lands is 60 years which commenced from 1984 and shall be subject to extension for a further 30 years after the expiration of the initial 60 year period. LKPP has the right to terminate the lease agreement by giving six months prior written notice to Kurnia Setia in the event of breach of any of the terms and conditions stipulated under the lease agreement.

(ii) Lease agreement dated 29 March 1990 made between LKPP and Kurnia Setia whereby LKPP had agreed to lease to Kurnia Setia approximately 1,578.50 acres of land owned by LKPP as part of Ladang Sungai Sering for a period of 66 years, ending 17 October 2054. Kurnia Setia shall pay LKPP a sum of RM10 per acre for the first year, RM20 per acre for the second year, RM30 per acre for the third year, RM40 per acre for the fourth year and RM50 per acre starting from the fifth year until the expiration of the lease agreement. The term of lease for the land is for 66 years which commenced from 18 October 1988. LKPP has the right to terminate the lease agreement by giving six months prior written notice to Kurnia Setia in the event of breach of any of the terms and conditions stipulated under the lease agreement.

(iii) Lease agreement dated 10 April 2012 made between LKPP and Tanah Makmur whereby LKPP had agreed to lease to Tanah Makmur approximately 444.80 ha of land owned by LKPP as part of Ladang Sungai Selama Lanar for a period of 99 years, ending 6 June 2095. Tanah Makmur shall pay LKPP an annual lease of payment of RM75, per acre and from the fourth year until the expiration of the lease, Tanah Makmur shall pay an annual lease payment of RM150 per acre. The term of lease for the land shall be for 60 years which commenced from 10 April 2012. LKPP shall have the right to terminate the lease agreement in the event that (1) Tanah Makmur breaches of any of the terms and conditions stipulated under the lease agreement and fails to remedy such breach within three months written notice by LKPP, (2) Tanah Makmur enters into any scheme of arrangement or has an administrator appointed over any part of Tanah Makmur's assets, (3) Tanah Makmur enters into (or threatens to enter into) any arrangement for the benefit of its creditors or, (4) Tanah Makmur has any judgment entered against it that may have a material effect on Tanah Makmur's ability to make its lease payments.

In the event that LKPP (1) breaches any of the terms and conditions stipulated under the lease agreement and fails to remedy such breach within three months written notice by Tanah Makmur, (2) enters into a scheme of arrangement or has an administrator appointed over any part of its assets, (3) enters into (or threatens to enter into) any arrangement for the benefit of its creditors or, (4) has any judgment entered against it which may have a material effect on LKPP's ability to carry out its obligations pursuant to the lease agreement, Tanah Makmur shall be entitled to specific performance and/or any other forms of relief available to it and shall be entitled to terminate the lease agreement without prejudice to any rights and reliefs available to Tanah Makmur. In the event of such termination, Tanah Makmur shall be entitled to a refund of any lease payments already paid on a pro-rated basis from the time that the lease is no longer in force and to any development costs incurred by Tanah Makmur on the leased lands.

7.2.18 Employees

As at the LPD, our Group employed a total of 1,101 employees, of whom 282 are the permanent employees and 819 are the contract employees. Our permanent staff generally includes executives and non-executives while contract staff generally includes other staff (such as daily rated workers) and a number of executive and non-executives.

The following table sets forth a summary of our Group's total workforce by business segment and job functions from the year ended 31 December 2010 to the year ended 31 December 2012, as well as at the LPD:

Business segment	For the year ended 31 December 2011	2012	2013	As at the LPD
Plantation	1,026	1,261	1,154	1,006
Property development	67	69	91	95
Total	1,093	1,330	1,245	1,101

Job functions	For the year ended 31 December 2011	2012	2013	As at the LPD
Senior management and above	21	22	24	25
Executives	39	48	52	56
Non-executives	110	185	181	201
Workers	923	1,075	988	819
Total	1,093	1,330	1,245	1,101

Our Group is largely dependent on foreign employees, primarily from Indonesia as our plantation and property development operations are largely labour intensive and the rising standard of living in Malaysia has made it difficult to procure Malaysian employees to carry out laborious work in our plantation estates and development site. In this regard, we are reliant upon third party agents to recruit foreign labour for us. As at the LPD, the foreign workers constituted approximately 74.39% of our total workforce. Foreign employees used for our plantation business are employed by us directly, with foreign employees enjoying the same benefits as local estate employees, excluding contributions to EPF and SOCSO. Foreign employees working in our property development sector are hired by our contractors.

The following table sets forth a summary of our employee segmentation by local and foreign workers as at the LPD:

Business segment	Malaysian employees	Foreign employees	Total
Plantation	214	792	1,006
Property development	68	27	95
Total	282	819	1,101

Malaysian employment regulations require employers and employees to contribute to the EPF to provide for the retirement and other needs of employees. Present regulation require that employees contribute a minimum amount equivalent to 11% of their salary to the EPF via payroll deduction and that employers shall contribute a minimum amount equivalent to 12% (for employees whose salary is more than RM5,000.00) and 13% (for employees whose salary is RM5,000.00 and below) of an employee's monthly salary to the EPF. Under employment contracts entered into by our Group, employers contribute up to 13% of the salaries to the EPF. As the law does not require employers to make contributions to the EPF with respect to foreign employees, we do not make contributions to the EPF for our foreign employees.

We have in place a defined benefit plan whereby staff who are retiring are awarded benefits based on the number of years that they have served with our Group. Other than the above and our contributions to the EPF and SOCSO, we do not maintain any other retirement, pension or severance plans or have any unfunded pension liabilities, nor do we owe any amounts to any present or former employees not in ordinary course of business operations.

Wages for our plantation estate workers are based on a basic salary and a variable component dependent on the quantity of produce a worker harvests.

As at the LPD, our employees are not represented by any unions. Our group has not experienced any major labour activism in the form of protests or intermittent work stoppages.

We recognise the need to retain our senior and middle management in order to ensure continuity in the achievement of our corporate objectives and the seamless implementation of our programmes and initiatives. Our key management, as profiled in Section 9 of this Prospectus, have an average of 10 years of experience.

Training and Development

As our employees are key contributors to the growth of our Group, we seek to continuously improve the quality and skills of our employees as this helps them to upgrade their skills so as to increase their productivity and stay relevant in their respective areas of work. We conduct in-house training programmes and allow our employees to attend external seminars to help improve their skills and technical expertise relating to various aspects of our business operations, laws and regulations governing employment practice and knowledge, and work safety.

The following table provides details of the recent training programmes attended by our employees in the past three years up to the LPD:

Year	Programme	Organiser
2011	Foreign Manpower Conference 2011	Bridge Knowledge Events (M) Sdn Bhd
2011	Kursus Pengurusan dan Penyelenggaraan	MPOB
2011	Course of construction industry	Department of Occupational Safety and Health
2011	Course for developers	Ministry of Housing and Local Government of Malaysia

Year	Programme	Organiser
2012	Basic Train The Trainer - National of Occupational Safety and Health (NIOSH)	National Institute of Occupational Safety and Health (NIOSH)
2012	Seminar Isu-isu perburuhan semasa dan penyelesaiannya	Pejabat Tenaga Kerja Raub
2012	Kursus Kemahiran Menggred buah sawit Wilayah Selatan 2012	MPOB
2012	Seminar Undang-Undang Pekerjaan Baru	Bridge Knowledge Events (M) Sdn Bhd
2012	Authorised Entrant & Standby Person for Confined space	National Institute of Occupational Safety and Health (NIOSH)
2013	Goods & Services Tax	CPA Malaysia
2013	Ceramah dan Dialog Keselamatan dan Kesihatan Pekerjaan	Jabatan Keselamatan dan Kesihatan Pekerjaan Pahang (Kementerian Sumber Manusia)
2013	Seminar Panduan Praktikal Audit Dalaman	Bridge Knowledge Events (M) Sdn Bhd
2013	Seminar Confronting Management Challenges in the oil palm Industry	The Incorporated Society of Planters
2013	Hearing Loss Prevention and Audiometric Testing	National Institute of Occupational Safety and Health (NIOSH)
2013	CIDB Green Card program (for the registration and accreditation of construction personnel to enhance safety levels at construction worksites)	CIDB
2014	Roadshow for Malaysian Sustainable Palm Oil (MSPO)	MPOB
2014	Oil Palm Seminar 2014	Felda Agricutural Services Sdn Bhd
2014	Seminar of Financial Auditing for Internal Auditors	Institute of Internal Auditors Malaysia

Our wages and benefits are generally in accordance with market practices and we have a cordial relationship with our employees.

7.2.19 Corporate social responsibility

Prior to embarking on any new planting, a comprehensive and participatory independent social and environmental impact assessment will be undertaken to comply with prevailing governmental rules and regulations. The results will be incorporated into the planning and management of new plantings. We are mindful that some aspects of the plantation and mill management could have environmental and conservation impacts. As such, prior to any expansion of our plantation and mill operations, we will undertake an assessment to identify any potential negative impact on the environment in determining whether to proceed.

We adhere strictly to the "zero burning" policy in our land-clearing methods so as not to increase air pollution which is a health hazard to the local communities. In addition, we also apply a minimum waste management policy by among others, through our compost recycling waste products such as EFB into compost fertiliser.

