
1. CORPORATE DIRECTORY

Directors

Name	Age	Address	Occupation	Nationality
Y. Bhg. Tan Sri Dato' Dr. K. R. Somasundram <i>(Chairman, Non-Independent Non-Executive Director)</i>	73	No. 2, Jalan 12/21A 46200 Petaling Jaya Selangor	Company Director	Malaysian
Y. Bhg. Datuk B. Sahadivanaidu <i>(Non-Independent Non-Executive Director)</i>	50	No. 30, Jalan Tempinis 3 Lucky Garden Bangsar 59100 Kuala Lumpur	Company Director	Malaysian
Agarwal Pares Nath <i>(Managing Director)</i>	57	No. 23, Jalan Bilis Lucky Garden, Bangsar 59100 Kuala Lumpur	Company Director	Indian
Abd Aziz bin Mohamed Hussain <i>(Independent Non-Executive Director)</i>	51	No. 54, Jalan Batai Damansara Heights 50490 Kuala Lumpur	Company Director	Singaporean
Ab Rahim bin Mohd Zain <i>(Independent Non-Executive Director)</i>	64	No. 5, Jalan 14/47 46100 Petaling Jaya Selangor	Company Director	Malaysian
Subramaniam a/l Sccnivasagam <i>(Non-Independent Non-Executive Director)</i>	66	No.2, Jalan 17/1 46400 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Dato' Ngu Tieng Ung <i>(Non-Independent Non-Executive Director)</i>	36	109-8-7, Bistari Condominium Jalan 1/64D Off Jalan Putra 50350 Kuala Lumpur	Company Director	Malaysian
Syed Mubarak bin Syed Ahmad <i>(Independent Non-Executive Director)</i>	60	5-7 B, Pantai Towers Lorong Bukit Pantai 59100 Kuala Lumpur	Advocate & Solicitor	Malaysian
Y. Bhg. Dato' Faruk bin Othman <i>(Non-Independent Non-Executive Director)</i>	55	No 11, Jalan Setia Murni 6 Damansara Heights 50490 Kuala Lumpur	Company Director	Malaysian
Dr Subramaniam a/l Arjunan <i>(Non-Independent Non-Executive Director)</i>	61	No 23, Jalan SS22A/5 Damansara Jaya 47400 Petaling Jaya Selangor	Advocate & Solicitor	Malaysian

1. CORPORATE DIRECTORY (CONT'D)

Audit Committee

Name	Designation	Directorship
Ab Rahim bin Mohd Zain	Chairman	Independent Non-Executive Director
Agarwal Pares Nath	Member	Managing Director
Syed Mubarak bin Syed Ahmad	Member	Independent Non-Executive Director

Company Secretary

Surina Jenny Bte Abdullah
(LS006725)
Suite 1702, 17th Floor
Campbell Complex
98 Jalan Dang Wangi
50100 Kuala Lumpur

Registered/Head/Management Office

Level 27, Wisma Tun Sambanthan
Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel no. : 03 - 2273 5033
Fax no. : 03 - 2164 4373
Email : dgi@pvo.jaring.my
Web-site : www.premiumveg.com

Auditors and Reporting Accountants

KPMG
Level 14, Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim

Solicitors

Sivananthan
Level 1A, Block B,
Kompleks Pejabat Damansara,
Jalan Dungun, Damansara Heights,
50490 Kuala Lumpur.

Principal Bankers

Alliance Bank Malaysia Berhad
1 & 3 Jalan Permas Jaya 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru

AmMerchant Bank Berhad
21st Floor Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

Bumiputera-Commerce Bank Berhad
43 & 43.01 Jalan Permas 10/2
81750 Masai
Johor

1. CORPORATE DIRECTORY (CONT'D)

Principal Bankers (cont'd)	: EON Bank Berhad 105 & 106, Jalan Besar 81750 Johor Malayan Banking Berhad 146 & 147 Jalan Raya 81300 Kulai Johor Malaysian Industrial Development Finance Berhad 195A, Jalan Tun Razak 50400 Kuala Lumpur RHB Bank Berhad 107 & 109, Jalan Damai Off Jalan Stulang Darat Taman Sri Setia 80300 Johor Bahru
Issuing House	: Malaysian Issuing House Sdn Bhd 27th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur
Share Registrar	: Signet Share Registration Services Sdn Bhd 11 th Floor, Tower Block Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur
Adviser, Managing Underwriter, and Placement Agent	: Public Merchant Bank Berhad 25 th Floor, Menara Public Bank 146 Jalan Ampang 50450 Kuala Lumpur
Underwriters	: Affin-UOB Securities Sdn Bhd Level 3, Menara Keck Seng 203, Jalan Bukit Bintang 55100 Kuala Lumpur Hwang-DBS Securities Bhd Level 2, 3, 4, 7, & 8 Wisma Sri Pinang 60, Jalan Green Hall 10200 Pulau Pinang M&A Securities Sdn Bhd M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh, Perak

1. **CORPORATE DIRECTORY (CONT'D)**

Underwriters (cont'd)

Malacca Securities Sdn Bhd
No. 1, 3 & 5, Jalan PPM9
Plaza Pandan Malim Business Park
Balai Panjang
75250 Melaka

MIDF Sisma Securities Sdn Bhd
17 & 18th Floor
Empire Tower
182 Jalan Tun Razak
50400 Kuala Lumpur

PM Securities Sdn Bhd
5th Floor
MUI Plaza
Jalan P.Ramlee
50250 Kuala Lumpur

Public Merchant Bank Berhad
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur

SJ Securities Sdn Bhd
Level 3, Holiday Villa
9, Jalan SS12/1
Subang Jaya
47500 Petaling Jaya

Listing Sought : Second Board of KLSE

2. INTRODUCTION

This Prospectus is dated 30 June 2003.

A copy of this Prospectus has been registered with the SC and lodged with the Chief Executive Officer of the CCM, and neither the SC nor the CCM takes any responsibility for its contents.

The approval of the SC obtained vide its letters dated 26 December 2002 and 28 January 2003 shall not be taken to indicate that the SC recommends the Offer for Sale and that investors should rely on their own evaluation to assess the merits and risks of the Offer for Sale.

Approval-in-principle has been obtained from the KLSE on 16 June 2003 for the listing of the entire issued and paid-up share capital of 337,000,004 new PREMIUM Shares on the Second Board of KLSE.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed PREMIUM as a prescribed security. In consequence thereof, the PREMIUM Shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these PREMIUM Shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

The SC and KLSE assume no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Listing of the PREMIUM Shares and admission to the Official List on the Second Board of KLSE is not to be taken as an indication of the merits of the Company or its ordinary shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the Offer for Sale and if given or made, such information or representation must not be relied upon as having been authorised by PREMIUM. Neither the delivery of this Prospectus nor any Offer for Sale made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of PREMIUM or the Group since the date hereof.

The distribution of this Prospectus and the making of the Offer for Sale in certain other jurisdictions outside Malaysia may be restricted by law. Persons who come into possession of this Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or purchase the PREMIUM Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitations.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.

3. INFORMATION SUMMARY

The following is only a summary of the salient information of the PREMIUM Group and the Offer for Sale. Investors should read and understand the whole Prospectus prior to deciding whether to invest in the Offer Shares. The following information is derived from, and should be read in conjunction with, the full text of this Prospectus.

3.1 History and Business

PREMIUM was incorporated in Malaysia under the Act on 12 August 2002 as a public limited company. PREMIUM is principally an investment holding company while the principal activities of its subsidiary and associated companies, all of which were incorporated in Malaysia except AAO which was incorporated in India, are as follows:

Subsidiary	Principal activities
PVOB	Manufacturing and sale of speciality oils and fats based on palm kernel oil, palm oil, coconut oil, rapeseed oil and soyabean oil.

Subsidiaries of PVOB

PFSB	Has not commenced operations since incorporation. Its intended principal activity is to undertake projects for manufacturing downstream products from palm oil.
MSSB	Processing of oil palm fruits, refining of palm oil and sale of refined and fractionated products along with the by-products.
AAO	Refining and processing of vegetable oils.