We endeavour to contribute to society by making monetary contributions to among others, sports associations (both at state and national level), the Sultan Ahmad Shah Environmental Trust, and the Bakasa Children's Charity. We also have in place funds for our employees and their immediate family members for educational purposes. Our Group is also vested in the interests of the local community and we make annual monetary contributions to schools in the vicinity of our estates.

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(Prepared for inclusion in this Prospectus)

infobusiness

12 JUN 2014

The Board of Directors
Tanah Makmur Berhad (formerly known as Kreatif Selaras Sdn Bhd)
Bangunan Kurnia Setia
No. 1, Jalan Besar
25000 Kuantan
Pahang Darul Makmur
Malaysia

Dear Sirs,

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT ("EXECUTIVE SUMMARY") FOR TANAH MAKMUR BERHAD (FORMERLY KNOWN AS KREATIF SELARAS SDN BHD) ("TANAH MAKMUR" OR THE "COMPANY")

This Executive Summary has been prepared for inclusion in the Prospectus pursuant to the listing of Tanah Makmur on the Main Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an analysis of the oil palm-based industry in Malaysia and an overview of the property development industry in Pahang. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, Internet research and online databases.

The report contains information supplied by and analysis based on public and private sources. To the extent such sources have been cited herein, we hereby confirm that we are allowed to reference such sources. Although we believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information, we have not verified the data for accuracy or completeness, and make no representation with respect to information from any source external to us.

Infobusiness Research & Consulting Sdn Bhd ("Infobusiness Research") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, Infobusiness Research acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then Infobusiness Research has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

for and on behalf of
INFOBUSINESS RESEARCH & CONSULTING SDN BHD

Mark Lee
Director

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EXECUTIVE SUMMARY

This executive summary has been prepared to provide an overview of the oil palm-based industry in Malaysia and the property development industry in Pahang.

THE OIL PALM-BASED INDUSTRY IN MALAYSIA

1.1 INTRODUCTION TO THE OILS AND FATS INDUSTRY

The workings of the oils and fats industry are influenced by a complex inter-relationship of the demand and supply of the 17 major oils and fats, which are listed down in the table below. Many of the oils are interchangeable in their end-uses, and in addition, there exist processing techniques which can increase such inter-changeability. Even countries which are net exporters of certain oils and fats are often active as importers of other oils and fats when price and technical attributes influence such imports to be carried out.

Table 1: Global Production of Oils and Fats ('000 Metric Tonnes ["mt"])

	2009	2010	2011	2012	2013	CAGR
Palm oil	45,477	46,071	50,792	53,735	55,760	5.23%
Soyabean oil	36,075	40,196	41,568	41,751	42,821	4.38%
Rapeseed oil	21,821	24,041	23,782	24,807	25,106	3.57%
Sunflower oil	13,077	12,536	13,055	14,957	13,805	1.36%
PK oil	5,111	5,114	5,549	5,925	6,217	5.02%
Cottonseed oil	4,701	4,531	4,876	5,091	4,922	1.16%
Groundnut oil	4,250	4,259	4,324	4,051	3,985	-1.60%
Olive oil	3,024	3,323	3,464	3,347	2,878	-1.23%
Coconut oil	3,236	3,607	2,985	3,243	3,349	0.86%
Corn oil	2,317	2,411	2,557	2,758	2,922	5.97%
Sesame oil	834	870	864	858	842	0.24%
Castor oil	554	627	656	670	665	4.67%
Linseed oil	548	594	582	630	609	2.67%
Total vegetable oils	141,025	148,180	155,054	161,823	163,881	3.83%
Tallow	8,319	8,337	8,461	8,353	8,496	0.53%
Lard	7,781	8,014	8,141	8,211	8,298	1.62%
Butter	7,111	7,150	7,420	7,616	7,723	2.09%
Fish oil	1,044	891	1,073	926	934	-2.75%
Total animal oils/ fats	24,255	24,392	25,095	25,106	25,451	1.21%
Grand Total	**165,280**	**172,572**	**180,149**	**186,929**	**189,332**	**3.45%**

Source: Infobusiness Research

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Global production of vegetable oils expanded faster at a compounded annual growth rate ("CAGR") of 3.83%, as compared to global production of animal fats and /or oils which recorded a CAGR of 3.45%, during the period between 2009 and 2013. This shows the dominance of vegetable oils in the global oils and fats industry.

Palm oil is the most commonly produced vegetable oil in the world. Global production of palm oil and palm kernel ("PK") oil increased at a CAGR of 5.23% and 5.02%, respectively, during the period between 2009 and 2013.

1.2 INTRODUCTION TO THE OIL PALM-BASED INDUSTRY

Starting off as an ornamental plant, the oil palm crop has developed into a multi-billion ringgit industry in Malaysia. The Malaysian Government ("Government") embarked on an agricultural diversification programme to reduce the country's economic dependence on natural rubber and tin in the 1950s, through the cultivation of the oil palm crop. Since then, the development of the oil palm-based industry in Malaysia has been remarkable. The best growing conditions for palm trees exist in a tight band around the equator, limiting the number of places the crop can be successfully farmed. The oil palm tree reaches maturity at about four (4) years of age and has an economic lifespan of approximately 30 years. A unique feature of the oil palm tree is that it produces two (2) types of oil, palm oil from the flesh or mesocarp of the fruit, and PK oil from the seed or kernel.

Although Indonesia surpassed Malaysia in the production of palm oil in 2006, Malaysia remains one of the largest exporters of the commodity in the world. Principally due to the scarcity of land in Malaysia, Indonesia has emerged to become the largest producer of palm oil, recording a CAGR of 7.49% between 2009 and 2013. In contrast, the production of palm oil in Malaysia registered a CAGR of 2.27% during the corresponding period. This is also shown by Malaysia's share of global palm oil production, which decreased from 38.62% in 2009 to 34.46% in 2013. Overall, the global production of palm oil expanded at a CAGR of 5.23% between 2009 and 2013.

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Table 2: Global Major Producers of Palm Oil ('000 mt)

Country	2009	2010	2011	2012	2013	CAGR
Indonesia	21,200	22,300	24,300	26,900	28,300	7.49%
Malaysia	17,565	16,994	18,912	18,785	19,215	2.27%
Thailand	1,310	1,380	1,530	1,670	1,910	9.89%
Colombia	802	753	941	967	1,040	6.71%
Nigeria	870	885	930	940	960	2.49%
Ecuador	429	380	495	540	500	3.90%
Papua New Guinea	478	500	560	530	545	3.33%
Honduras	280	275	320	395	444	12.22%
Cote d'Ivoire	358	360	410	420	428	4.57%
Guatemala	180	182	248	310	344	17.58%
Brazil	240	250	270	310	340	9.10%
Costa Rica	206	227	241	260	245	4.43%
Venezuela	84	75	60	55	52	-11.30%
Others	1,475	1,510	1,575	1,653	1,437	-0.65%
Total	**45,477**	**46,071**	**50,792**	**53,735**	**55,760**	**5.23%**

Source: Infobusiness Research

1.3 SEGMENTATION OF THE OIL PALM-BASED INDUSTRY

Although the oil palm-based industry in Malaysia spans the entire value chain from plantations to downstream manufacturing activities, its development is heavily skewed towards upstream activities, namely production and processing of FFB, palm oil refining and PK crushing activities. However, there is a growing level of integration along the value chain.

The general segmentation of the oil palm-based industry can be illustrated by the value chain of the industry as illustrated in the diagram below.