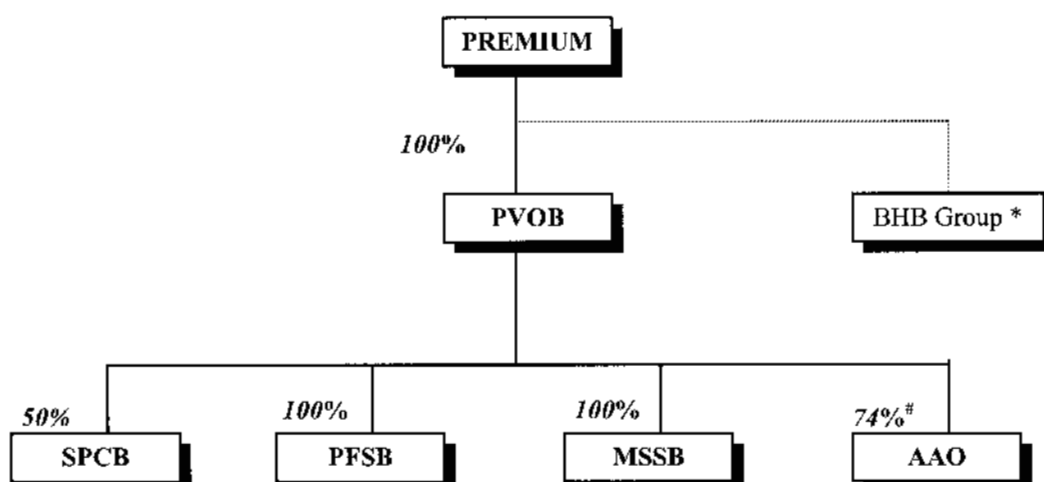
Associated company of PVOB

SPCSB	General trading of oils and fats.
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Further information on PREMIUM and its subsidiary and associated companies is set out in Section 6 of this Prospectus.

3. INFORMATION SUMMARY (CONT'D)

The present corporate structure of the PREMIUM Group is as follows:



Notes :-

Pursuant to the shareholders' agreement dated 22 August 2002, PVOB agreed to acquire 74% of the enlarged share capital of AAO, and has gained control of AAO from the date of the agreement. PVOB has an option to purchase the remaining 26% equity interest in AAO via a put and call option commencing in 1 January 2004. As at the date of this Prospectus, PVOB has acquired 52% equity interest in AAO. The acquisition of up to 74% equity interest in AAO will be completed by 31 July 2003. However, for the purpose of consolidation for the financial year ended 31 December 2002, the PVOB Group has consolidated AAO's results based on the effective interest of 74%.

* Pursuant to the workout proposal prepared by the Special Administrators, BHB Group shall be liquidated upon completion of the Restructuring Scheme. Hence, it will not be part of the PREMIUM Group.

3.2 Promoters, Major Shareholders, Directors and Key Management

	Designation	-----After the Offer for Sale-----			
		Direct no. of PREMIUM Shares	%	Indirect no. of PREMIUM Shares	%
NLFCS	Promoter / Major Shareholder	62,863,195	18.65	-	-
Y. Bhg. Tan Sri Dato' Dr K. R. Somasundram	Chairman, Non-Independent, Non-Executive Director/ Major Shareholder	36,032,834	10.69	1,561,050	0.46 ⁽¹⁾
Kili Anandaraj Somasundram	Major Shareholder	49,761	0.01	37,544,123	11.14 ⁽²⁾
Kili Rathnaraj Somasundram	Major Shareholder	497,608	0.15	37,096,276	11.01 ⁽³⁾
Dharshan Ganeson	Deputy Managing Director/Major Shareholder	1,013,681	0.30	36,580,203	10.85 ⁽⁴⁾

3. INFORMATION SUMMARY (CONT'D)

3.2 Promoters, Major Shareholders, Directors and Key Management (cont'd)

	Designation	-----After the Offer for Sale-----			
		Direct no. of PREMIUM shares	%	Indirect no. of PREMIUM shares	%
PMCB	Major Shareholder	11,241,375	3.34	18,200,652	5.40 ⁽⁵⁾
FMSB	Major Shareholder	23,064,115	6.84	-	-
Arif bin Dato' Faruk	Major Shareholder	-	-	23,064,115	6.84 ⁽⁶⁾
Aida binti Dato' Faruk	Major Shareholder	-	-	23,064,115	6.84 ⁽⁶⁾
Y. Bhg. Dato' Faruk bin Othman	Non-Independent Non-Executive Director/Major Shareholder	-	-	23,064,115	6.84 ⁽⁷⁾
Y. Bhg. Datin Nik Radiah binti Nik Hassan	Major Shareholder	-	-	23,064,115	6.84 ⁽⁷⁾
PVSB	Major Shareholder	18,200,652	5.40	-	-
SCSB	Major Shareholder	17,266,725	5.12	-	-
SMSB	Major Shareholder	-	-	17,266,725	5.12 ⁽⁸⁾
Agarwal Pares Nath	Managing Director/Major Shareholder	-	-	17,266,725	5.12 ⁽⁹⁾
Y. Bhg. Datuk Sahadivanaidu a/l Baliah	Non-Independent Non-Executive Director	810,945	0.24	-	-
Abdul Aziz bin Mohamed Hussain	Independent Non-Executive Director	-	-	-	-
Ab Rahim bin Mohd Zain	Independent Non-Executive Director	-	-	12,299,104	3.65 ⁽¹⁰⁾
Subramaniam a/l Secnivasagam	Non-Independent Non-Executive Director	49,761	0.01	-	-
Dato' Ngu Tieng Ung	Non-Independent Non-Executive Director	-	-	-	-
Syed Mubarak bin Syed Ahmad	Independent Non-Executive Director	-	-	-	-
Dr Subramaniam a/l Arjunan	Non-Independent Non-Executive Director	-	-	-	-
U. R. Sahasranamam	President	248,804	0.07	-	-