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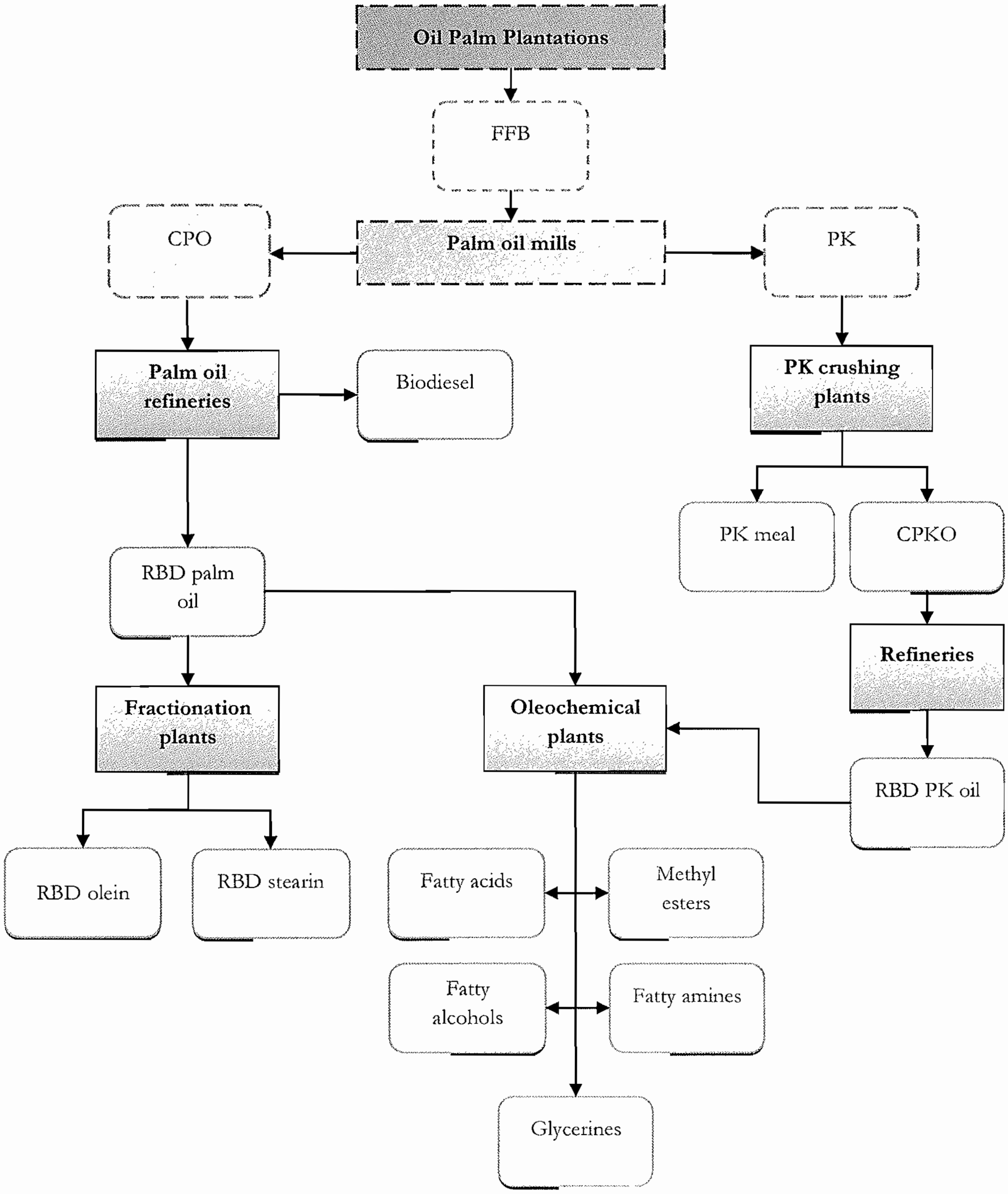
Figure 1: Value Chain of the Oil Palm-Based Industry



Notes:
The harvesting of FFB from oil palm plantations falls under the agricultural sector; while the rest of the activities fall under the manufacturing sector as they involve the physical or chemical transformation of materials or components into new products.
Tanah Makmur is involved in oil palm plantations and palm oil mills of the oil palm-based industry as indicated by the dotted boxes.
Source: Infobusiness Research

- FFB – It refers to the bunch harvested from the oil palm tree;

- CPO – The oil extracted from the FFB in palm oil mills;

- Palm oil mills – The first stage of processing, which produces CPO from the FFB;

- Palm oil refineries – The second stage of processing, which produces quality, edible oil by removing impurities such as free fatty acids, colours and unwanted flavours;

- Biodiesel – A form of diesel fuel that is manufactured from vegetable oils such as palm oil;

- Fractionation plants – The factories where refined, bleached and deodorised ("RBD") palm oil is separated into two (2) fractions, olein and stearin;

- RBD olein – The liquid fraction of palm oil after fractionalisation. Widely used for frying food, it is valued for its resistance to oxidation and the long shelf life it lends to food fried in it. It is largely used as cooking oil;

- RBD stearin – The solid fraction of palm oil after fractionalisation. The solid consistency of palm stearin makes it useful in the production of margarine and in baked goods requiring the use of hard fats;

- PK – They are the seeds or endosperm of the oil palm trees;

- PK crushing plants – Factories which crush the kernel to obtain crude palm kernel oil ("CPKO");

- CPKO - It differs significantly from palm oil in both composition and properties. The derivative of CPKO, PK oil is used for a host of food and non-food applications;

- PK meal – Also known as PK cake, it is a by-product from the manufacturing of CPKO from PK;

- RBD PK oil – They are high value added products utilised to make specialty fats for various food products, such as cocoa butter replacer, confectionary fats, frying shortening, ice cream fats, icing and filling fats, margarines, milk fat replacer, spread fats, baking shortening and cocoa butter equivalent; as well as important raw materials for the oleochemicals industry;

- Oleochemical plants – Factories which produce chemicals derived from vegetable oils and animal oils /fats; and

- Fatty acids, methyl esters, fatty alcohols, fatty amines and glycerines – They are basic oleochemicals and various types of derivatives can be derived from them through various chemical modifications.

1.4 GOVERNMENT LEGISLATIONS, POLICIES AND INCENTIVES

1.4.1 Government Legislations

Malaysia has a conducive regulatory environment for its oil palm-based industry, as it is regulated by the Malaysian Palm Oil Board ("MPOB"), which monitors and assists the industry, as well as the Department of Environment and the Department of Occupational Safety and Health. The regulatory environment encompasses the following, amongst others:

- Malaysian Palm Oil Board (Licensing) Regulations 2005;
- Malaysian Palm Oil Board (Quality) Regulations 2005;
- The Environmental Quality Act 1974;
- Environmental Quality (Prescribed Premises) (Crude Palm Oil) Regulations 1977;
- Environmental Quality (Clean Air) Regulations 1978;
- Environmental Quality (Scheduled Wastes) Regulations 2005;
- Factories and Machinery Act 1967; and
- Occupational Safety and Health Act 1994.

1.4.2 Government Policies

During the period of the Third Industrial Master Plan 2006-2020, the oil palm-based industry is anticipated to expand its downstream manufacturing activities into a wider range of value added products. The commercialisation of R&D activities will also be intensified, through greater collaboration between research institutes in the public sector and industry. Taking into consideration the increasing consumer awareness on the environment and sustainable development, the industry will adopt a sustainable approach in the development of products from plantation to consumers. In addition, a positive image of the industry will be projected through adopting a zero waste strategy, involving the utilisation of palm biomass and promotion of biodiesel.

Under the Economic Transformation Programme ("ETP"), the oil palm-based industry has been identified as one (1) of the twelve national key economic areas ("NKEAs"). An NKEA is defined as a driver of economic activity that has the potential to directly and materially contribute a quantifiable amount of economic growth to the Malaysian economy.

1.4.3 Government Incentives

Under the Promotion of Investments Act 1986, agricultural companies producing promoted products or engaged in promoted activities are eligible for pioneer status. The company would enjoy a partial exemption from income tax and pays tax on 30% of its statutory income for five (5) years, commencing from its production day (defined as the day of first sale of the agriculture produce). Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post-pioneer income of the company.

As an alternative to pioneer status, companies producing promoted products or engaged in promoted activities can apply for an investment tax allowance. A company granted an investment tax allowance is eligible for an allowance of 60% on its qualifying capital expenditure incurred within five (5) years from the date the first qualifying capital expenditure is incurred.

Companies can offset this allowance against 70% of their statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised. The remaining 30% of the statutory income is taxed at the prevailing company tax rate.

1.5 PAST PERFORMANCE

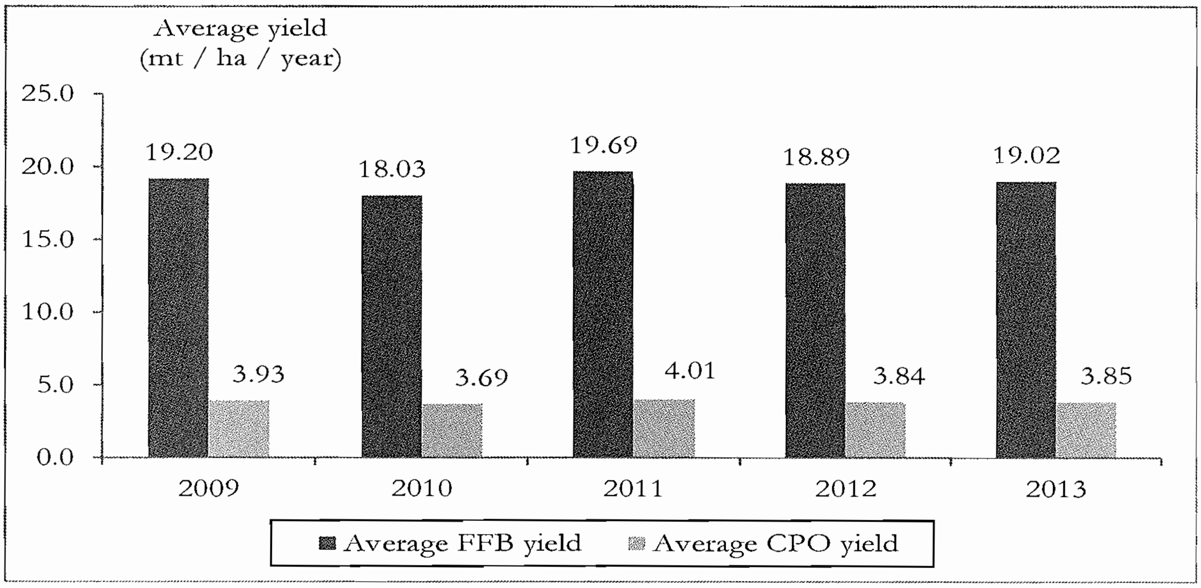
The past performance of the oil palm-based industry can be analysed based on the oil palm plantation and palm oil milling activities.