3. INFORMATION SUMMARY (CONT'D)

3.2 Promoters, Major Shareholders, Directors and Key Management (cont'd)

	Designation	After the Offer for Sale			
		Direct no. of PREMIUM shares	%	Indirect no. of PREMIUM shares	%
Debikant Jha	Vice President – Production	49,761	0.01	-	-
V Jairam	Head of Marketing	4,976	*	-	-
Navaratnam s/o Mailu	Vice President – Technical	-	-	-	-
Munisamy s/o Thamburan	Vice President – Production	124,402	0.04	-	-
Patapal Naidu a/l Iyaw Naidu	Assistant Vice President- Commercial	49,761	0.01	-	-
GV Krishna Rao	Vice President of Production of AAO	-	-	-	-

Notes:

* Less than 0.01%

- (1) Deemed interested by virtue of his sons' interests namely, Kili Anandaraj Somasundram and Kili Rathnaraj Somasundram and his son-in-law's interest, namely Dharshan Ganeson.
- (2) Deemed interested by virtue of his father's interest, namely Y. Bhg. Tan Sri Dato' Dr K. R. Somasundram, his brother's interest, namely Kili Rathnaraj Somosundram, and his brother-in-laws interest, namely Dharshan Ganeson.
- (3) Deemed interested by virtue of his father's interest, namely Y. Bhg. Tan Sri Dato' Dr K. R. Somasundram, his brother's interest, namely Kili Anandaraj Somasundram, and his brother-in-law's interest, namely Dharshan Ganeson.
- (4) Deemed interested by virtue of his father-in-law's interest, namely Y. Bhg. Tan Sri Dato' Dr K. R. Somasundram, his brother-in-laws' interest, namely Kili Anandaraj Somasundram and Kili Ratnaraj Somasundram.
- (5) Deemed interested by virtue of its wholly-owned subsidiary, namely PVSB's interest in PREMIUM.
- (6) Deemed interested by virtue of his/her substantial shareholding in FMSB.
- (7) Deemed interested by virtue of being parents of Arif bin Dato' Faruk and Aida binti Dato' Faruk, who are substantial shareholders of FMSB.
- (8) Deemed interested by virtue of the company's substantial shareholding in SCSB.
- (9) Deemed interested by virtue of his substantial interest in SMSB, which in turn has substantial interest in SCSB.
- (10) Deemed interested by virtue of his substantial shareholding in DVSB.

Detailed information on the promoters, major shareholders, Directors and key management of PREMIUM is set out in Section 8 of this Prospectus.

3. INFORMATION SUMMARY (CONT'D)

3.3 Financial Highlights

3.3.1 Proforma Consolidated Income Statements

The following is a summary of the proforma consolidated income statements of the PREMIUM Group for the past five (5) financial years ended 31 December 1998 to 31 December 2002, which have been prepared based on the audited financial statements of PREMIUM and its subsidiaries for the relevant financial years are provided for illustrative purposes, on the assumption that the current structure of the PREMIUM Group (excluding BHB Group) had been in existence throughout the financial years under review:

3.3.1 Proforma Consolidated Income Statements (cont'd)

	Financial year ended 31 December				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	364,715	308,838	241,851	237,394	355,175
Earnings before interest, depreciation and taxation	16,780	17,300	19,673	16,654	17,238
Depreciation	(3,615)	(3,915)	(4,220)	(4,637)	(4,772)
Interest expenses	(7,164)	(5,080)	(6,093)	(5,023)	(4,817)
Profit before exceptional items	6,001	8,305	9,360	6,994	7,649
Exceptional items ¹	-	-	2,727	-	-
PBT	6,001	8,305	12,087	6,994	7,649
Taxation	(1,202)	(1,080)	(473)	(948)	(1,451)
PAT	4,799	7,225	11,614	6,046	6,198
Minority interests	-	-	-	-	(406)
Net profit	4,799	7,225	11,614	6,046	5,792
Proforma number of PREMIUM Shares assumed to be in issue ('000) ²	337,000	337,000	337,000	337,000	337,000
Gross EPS (sen)	1.8	2.5	3.6	2.1	2.3
Net EPS (sen)	1.4	2.1	3.4	1.8	1.8

Notes:

- 1 Being the net insurance claims on assets damaged by fire
- 2 The number of PREMIUM Shares assumed in issue throughout the financial years under review are based on the enlarged number of PREMIUM Shares after the Restructuring Scheme

The financial statements of PREMIUM were not subject to any audit qualification for the five (5) financial years ended 31 December 2002, and there were no extraordinary items, as defined by the applicable approved accounting standards in Malaysia recorded for such financial years.

Further details on the proforma consolidated income statement of PREMIUM Group are set out in Section 11 of this Prospectus.

3. INFORMATION SUMMARY (CONT'D)

3.3.2 Proforma Consolidated Balance Sheets

The following is a summary of the proforma consolidated balance sheets of PREMIUM as at 31 December 2002, prepared for illustrative purposes only, to show the effects of the Restructuring Scheme on the assumption that these transactions were completed on 31 December 2002:

	Audited as at 31.12.2002 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
Property, plant and equipment	-	-	-	121,108
Investment in an associated company	-	-	-	^
Intangible assets	-	-	-	43
Goodwill on consolidation	-	-	-	53,432
	-	-	-	174,583
Current assets	*	-	-	101,824
Current liabilities	-	-	-	(113,810)
Net current liabilities	-	-	-	(11,986)
	-	-	-	162,597
Financed by:-				
Share capital	*	1,000	32,000	168,500
Accumulated losses	-	(1,000)	(32,000)	(33,000)
	-	-	-	135,500
Minority shareholders' interest	-	-	-	2,507
Borrowings	-	-	-	11,882
Deferred taxation	-	-	-	12,708
	-	-	-	162,597
NTA	-	-	-	82,025
NTA per ordinary share (RM)	-	-	-	0.24

* represent RM2.00 cash and subscribers' shares of RM2.00 respectively

^ represent RM1.00 investment in an associated company

Proforma I

Proforma I incorporates the following:

Share exchange of the entire ordinary shares of RM1.00 each in BHB for 2,000,000 PREMIUM Shares on the basis of the approximately one (1) PREMIUM Share for every 9.975 BHB Shares.

3. INFORMATION SUMMARY (CONT'D)

3.3.2 Proforma Consolidated Balance Sheets (cont'd)**Proforma II**

Proforma II incorporates Proforma I and the following:

Settlement of debts owing by BHB to its creditors through the issuance of 62,000,000 new PREMIUM Shares to the creditors of BHB.

Proforma III

Proforma III incorporates Proforma II and the following:

The acquisition of the entire issued and paid-up capital of PVOB for a total purchase consideration of RM136.5 million satisfied by the issuance of 273,000,000 new PREMIUM Shares. The listing expenses attributable to the acquisition of PVOB of approximately RM1.0 million is capitalised as cost of investment in PREMIUM. The other listing expenses of approximately RM1.0 million is charged to the income statement of PREMIUM.

Further details on the proforma consolidated balance sheets of PREMIUM as at 31 December 2002 are set out in Section 10.7 of this Prospectus. The above summary should be read together with the notes and assumptions to the proforma consolidated balance sheets as set out in Section 10.7 of this Prospectus.

(i) Movements of share capital

The movements of share capital of PREMIUM are as follows:-

	RM'000
Ordinary shares of RM0.50 each:	
At date of incorporation	*
Share Exchange	1,000
	<hr/>
Proforma I	1,000
Debt Settlement	31,000
	<hr/>
Proforma II	32,000
Acquisition	136,500
	<hr/>
Proforma III	168,500
	<hr/>

* Denotes RM2.00

3. INFORMATION SUMMARY (CONT'D)

3.3.2 Proforma Consolidated Balance Sheets (cont'd)**(ii) Accumulated losses**

The accumulated losses arise from:

	RM'000
Cost of the Share Exchange charged to Income Statement (Proforma I)	1,000
Cost of the Debt Settlement owing by BHB to its creditors charged to Income Statement Proforma II	<u>31,000</u>
Listing expenses to be written off Proforma III	<u>1,000</u> <u>33,000</u>

(iii) Goodwill

Purchase consideration of PVOB Group, including cost of acquisition	137,500
Net assets of PVOB Group as at 31 December 2002 Proforma III	<u>(84,068)</u> <u>53,432</u>

The Proforma Consolidated Balance Sheets of PREMIUM as at 31 December 2002 and the Reporting Accountant's letter thereon are set out in Section 10.7 and Section 10.8 of this Prospectus.