1.5.1 OIL PALM PLANTATION

Palm oil production has surged in recent decades, owing to the success and support of R&D activities in developing higher-yielding, top quality crops by the MPOB and empowering Malaysian farmers to participate through smallholder schemes.

The average FFB yield in mt / ha / year had declined by a CAGR of 0.24% between 2009 and 2013. In the case of average CPO yield in mt / ha / year, it decreased by a CAGR of 0.51% during the corresponding period. These are due to a combination of reasons such as adverse weather, restrictive labour policies, ageing oil palm trees and plant diseases. For example, the last El Nino-induced drought in 2009 and 2010 had an impact on both average FFB yield and average CPO yield.

Figure 2: Average FFB Yield and CPO Yield in Malaysia (mt / ha / year)



Source: Infobusiness Research

1.5.2 PALM OIL MILLING

The number of palm oil mills increased from 416 in 2009 to 434 in 2013. Most plantation companies prefer to integrate forward to possessing an in-house palm oil mill, if factors such as economies of scale and distances between the oil palm plantations and palm oil mills permit. The location of oil palm plantations in close proximity to the palm oil mills assists to ensure that the FFB arrives at the latter with minimal spoilage. For quality reasons, FFB have to be processed within three (3) days after harvesting, and for high quality oils, even within 24 hours.

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Table 3: Selected Statistics on Palm Oil Milling in Malaysia

Year	Palm oil mills	FFB received (mt)	FFB processed (mt)	Production of CPO (mt)	OER (%)	Production of PK (mt)	PK recovery rate (%)
2009	416	86,581,156	85,705,495	17,564,937	20.49	4,500,683	5.25%
2010	421	83,918,123	83,090,935	16,993,717	20.45	4,292,076	5.17%
2011	426	93,815,372	92,917,496	18,911,520	20.35	4,706,603	5.07%
2012	432	93,265,094	92,328,847	18,785,030	20.35	4,705,900	5.10%
2013	434	95,728,589	94,917,736	19,216,459	20.25	4,859,302	5.12%
CAGR	**1.06%**	**2.54%**	**2.59%**	**2.27%**	**-0.29%**	**1.94%**	**-0.62%**

Notes:
The OER is derived from the division of the production of CPO over FFB processed.
The PK recovery rate is derived from the division of production of PK over FFB processed.
Source: Infobusiness Research

The tonnage of FFB received increased at a CAGR of 2.54%, while FFB processed by the palm oil mills increased at a slightly faster CAGR of 2.59% during the years between 2009 and 2013. The principal reason for the slight difference in tonnage between FFB received and FFB processed is due to FFB spoilage before milling takes place.

The production of CPO increased by a CAGR of 2.27% between 2009 and 2013; while the oil extraction rate ("OER") decreased by a CAGR of 0.29% during the corresponding period. Both plantation companies and smallholders have been challenged to improve the OER as it functions as a management tool in assessing the performance of an estate. On a macro level, changes in OER have a bearing on the oil palm-based industry, as such changes point to either higher or lower CPO output from a land area, or the efficiency of the palm oil mills.

A by-product of palm oil milling is the production of PK, which are sold to the PK crushing plants to make CPKO and PK meals. The CPKO is a high value added product that is utilised for a host of food and non-food applications, while PK meals are highly fibrous and medium grade protein feed suitable for animal feeding. Although the production of PK increased by a CAGR of 1.94% between 2009 and 2013, the PK recovery rate declined by a marginal 0.62% in tandem.

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1.6 DEMAND AND SUPPLY CONDITIONS

1.6.1 DEMAND DRIVERS

The popularity of palm oil can be due to it being versatile in many areas of applications. It can be used in either food or non-food applications for a wide variety of products. For the purpose of this report, the demand drivers pertaining to the various uses of palm oil in the downstream manufacturing activities are discussed, as ultimately, they serve to generate the demand for palm oil. Palm oil is a precursor to many derivatives further downstream.

FOOD PRODUCTS

The food industry is the largest consumer of palm oil and its derivatives globally, estimated at approximately 80% of the demand. Palm oil-based food products have an extended shelf life since palm oil is extremely stable against the onset of rancidity and oxidative deterioration. They are consumed either directly or indirectly by the end-users such as consumers, restaurants and the food manufacturing industry. The food products and ingredients containing palm oil and its derivatives in industry are often used as part of the manufacturing processes and are not visible to the consumer in the end products. Palm oil and its derivatives are embedded in the following food products:

- margarines and spreads used by both consumers and food manufacturing industry;
- frying fats in both liquid and solid forms used by the food manufacturing industry and restaurants, as they are one of the best frying oils;
- food additives such as colours, preservatives, antioxidants, sweeteners, emulsifiers, stabilisers, thickeners and gelling agents;
- breads, cakes and pastries such as creams, fillings, and spreads;
- biscuits such as cookies and crackers;
- snacks such as crisps, nuts and instant noodles;
- confectionaries such as chocolates, sweets, mints and chewing gums;
- dairy products such as non-dairy ice cream, non-diary creamers, and milk fillers; and
- prepared food such as ready-made fresh and frozen meals.

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ANIMAL FEED

PK meal is a component of animal feed used for commercial livestock (such as cattle and sheep), pet food (such as cats and dogs) as well as domestic and commercial fish food. It is rich in proteins, energy and fibre and is primarily used in ruminant feeds. During the winter in temperate countries, PK meal provides a relatively cheap source of top up dry matter to balance slower growing and less readily available grass.

CLEANING AND HOUSEHOLD PRODUCTS

Detergents, also known as cleansing surfactants, are wetting agents that lower the surface tension of a liquid, and surround and trap oily materials from surfaces Almost all cleaning and household products contain surfactants. This includes laundry, fabric softeners, dishwashing, toilet cleaners and air care products. Surfactants may either be of oleochemicals (such as palm oil and PK oil), petroleum, or from mixed origins. However, consistent increases in the costs of fossil fuels have made surfactants derived from petroleum less attractive to manufacturers. As a result, there has been a shift towards oleochemical-derived feedstock in recent years.

PERSONAL CARE AND COSMETICS

Palm oil-derived oleochemicals are used in personal care and cosmetics as surfactants, emollients, humectants, viscosity modifier, conditioning agents and antioxidants. Soap is considered a surfactant, which is a type of oleochemicals. The soap base contains around 75% CPO and 25% in PK oil. CPO is used to give a hard consistency to the product, while PK oil is used for its foaming properties. Personal care products such as body wash, cleansers, moisturisers, shampoo, conditioner, shaving foam and make-up, contain several different types of surfactants which are derived from PK oil. Similarly, there are a number of oleochemical ingredients commonly used in cosmetics which are derived from palm oil and PK oil.

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INDUSTRIAL APPLICATIONS

The use of palm oil derivatives is widespread in many industries, and is often used as part of manufacturing processes. They are as follows:

- as solvents for paints and coatings, and paint removers;
- as plasticisers for resins, in insect repellents, pesticides, and perfumes;
- refined glycerine, a palm oil-derivative, is used in pharmaceuticals, tobacco products, surface coatings, paper, inks, lubricants, textiles, and urethane polymers;
- as ink dispersants, asphalt binders, synthetic rubber, defoaming agents, synthetic fibres and adhesive tape rolls; and
- as plasticisers in cigarette filters, perfume formulation, cosmetics, inks and paints.

BIODIESEL

Similar to corn and soyabean for the US, sugar cane for Brazil, and rapeseed for Europe, palm oil is the main feedstock for biodiesel production in Malaysia. With its large and growing oil palm-based industry, Malaysia has the potential to play a major role in the world biodiesel market. Biodiesel has performance characteristics similar to those of petroleum diesel without the environmental detriment of sulphur emission.

The Biofuel Industry Act passed in 2007 in Malaysia is intended to allow an orderly development of the biofuel industry. It is estimated that about 500,000 tons of palm olein would be required annually to fulfil the mandatory blend of 5% palm olein in diesel. There are plans in the pipeline to raise the mandatory blend to 7%.

1.6.2 SUPPLY CONDITIONS

FERTILISER REQUIREMENTS

The application of fertilisers in the plantations is one of the most important operations in overcoming the yield-limiting factor. Although the nutrient requirements are partially provided by the recycling of biomass, oil palm, as in the case of all crop plants, also requires inorganic fertilisers. The practice of biomass recycling not only saves on the costs of fertilisers, but more importantly, goes a long way towards environmental conservation, by reducing fossil fuel dependence such as natural gas, which is required for the manufacture of inorganic fertilisers.

Besides fertilisers, agriculture chemicals used in oil palm plantations encompass herbicides, fungicides, rodenticides and insecticides. They are used to control weeds, fungi, rodents and insects, respectively.

SHORTAGE OF LABOUR

The oil palm plantation industry is an extremely labour-intensive one. The workers are required for tasks such as land preparation, nurseries, planting, fertilising, harvesting, general upkeep, maintenance, collection and transportation.

The Government's efforts to limit the time period of foreign workers that can be employed in Malaysia (5 years), a stricter control of issuance of work permits, and the rising costs of annual employer-paid levies have made it increasingly difficult for oil palm plantations to recruit sufficient foreign workers. The incentives for foreign workers to seek employment in Malaysia are rapidly deteriorating and at the same time the oil palm plantations in Indonesia are booming, which will contribute to the continued labour shortages in the Malaysian oil palm plantations.