3.4 Principal Statistics Relating to the Offer for Sale

(i) Share Capital	RM
Authorised	
500,000,000 ordinary shares of RM0.50 each	<u>250,000,000</u>
Issued and fully paid-up as at the date of this Prospectus	
337,000,004 ordinary shares of RM0.50 each	<u>168,500,002</u>
To be offered pursuant to the Offer for Sale	
43,208,000 ordinary shares of RM0.50 each	<u>21,604,000</u>
(ii) Classes of Shares and Rights	

There is only one class of shares in PREMIUM, being ordinary shares of RM0.50 each. The Offer Shares will rank pari passu in all respects with the existing issued and paid-up ordinary shares of RM0.50 each in PREMIUM.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of ordinary shares in the Company shall be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company.

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

3. INFORMATION SUMMARY (CONT'D)

(iii) Offer price of RM0.50 per ordinary share of RM0.50 each

The factors taken into consideration in the pricing of the Offer Shares are set out in Section 4.5 of this Prospectus.

(iv) Proforma Group NTA	RM
Proforma Group NTA as at 31 December 2002	82,025,000
Proforma NTA per share	0.24

(v) Consolidated Profit Forecast

The consolidated profit forecast for the financial year ending 31 December 2003 is as follows

Financial year ending 31 December	Forecast 2003 RM'000
Profit before taxation	17,250
Taxation	(3,600)
Profit after taxation	<u>13,650</u>
Minority interest	(1,360)
Profit for the year before exceptional item	<u>12,290</u>
Exceptional item *	(32,000)
Net loss for the year	<u>(19,710)</u>
Number of ordinary shares in issue ('000)	337,000
Weighted average number of ordinary shares in issue ('000)	236,750
Gross EPS (sen) [#]	7.29
Net EPS(sen) [#]	5.19
Gross PE Multiple based on the Offer Price of RM0.50 per PREMIUM Share (times)	6.86
Net PE Multiple based on the Offer Price of RM0.50 per PREMIUM Share (times)	9.63

Notes:

* *The exceptional item relates to the cost of the Restructuring Scheme by BHB and the transfer of listing status of BHB on the Second Board of KLSE to PREMIUM which is charged to the Income Statement as a one-off corporate cost.*

Based on the profit for the year before exceptional item against the weighted average number of ordinary shares in issue

The principal bases and assumptions upon which the consolidated profit forecast of PREMIUM have been made, and the Reporting Accountants' letter thereon are set out in Sections 10.4 and 10.5 of this Prospectus

3. INFORMATION SUMMARY (CONT'D)

(vi) Dividend Forecast

The dividend forecast for the financial year ending 31 December 2003 is as follows:

Financial year ending 31 December	Forecast 2003
Gross/net dividend per share (sen)	1.30
Gross/net dividend yield based on the offer price of RM0.50 per share (%)	2.60
Gross/net dividend yield based on the offer price of RM0.50 per share (%)	2.60
Gross/net dividend cover (times)	4.01

Note:

The above dividend forecast is based on the weighted average number of ordinary shares of 236,750,000 in PREMIUM.

Further information on the dividend forecast of PREMIUM is set out in Section 10.6 of this Prospectus.

3.5 Risk Factors

The following is a summary of the risk factors (which may not be exhaustive) which applicants for the Offer Shares should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Offer Shares. For a more detailed discussion on the risk factors, please refer to Section 5 of this Prospectus.