MECHANISATION

Mechanisation is one way of solving the labour shortage in oil palm plantations. As labour shortages can cause FFB to be not fully recovered for processing, there is a need to increase the productivity of the workers by supplying them with the appropriate mechanised apparatus. This includes both devices and systems that apply work energy to agricultural tasks in a controlled manner. Mechanisation is not merely introducing machinery to replace labour. Rather, it combines the use of machinery with the right system in a suitable environment. The successful introduction of mechanisation will lead to savings in labour, increased productivity and product quality.

ADVERSE WEATHER

The weather has a significant influence on palm oil production. In areas where rainfall doesn't meet the water demands, production can be negatively affected, for example during an El Nino-induced drought. Palm oil production potential is reduced when the trees are exposed to stressful conditions, such as low moisture.

Conversely, heavy rainfall conditions such as the monsoons or La Nina rains that follows after drier weather brought by an El Nino anomaly may also disrupt harvesting and logistics in the oil palm plantations. Prolonged exposure to rains and floods can raise the moisture content of palm oil grades, forcing producers to sell to refiners and traders at a discount. A mild to moderate La Nina is beneficial to oil palm trees and are usually associated with relatively high palm oil production.

OIL PALM PLANTING MATERIALS

The success of the oil palm-based industry in Malaysia is in large part due to the quality of the planting materials which has been developed and improved over a relatively long period of time. The oil palm planting materials comprises principally of germinated seeds. To meet the requirements of the industry, MPOB has an intensive breeding and selection programme that is aimed at generating oil palm planting materials with the desired characteristics, such as high FFB yields.

Large plantations run by corporate bodies normally have systematic planting and replanting programmes, and over fairly large areas. As a result, it makes more economic sense for these large plantations to possess in-house palm nurseries to produce the required oil palm seedlings for their internal usage. However, there are commercial oil palm nurseries that can cater for smaller plantations or smallholders. Thus, commercial oil palm nurseries fulfil an important function in enabling the smaller plantations and smallholders to have easy access to high quality planting materials.

AGEING TREE POPULATIONS

Oil palm is a perennial crop, with trees potentially producing economically viable volumes of FFB over a lifespan of 30 years or so. Peak crop yields are achieved from the age between nine (9) years and eighteen years, and gradually decline thereafter. At present, it is estimated that 26% of Malaysia's total oil palm area is at least between 20 years and 28 years old. This implies that a substantial number of trees have already reached or passed through their peak yielding years, and that the inevitable future decline in their FFB output will act to further suppress national average yield growth. The typical solution to this problem is to have a consistent management plan to eradicate and replace old oil palms with new high yielding varieties on an ongoing basis.

PLANT DISEASES

A common soil borne fungus called Ganoderma, which can infect oil palm trees, is increasingly becoming a concern for plantation operators in Malaysia. Ganoderma is a genus of wood-decaying fungi found throughout the world, affecting all types of woody trees, including oil palm trees. Ganoderma infections cause a disease called basal stem rot. This disease is lethal, with the fungus gradually colonising the lower trunk of the oil palm tree, rotting it from the inside. Infected trees will often exhibit wilting or desiccated leaves and eventually experience a severe decline in the production of FFB. It is one of the more prominent diseases affecting oil palm trees.

AVAILABILITY OF NEW LAND

Much of the expansion of oil palm plantations has been at the expense of tropical forests in the past. The largest forested area was recorded in Sarawak (43.6%), followed by Peninsular Malaysia (31.9%) and Sabah (24.5%) in 2012. As a result, land is quickly running out for oil palm plantations. The reality is that virtually almost all suitable areas have already been developed. Sarawak is the remaining state with the most development potential.

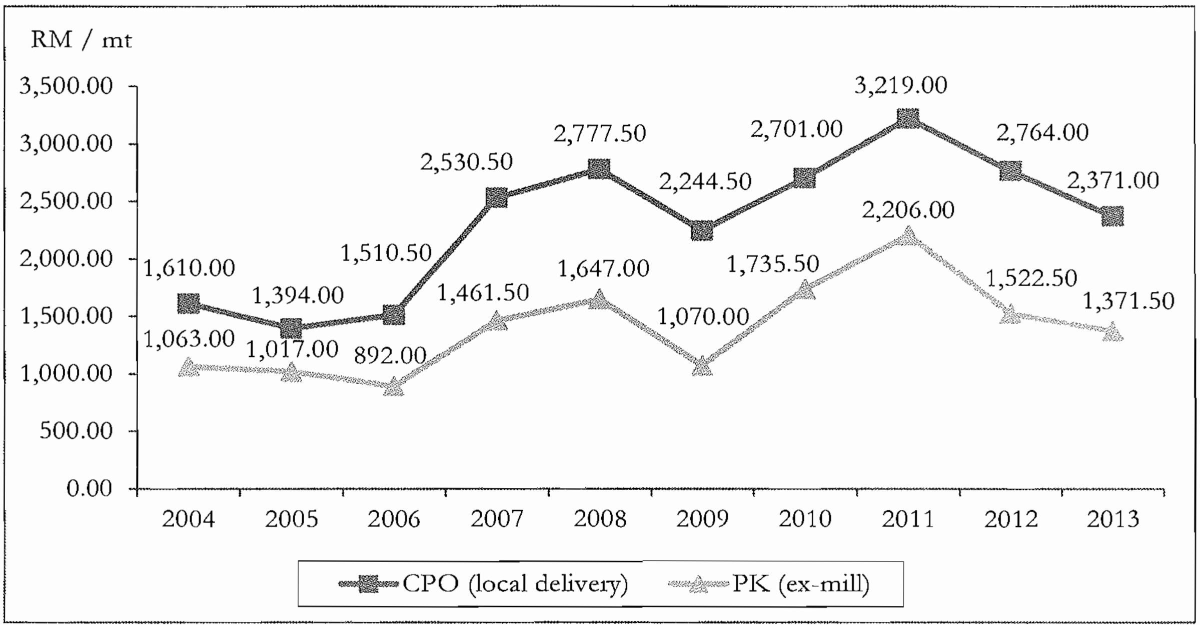
Owing to these constraints, the national palm oil planted areas is expected to peak at about 5.6 million ha. As a result, Malaysian companies involved in oil palm plantations have radically increased oil palm investments in countries such as Indonesia. Due to these sizeable investments, these Malaysian companies have emerge to become the second largest owner of oil palm plantations in Indonesia, ranking second only to the Indonesian companies themselves.

1.7 PRICE TRENDS OF SELECTED PALM OIL PRODUCTS

As one of the major players in the global oil palm-based industry, the quantum of FFB production in Malaysia has an impact on the demand and supply dynamics, and in turn, on the prices of oil palm products. The annual average prices of both CPO and PK are dependent on, inter alia, the foreign exchange rate, population growth, economic conditions in the consuming countries, prices of substitutes such as soyabean oil, per capita income in the consuming countries, vagaries of weather, consumption of vegetable oils for biodiesel, and the replanting and new planting of oil palm, as well as the FFB yield.

The annual average prices for local delivery of CPO registered a CAGR of 4.39% between 2004 and 2013, while the annual average prices of PK (ex-mill) recorded a CAGR of 2.87% for the corresponding period.

Figure 3: Annual Average Prices of Selected Oil Palm Products



Source: Infobusiness Research

1.8 SUBSTITUTE PRODUCTS

The world's demand for oils and fats is being met by 17 major oils and fats. Price competitiveness, technical and nutritional acceptability will be the key determining factors for continuing improvements in demand for palm oil and its derivatives. Although there are substitutes to palm oil and its downstream derivatives from other oils and fats, oil palm's comparative advantage is that it commands a yield per ha that is highest among them. Oil palm produces up to 5 mt / ha / year; which is nearly twice as much as the nearest substitute, that is, coconuts.