- (i) *Marketability of PREMIUM Shares* - the price at which PREMIUM Shares will be traded on the Second Board of KLSE will be dependent upon market forces beyond the control of the Company;
- (ii) *Ownership and control of PREMIUM* - following the Restructuring Scheme, the controlling shareholders of PREMIUM namely NLFC, SCSB, FMSB, PVSB, PMCB, Tan Sri Dato' Dr K.R. Somasundram and DVSB will effectively and collectively hold approximately 55.0% in PREMIUM and will be able to control the outcome on certain matters requiring the vote of the Company's shareholders;
- (iii) *Business risks* - the speciality fats industry is inherently subject to the vagaries of the general economic and business fluctuations;
- (iv) *Operational risks* - the speciality fat manufacturing industry is subject to operational risks, which includes inter-alia, fire outbreaks and disruption of electricity supply;
- (v) *Competition and new market entrants* - PREMIUM Group faces local and foreign competitors in the speciality fats sector;
- (vi) *Dependence on major customers* - the risk of PREMIUM Group losing its top twenty (20) customers which contributed approximately 40% for its turnover for the financial year ended 31 December 2002;

3. INFORMATION SUMMARY (CONT'D)

- (vii) *Effects of AFTA* – the potentially intensified competition in the speciality fats industry arising from the market liberalisation in the ASEAN region;
- (viii) *Effects of the WTO liberalisation* – the potentially intensified competition amongst the global players in the speciality fats and oil industry;
- (ix) *Dependence on key personnel* – the loss of key members of the senior management could adversely affect the Group's ability to compete in the speciality fats industry;
- (x) *Exchange rate risk* - PREMIUM Group's speciality fats products are mainly sold overseas and hence it is exposed to exchange rate fluctuations;
- (xi) *Insurance risk* – inadequate insurance coverage for its assets, particularly plant and machinery against unforeseen events, could disrupt PREMIUM Group's business;
- (xii) *Restrictive covenants under credit facility agreements* – PREMIUM Group have entered into various credit facility agreements with financial institutions which contain inter-alia, covenants which may limit the Group's operating and financial flexibility;
- (xiii) *Political, economic and regulatory considerations* – adverse developments in political, economic and regulatory conditions in Malaysia and the ASEAN region could unfavorably affect the position and business prospects of the PREMIUM Group;
- (xiv) *Profit forecast* – the profit forecast for the PREMIUM Group is based on assumptions which the Directors deem to be reasonable, but which nevertheless are subject to uncertainties and contingencies. Hence, there can be no assurance that the forecasts contained will be realised;
- (xv) *Operations in India* – the Group's operations in India is inherently subject to the business risks and the vagaries of the general economic conditions, political stability and tax structures in India; and
- (xvi) *Future prospects* – certain statements in this Prospectus are based on historical data, which may not be reflective of future results.

3.6 Proceeds of the Offer for Sale

The gross proceeds of the Offer for Sale of approximately RM21,604,000 shall accrue to the Offerors and no part of the proceeds of the Offer for Sale is receivable by PREMIUM. The Offerors shall bear all expenses including underwriting commission, placement fee, brokerage and stamp duty (if any) in relation to the Offer for Sale.

3. INFORMATION SUMMARY (CONT'D)

3.7 Material Litigation, Material Commitments and Contingent Liabilities
(i) Material Litigation

Save as disclosed below, PREMIUM and its subsidiaries are not engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of PREMIUM or its subsidiaries, and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company or its subsidiaries:

**(a) Court of Appeal Civil Appeal No. W-02-150-1997
PVOB v Palm Oil Research Institute of Malaysia ("PORIM")**

**High Court of Malaya at Kuala Lumpur Civil Suit No. D5-22-1766-1999 (Court of Appeal Civil Appeal No. 671-2000)
PORIM v PVOB**

PVOB has filed an action against PORIM as 1st Defendant and the Director General of PORIM as second ("2nd") Defendant for a declaration that PORIM was not entitled to levy cess for CPKO. PORIM counter claimed against PVOB for the sum of RM225,310 being cess due for the period of 1986 to 1989 and also the payment of cess from 1990 to the date of judgement being April 1997. PORIM also prayed for an order that PVOB furnish PORIM with statements pursuant to paragraph 5 of the Palm Oil (Research Cess) Order from 1990 till April 1997. The court had dismissed PVOB's application and ordered PVOB to pay PORIM the sum of RM225,310 as well as cess for the years from 1990 to 1997. PVOB has subsequently filed a notice of appeal against the above-mentioned order on 26.05.2000. PVOB's appeal was allowed on 25 June 2002.

PVOB initiated a claim against PORIM for a refund of cess paid amounting to RM363,034 and for interest and costs but subsequently agreed to defer the claim pending final decision from the Federal Court.