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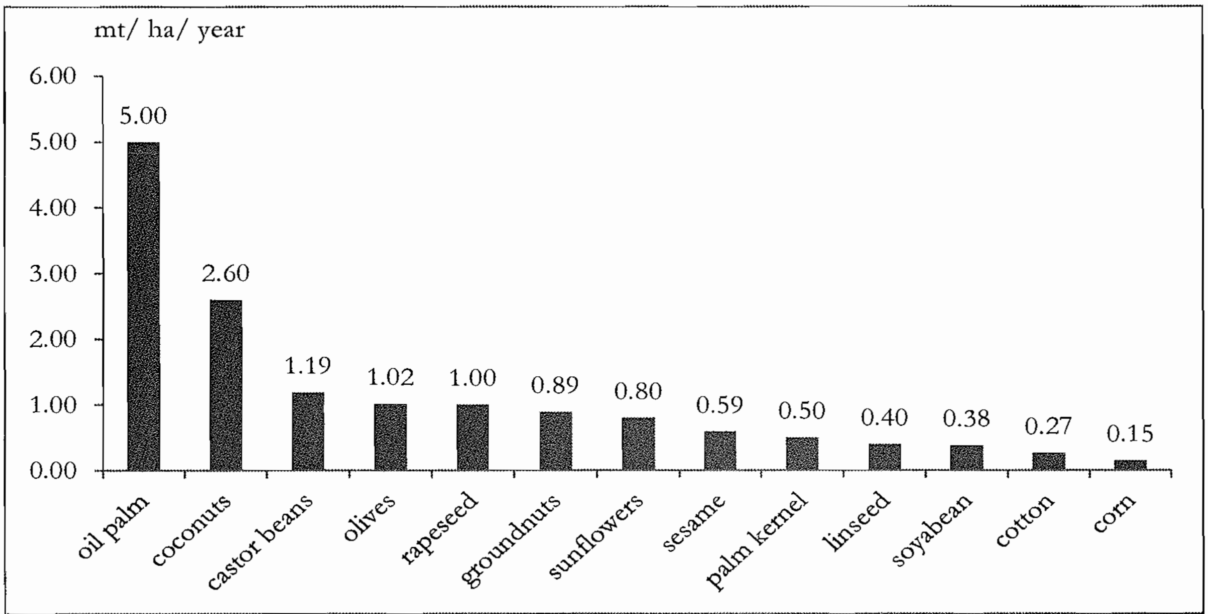
Figure 4: Yields of Major Vegetable Oils (mt / ha / year)



Note:
These figures are conservative estimates, as crop yields vary widely. For instance, oil palm produces between 4 and 5 mt / ha / year.
Source: Infobusiness Research

The dominance of palm oil is shown by its global production in 2013, when it accounted for 34.02% of the global production of vegetable oils. Global production of palm oil increased at a CAGR of 5.23% between the years between 2009 and 2013, which expanded faster than the CAGR of 3.45% recorded for the aggregate of the 17 major oils and fats during the corresponding period.

1.9 INDUSTRY RELIANCE ON AND VULNERABILITY TO IMPORTS

Oil palm plantations are reliant on and are vulnerable to imports to a certain degree, as some types of fertilisers used as inputs are imported from overseas. Although Malaysia produces ammonia which is utilised in the production of urea and is derived from natural gas, the other key constituents of fertilisers such as phosphate and potash are not available in Malaysia. Phosphate is derived from phosphate rocks while potash is derived from potash deposits; both of which exist as economic deposits in a handful of countries worldwide.

On the other hand, palm oil mills are not reliant on and vulnerable to imports as the plant and machinery are designed, manufactured, installed and commissioned by the domestic machinery and equipment industry, which has the engineering capability to fabricate these equipment. This includes screw presses, bunch crushers, conveyor systems, cranes, boilers, pressure vessels and furnaces.

1.10 COMPANY POSITIONING

1.10.1 MAJOR INDUSTRY PLAYERS

Tanah Makmur is principally involved in the cultivation of oil palm and its ancillary activities comprising the operation of a palm oil mill and a compost plant. It is also involved in other non-oil palm activities such as property development in Pahang, Malaysia.

For the purpose of comparison, the closest comparable companies to Tanah Makmur are selected based on locally incorporated companies that are:

- listed on Bursa Malaysia;
- involved in both oil palm plantations and palm oil milling; and
- not involved in oil palm-based operations overseas.

Based on the criteria above, the following table presents the list of 8 closest comparable companies to Tanah Makmur.

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Table 4: Closest Comparable Companies to Tanah Makmur

Name of Company	Principal Activities
Tanah Makmur	It is principally involved in the cultivation of oil palms and its ancillary activities comprising the operation of a palm oil mill and a compost plant. It is also involved in other non-oil palm activities such as property development in Pahang, Malaysia.
Far East Holdings Bhd	Principally involved in the cultivation of oil palms, and the production and sales of FFB, CPO and PK.
Harn Len Corporation Bhd	Principally involved in oil palm plantations and palm oil milling operations.
Hap Seng Plantations Holdings Bhd	Principally involved in the cultivation of oil palms and processing of FFB.
Kim Loong Resources Bhd	Principally involved in oil palm plantations and palm oil milling operations.
Kretam Holdings Bhd	Principally involved in the cultivation and sale of oil palm products.
Sarawak Oil Palms Bhd	Principally involved in the cultivation of oil palms, palm oil milling, PK crushing and palm oil refining.
Sarawak Plantation Bhd	Principally involved in the development, cultivation and management of oil palm plantations; and the milling of FFB into CPO and PK.
United Malacca Bhd	Principally involved in the cultivation of oil palms and palm oil milling.

Source: Infobusiness Research

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Tanah Makmur was ranked fifth in average FFB yield, seventh in OER and first in PK recovery rate among the nine companies in 2013.

Table 5: Performance Matrices of Closest Comparable Companies to Tanah Makmur

Name of company	Plantation area (ha.)			FFB production (mt)	Average FFB yield (mt/ha)	OER (%)	PK recovery rate (%)
	Matured area	Immature area	Planted area				
Tanah Makmur	11,388	2,142	13,530	232,605	20.43	19.98	5.97
Far East Holdings Bhd	16,926	3,143	20,069	339,502	20.06	18.72	4.87
Harn Len Corporation Bhd	11,156	1,327	12,483	189,242	14.09	19.89	4.68
Hap Seng Plantations Holdings Bhd	30,670	4,881	35,551	704,241	22.96	21.34	4.69
Kim Loong Resources Bhd	12,827	1,523	14,350	280,365	21.84	22.09	5.11
Kretam Holdings Bhd	16,523	3,319	19,842	367,258	22.23	20.89	4.72
Sarawak Oil Palms Bhd	55,426	8,104	63,530	959,499	17.09	20.14	4.35
Sarawak Plantation Bhd	26,728	4,918	31,646	309,218	12.37	20.87	4.48
United Malacca Bhd	15,614	6,047	21,661	336,734	21.57	20.69	4.88

Note:
Tanah Makmur's planted area, FFB production, average FFB yield, OER and PK recovery rate are based on 31 December 2013.
Source: Infobusiness Research and management of Tanah Makmur

In terms of average FFB yield and PK recovery rate, Tanah Makmur performed better than Pahang and Malaysia as a whole in 2013, as shown in the table below. However, Tanah Makmur performed below Pahang and Malaysia as a whole in terms of OER.

Table 6: Performance Matrices of Tanah Makmur in 2013

	Average FFB yield (mt / ha)	OER (%)	PK recovery rate
Tanah Makmur	20.43	19.98	5.97
Pahang	20.21	20.02	5.44
Malaysia	19.02	20.25	5.12

Source: Infobusiness Research and management of Tanah Makmur

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1.10.2 FINANCIAL COMPARISONS OF CLOSEST COMPARABLE COMPANIES

Based on the latest publicly available audited financial statements, Tanah Makmur is ranked third in terms of gross profit ("GP") margin and fourth in terms of profit before tax ("PBT") margin among the nine companies.

Table 7: Financial Comparisons of Closest Comparable Companies to Tanah Makmur

Name of company	FYE	Revenue (RM million)	GP (RM million)	GP margin	PBT (RM million)	PBT margin
Hap Seng Plantations Holdings Bhd	31/12/2013	443.32	186.42	42.05%	137.67	31.05%
United Malacca Bhd	30/04/2013	206.09	86.00	41.73%	82.70	40.13%
Tanah Makmur	31/12/2013	243.49	91.84	37.72%	61.68	25.33%
Kretam Holdings Bhd	31/12/2013	362.27	76.19	21.03%	20.73	5.72%
Sarawak Plantation Bhd	31/12/2013	362.05	97.14	26.83%	44.56	12.31%
Sarawak Oil Palms Bhd	31/12/2013	1,711.40	255.55	14.93%	139.63	8.16%
Harn Len Corporation Bhd	31/12/2013	256.80	49.53	19.29%	133.98	52.17%
Kim Loong Resources Bhd	31/01/2013	637.24	128.97	20.24%	94.55	14.84%
Far East Holdings Bhd	31/12/2013	439.78	N. A.	N. A.	108.71	24.72%

Source: Infobusiness Research and management of Tanah Makmur

1.11 MARKET SIZE AND MARKET SHARE

Tanah Makmur recorded FFB production of 232,605 mt in 2013. The national market size is reflected by FBB received by palm oil mills, which amounted to 95.73 million mt in 2013. As a result, Tanah Makmur registered a market share of 0.24% in Malaysia in the same year. In the state of Pahang, its market share was 1.53% in 2013. Pahang accounted for 15.85% of the national FFB received by palm oil mills in 2013. Pahang ranked the fourth in terms of FFB received by palm oil mills, after Sabah, Sarawak and Johore in 2013.

Table 8: Market Share of Tanah Makmur in 2013

	Production of FFB (mt)	Market share (%)
Tanah Makmur	232,605	-
Pahang state	15,173,246	1.53
Malaysia	95,728,589	0.24

Source: Infobusiness Research and management of Tanah Makmur

1.12 OUTLOOK AND PROSPECTS

Due to the limited domestic demand, prospects for the oil palm-based industry hinge on the export markets. In turn, Malaysia's ability to produce and consistently export large quantities of high quality palm oil which meets the stringent standards demanded by the global market has made palm oil a major oil in the global oil and fats market.

Demand for palm oil and its derivatives should be on a steady upward trend due to population growth and rising per capita income in emerging countries. Since palm oil is the world's cheapest edible oil, it has become the primary cooking oil for the majority of people in the developing countries of Asia, Africa and the Middle East. As the middle class continues to swell in these countries with rising prosperity, especially in China, palm oil and its derivatives will become a fixture in their lives. Another important factor is the foreign exchange rates. For instance, the depreciation of RM will increase the USD value, thus enabling more demand for the commodity. On the other hand, a stronger RM makes palm oil more expensive for the overseas buyers, curbing interests.

The oil palm-based industry is forecasted to grow by a CAGR of 7.10% between 2011 and 2020, driven by factors such as further gains in FFB yield and the OER. As a result, it is envisaged that the palm oil industry will remain a major contributor to the Malaysian economy, building on a core set of advantages, including rising demand globally, distinctive edge in yield and quality over competing countries such as Indonesia, as well as a conducive regulatory environment. These would be supplemented by superior productivity through mechanisation and a stronger presence in the lucrative downstream segment.

THE PROPERTY DEVELOPMENT INDUSTRY IN PAHANG

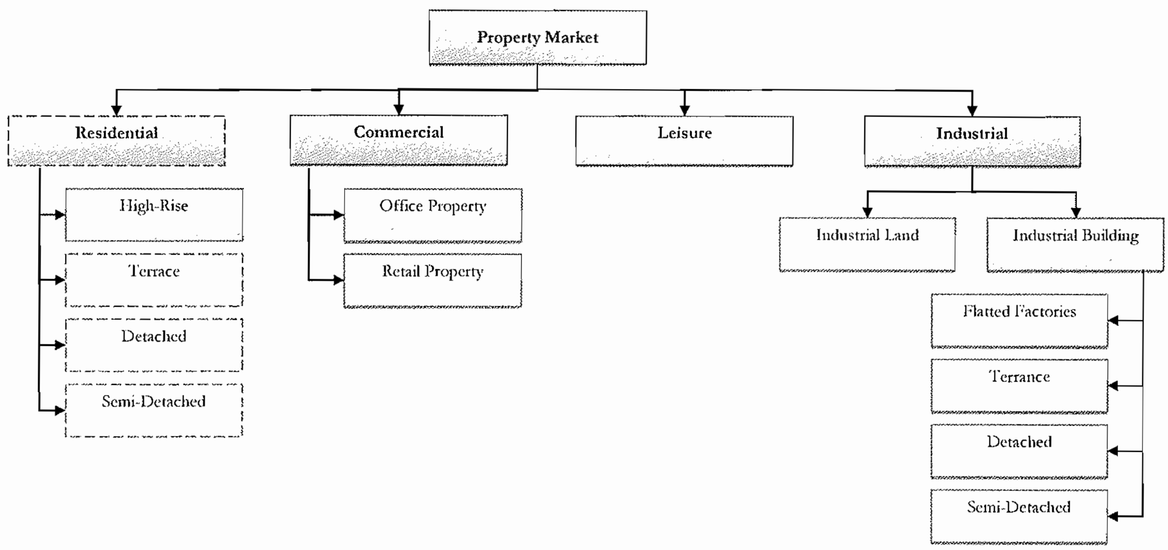
1.13 INTRODUCTION

Property development companies acquire land, improve land, and/or re-developable property in order to construct building projects. Once constructed, the buildings are then sold in entirety or in part to others, or retained as assets to produce cash flow via rentals and other means. Some property development companies have their own internal departments for designing and constructing buildings, while others subcontract parts of the work to third parties.

1.14 SEGMENTATION OF THE PROPERTY MARKET

The property market encompasses many segments, each of which has its own unique characteristics. Furthermore, a number of these properties have their own and regional peculiarities. In other words, each piece of real estate is to a certain extent unique and stands or falls on its own merits. The diversities and peculiarities that exist within the property market imply that there is a need to exercise caution when making generalisations about it. Broadly, the property market can be divided into four (4) categories as illustrated below.

Figure 5: Segmentation of the Property Market



Note:
Tanah Makmur is involved in the sale of properties bounded by the dotted boxes.
Source: Infobusiness Research

1.15 GOVERNMENT LEGISLATIONS, POLICIES AND INCENTIVES

1.15.1 GOVERNMENT LEGISLATIONS

The property market is governed by a host of legislations which include, inter alia, the Construction Industry Development Board Act 1994, the Housing Development (Control and Licensing) Act 1966, Housing Development (Control and Licensing) Regulations 1989 and Housing Development (Housing Development Account) Regulations 1991.

The government regulations and controls in the property market are principally in the broad sense to achieve the national aspirations of equitable distribution of income and the ownership of homes by the population in general, through the provisions of suitable housing as well as to control and protect individual customers by setting minimum standards to the property market.

1.15.2 GOVERNMENT POLICIES

The goal of the national housing policy is to provide adequate, comfortable, quality and affordable housing to enhance the sustainability of the quality of life of the people. This includes the following:

- Providing adequate and quality housing with comprehensive facilities and a conducive environment;
- Enhancing the capability and accessibility of the people to own or rent houses; and
- Setting future directions to ensure the sustainability of the residential property segment.

Under Budget 2014, for gains on properties disposed within the holding period of up to three (3) years, the real property gains tax rate is increased to 30%, whereas for disposals within the holding period up to 4 and 5 years, the rates are increased to 20% and 15%, respectively. For disposals made in the sixth and subsequent years, no real property gains tax is imposed on citizens, whereas companies are taxed at 5%. These measures were taken in order to control runaway property prices due to the actions of property speculators.

1.15.3 GOVERNMENT INCENTIVES

The build-then-sell ("BTS") concept is introduced by the Government where property development companies have to complete a housing project completely before selling it to buyers. This is as opposed to the current conventional concept of sell-then-build ("STB"). Although property development companies are encouraged to adopt the BTS concept, they have the option to continue with the conventional STB method. Property development companies will be encouraged to adopt the BTS approach through the provision of additional incentives such as shortening the approval processes for land and building plans, as well as exemption of deposit payments for licensing housing developments.

Since 1998, Construction Industry Development Board has been actively promoting the use of industrialised building system ("IBS") in the construction industry in Malaysia. The IBS is a construction process that utilises techniques, products, components, or building systems which involve prefabricated components and on-site installation. The utilisation of IBS provides valuable advantages such as the reduction of unskilled workers, less wastage, less volume of building materials, increased environmental and construction site cleanliness and better quality control, amongst others. Companies which incur expenses on the purchase of moulds used in the production of IBS components are eligible for accelerated capital allowances for a period of three (3) years.

1.16 PAST PERFORMANCE

The past performance of the property market in Pahang can be shown from the number of overhang residential and shop units in the state. Overhang is defined as residential units and shop units that were completed and issued with certificates of completion and compliance, but remained unsold for more than nine (9) months after it was launched for sale.

During the years between 2009 and 2013 in Pahang, the situation in the overhang of residential units had improved, from the recorded 465 units amounting to RM58.49 million declining to 122 units amounting to RM50.94 million. In the case of the overhang of shop units, they had also decreased from 189 units amounting to RM102.71 million to 138 units amounting to RM70.77 million over the corresponding period of time.

Table 9: **Overhang of Residential Units and Shop Units in Pahang**

Year	Residential Units		Shop Units	
	Number of units	Value (RM million)	Number of units	Value (RM million)
2009	465	58.49	189	102.71
2010	726	83.98	175	97.61
2011	523	92.66	184	91.98
2012	385	75.18	272	149.91
2013	122	50.94	138	70.77
CAGR	**-28.43%**	**-3.40%**	**-7.56%**	**-8.89%**

Source: Infobusiness Research

1.17 DEMAND AND SUPPLY

1.17.1 DEMAND DRIVERS

The principal driver for the property market in Pahang in general, and Kuantan, in particular, is the establishment of the East Coast Economic Region ("ECER") in 2008. It spans across Kelantan, Terengganu and Pahang, as well as the district of Mersing in Johor, covering round 51% of the land area of the peninsular (66,736 square kilometres). A Special Economic Zone is also located within the ECER, with a size of 390,000 ha stretching from Kertih, Terengganu to Pekan, Pahang.

Overall, the residential property market in Kuantan was positive. It is expected to continue to be dominated by landed properties, particularly those located on the outskirts of Kuantan. This is due to the affordability factor, as well as the current preference trend for ample plots of land. Landed properties are generally preferred compared to stratified properties such as flats, apartments or condominiums, due to the abundance of land in the state.

Both the number and value of transactions in the residential property market segment expanded faster than the commercial property segment during the years between 2009 and 2013, at CAGRs of 15.22% and 24.92%, respectively, in the Kuantan district of Pahang. The number and value of transactions in the commercial property segment recorded slower CAGRs of 4.15% and 10.02%, respectively, during the corresponding period of time.

Table 10: Number and Value of Residential and Commercial Property Transactions in Kuantan District, Pahang

Year	Residential		Commercial		Total	
	Number of transactions	Value (RM million)	Number of transactions	Value (RM million)	Number of transaction	Value (RM million)
2009	3,061	476.18	532	275.17	3,593	751.35
2010	3,392	529.56	545	454.91	3,937	984.47
2011	3,588	633.45	624	736.30	4,212	1,369.75
2012	4,484	802.63	491	311.91	4,975	1,114.54
2013	5,394	1,159.68	626	403.19	6,020	1,562.87
CAGR	15.22%	24.92%	4.15%	10.02%	13.77%	20.09%

Source: Infobusiness Research

1.17.2 SUPPLY CONDITIONS

There were 3,968 residential units and 666 shop units completed in Pahang in 2013. This refers to buildings where construction work was completed and certificates of completion and compliance issued.

In the case of incoming supply which refers to units where physical construction work is in progress, there were 31,341 residential units and 3,231 shop units recorded in 2013.

There were 7,193 residential units and 840 shop units classified as "starts" in 2013, whereby the foundation and footing work of low rise building, or piling and foundation of high rise buildings have started. However, this does not include site clearing, levelling and laying of infrastructure.

Planned supply comprises units where building approvals have been obtained. There were 46,358 residential units and 3,305 shop units under this category in 2013.

Table 11: Supply Conditions of Properties in Pahang in 2012

	Existing stocks	Completions	Incoming supply	Starts	Planned supply
Residential (units)	224,400	3,968	31,341	7,193	46,358
Shop units (units)	17,335	666	3,231	840	3,305
Shopping complexes (square metres)	259,315	0	6,074	0	73,982
Purpose-built offices (square metres)	388,629	6,497	78,271	19,175	11,066

Source: Infobusiness Research

1.18 SUBSTITUTE PRODUCTS

Since no two (2) properties are alike, no property is (fully) substitutable for another. Substitutability may range from very low (for example, industrial users have very specific requirements for building size, location, access, layout and relationship to other uses) to moderate (such as residential units in similar adjacent apartment blocks). Hence, the degree of substitutability can fall within a spectrum ranging from very low to moderate, depending on the specific use of the property. The property market is multi-dimensional and is characterised by aspects of the site (such as its use, development potential, tenure, access, slope, aspect, landscaping and susceptibility to flooding), and the building (including its design, materials used and type of finishing) as well as the location which sets the whole pattern of externalities (such as access to amenities like schools, banks, post offices, shopping complexes and jobs).

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1.19 INDUSTRY RELIANCE ON AND VULNERABILITY TO IMPORTS

The property development industry is not reliant on and is not vulnerable to imports of building materials. It has extensive linkages with the other manufacturing industries in the country, particularly the non-metallic mineral products industries (glass and glass products, cement and concrete products, and ceramics) and iron and steel industry (long products). Building materials such as steel bars and billets, aluminium frames, glass products, electrical cables and wires, granite, marble, wood panels, tiles, sand bricks, clay bricks, plasters, concrete roof tiles, reinforced concrete piles, concrete culverts and ready-mixed concrete are manufactured domestically. They are also available on the international markets as these building materials are common products. However, due to the higher cost factor of imported building materials and the price-sensitive nature of end-users and building owners, most of the building materials are sourced domestically.

1.20 MAJOR INDUSTRY PLAYERS

Tanah Makmur is also involved in the property development industry in Kuantan, Pahang. It is constructing the KotaSAS Township which comprises residential and commercial properties, as well as the new state administrative complex and new state assembly hall. Located near to the East Coast Highway and the Sultan Haji Ahmad Shah Airport, it is a new township constructed in a bid to alleviate congestions in Kuantan city. A list of selected major property development companies operating in Kuantan is presented in the table below.

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Table 12: Selected Property Development Companies in Kuantan

Name of Company	Principal Activities
Tanah Makmur	It is principally involved in the cultivation of oil palms and its ancillary activities comprising the operation of a palm oil mill and a compost plant. It is also involved in other non-oil palm activities such as property development in Pahang, Malaysia.
Alam Tenggara Sdn Bhd	Principally involved in housing development.
Bindev Sdn Bhd+	Principally involved in property development.
Franky Land Sdn Bhd	Principally involved in property development.
Kimdec Corporation Sdn Bhd*	Principally involved in property development.
Nilaitek (M) Sdn Bhd	Principally involved in housing development.
Pasdec Corporation Sdn Bhd*	Principally involved in property development.
Pasdec Land Sdn Bhd*	Principally involved in property development.
Pasdec Mega Sdn Bhd*	Principally involved in property development and as a renewable energy producer.
Pasdec Putra Sdn Bhd*	Principally involved in property development.
Quek & Company Sdn Bhd	Principally involved in housing development and general civil contract works.
Sumbangan Sakti Sdn Bhd*	Principally involved in property development and as a renewable energy producer.
Tunas Manja Development & Construction Sdn Bhd	Principally engaged as a housing developer and a contractor.

Notes:
**are subsidiaries of Pasdec Holdings Bhd.*
+ Bindev Sdn Bhd is a subsidiary of PJ Development Holdings Bhd.
Source: Infobusiness Research

1.21 FINANCIAL COMPARISONS OF SELECTED PROPERTY DEVELOPMENT COMPANIES

Based on the latest publicly available financial statements of the selected property development companies operating in Kuantan, Tanah Makmur is ranked the sixth in terms of GP margin and the fifth in terms of PBT margin. Tanah Makmur's financial figures are based on its property development business segment.

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Table 13: Financial Comparisons of Selected Property Development Companies with Tanah Makmur

Name of Company	FYE	Revenue (RM Million)	GP (RM Million)	GP Margin	PBT (RM Million)	PBT margin
Pasdec Corporation Sdn Bhd*	31/12/12	57.66	27.29	47.33%	29.03	50.35%
Quek & Company Sdn Bhd	31/12/12	10.22	4.69	45.89%	2.65	25.93%
Tunas Manja Development & Construction Sdn Bhd	31/03/11	9.51	3.98	41.85%	2.53	26.60%
Bindev Sdn Bhd+	30/06/13	22.72	7.11	31.29%	5.36	23.59 %
Pasdec Putra Sdn Bhd*	31/12/12	17.87	5.09	28.48%	-4.41	N. A.
Tanah Makmur	31/12/13	63.97	15.79	24.68%	14.00	21.88%
Nilaitek (M) Sdn Bhd	31/12/12	13.51	1.91	14.14%	0.89	6.59%
Sumbangan Sakti Sdn Bhd*	31/12/12	4.69	-0.03	N. A.	-0.47	N. A.
Pasdec Land Sdn Bhd*	31/12/12	0.75	-0.51	N. A.	-1.75	N. A.
Kimdec Corporaton Sdn Bhd*	31/12/12	2.84	-0.85	N. A.	-1.43	N. A.
Alam Tenggara Sdn Bhd	31/12/11	10.31	-2.75	N. A.	-6.20	N. A.
Franky Land Sdn Bhd	28/02/13	22.91	N. A.	N. A.	2.16	9.43%
Pasdec Mega Sdn Bhd*	31/12/12	0	0	N. A.	-0.24	N. A.

Notes:
Tanah Makmur's financial figures are based on its property development business segment.
**are subsidiaries of Pasdec Holdings Bhd.*
+ Bindev Sdn Bhd is a subsidiary of PJ Development Holdings Bhd.
N. A. = Not Applicable / Not Available
Source: Infobusiness Research and management of Tanah Makmur

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1.22 MARKET SIZE AND MARKET SHARE

Tanah Makmur's market share in the property development industry is derived from the sales of its residential properties and the value of residential property transactions recorded in Kuantan district, Pahang. Its market share was registered at 8.53% in the property development industry in Kuantan district in 2013.

Table 14: Market Share of Tanah Makmur in Property Development Industry in Kuantan District, Pahang in 2013

	Tanah Makmur	Kuantan district
Sales of residential properties	RM98.89 million	
Value of residential property transactions		RM1,159.68 million
Market share	8.53%	

Source: Infobusiness Research and management of Tanah Makmur

1.23 OUTLOOK AND PROSPECTS

Pahang will be developed as the ECER's main industrial and logistics hub. The state will also become ECER's automotive manufacturing, assembly and distribution hub, as well as the centre for the development of automotive design, with the support of its educational institutions.

Kuantan has been identified as a one of the future growth centres and a hub for trade and commerce under the ECER's master plan. Kuantan's position as the gateway to the Asia Pacific region will be used to the best advantage, complementing Malaysia's other major marine and logistic hubs located in the west and south of the peninsular.

Efforts are also being made to improve the facilities of Kuantan Port so as to make it the main hub for port services in the east coast. The Kuantan Port City's initiative will see the existing harbour facilities vastly upgraded to pave the way for Kuantan to become an integrated terminal and logistics hub for the petrochemical, palm oil, automotive and container markets, as well as a major industrial and manufacturing zone. Kuantan Port will see incremental improvements which will transform it into a manufacturing and commercial services hub, as well as a regional distribution and international procurement centre.

A Palm Oil Industry Cluster will be created within the larger Kuantan Port City's development to allow investors to take advantage of the town's proximity with the country's major palm oil producing areas, and to develop downstream industries yielding consumer products especially tailored for the export market. The support services provided will include bulking facilities and logistics to capitalise on the wide availability of the feedstock.

The state government has also provided about 240 ha of land in Gebeng, which is located about 25 kilometres north-east of Kuantan, for the development of the Malaysia-China Kuantan Industrial Park.

All the above developments in infrastructure and accessibility, as well as industrial growth, are expected to create more business activities and therefore, generating more demand for both residential and commercial properties in the vicinity of Kuantan over the coming years.

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