In respect of both of the abovementioned matters, leave to appeal to the Federal Court was granted to PORIM on 2 October 2002. The Records of Appeal have been filed and the case was heard at the Federal Court on 16 June 2003. However, the decision is yet to be obtained from the Court on the matter.

The cess that may be payable by PVOB to PORIM in respect of the two actions above have not been quantified yet and is subject to assessment by PORIM based on PVOB's production of CPKO between 1986 and 1997.

The only quantification available at the moment is the cess allegedly payable by PVOB between 1986 and 1989 in the sum of RM225,301.

3. INFORMATION SUMMARY (CONT'D)

**(b) High Court of Malaya at Kuala Lumpur Civil Suit No. D6-1501-1998
PVOB v Lenser Kunststoff Presswerk GMBH & Co. ("Lenser")**

PVOB issued a writ against Lenser for losses suffered by PVOB as a result of Lenser's failure to deliver goods contracted for. The total losses claimed by PVOB are the amounts of Deutsche Marks 728,720 (equivalent to approximately RM1,632,312) and RM6,908,221, and alternatively damages and interest.

Lenser applied for vacation of ex-parte judgment which has been granted. Lenser has also filed a defence against PVOB's claim alleging that PVOB is time barred from filing any claim.

Lenser's application to strike out PVOB's claim was fixed on 5 May 2003 for clarification on the parties' respective written submissions.

The Court on 5 May 2003 dismissed PVOB's application to adduce fresh evidence on appeal to the Judge in chambers. PVOB has instructed its solicitors to file an appeal to the Court of Appeal in respect of the dismissal.

**(c) Kuala Lumpur Session Court Suit No. D5-22-945-2000
PVOB v ICG System Sdn Bhd ("ICG"), Ashok Kumar Santhanam, Sanjoy Bose and Ranjit Singh s/o Harbinder Singh**

PVOB is claiming against ICG RM2,900,000 in damages for non-completion of work and fraud by the Directors of ICG. PVOB alleges that ICG had breached an agreement entered into in 1996 by failing to deliver a complete software for contract management system.

The solicitors of PVOB are of the opinion that the outcome of the matter is difficult to predict on the following grounds:

- (i) ICG is under voluntary liquidation and this action is under section 304 of the Companies Act 1965. In addition, PVOB does not have any knowledge of ICG's current financial position.
- (ii) The case is based on an allegation of fraud. Proving fraud against the defendants is likely to be difficult since proof has to be beyond reasonable doubt and issues like knowledge and intention will be relevant but difficult to prove. Such issues have to be proved against each defendant individually.
- (iii) Furthermore, given that Ashok Kumar Santhanam and Sanjoy Bose are not in Malaysia, recovery is likely to be an issue even if judgment is obtained.

The matter has been set for case management schedule on 23 June 2003. The fourth ("4th") Defendant has filed an appeal to the Court of Appeal against the decision of High Court dismissing his application to strike out PVOB's claims.

3. INFORMATION SUMMARY (CONT'D)

(d) PVOB's claim against v Pritt & Company Ltd

PVOB has engaged a foreign counsel in London to advise on the recovery of a debt for the sum of approximately RM1,240,511 for goods sold and delivered by PVOB to Pritt & Company Ltd between 1 January 1997 and 14 February 1998. Pritt & Company Ltd has been making payments to reduce the amount outstanding.

The amount outstanding is as follows:

- (i) The principal amount is USD233,147; and
- (ii) The total outstanding interest calculated at the rate of 18% per annum is USD205,008.

A draft statement of claim has been forwarded to Pritt & Company Ltd's solicitors. PVOB intends to proceed with the matter.

(ii) Material Commitments for Capital Expenditure

Save as disclosed below, there are no material commitments for capital expenditure contracted or known to be contracted by PREMIUM or its subsidiaries, which may have a substantial impact on the financial position of the Group as at 16 June 2003 (being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus):

	Amount RM'000
Approved and contracted for	713
Approved but not contracted for	14,734
	<u>15,447</u>

(iii) Contingent Liabilities

As at 16 June 2003 (being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus) the Directors of PREMIUM are not aware of any contingent liabilities save and except as disclosed below:-

- (a) Litigation claims (on a worst case scenario) against the PREMIUM Group estimated at approximately RM7.4 million from material litigations as described in Section 13.5 on page 170 of this Prospectus
- (b) Contingent liabilities in respect of corporate guarantees given to bank and finance companies for outstanding facilities granted to subsidiary companies of approximately RM20.8 million; and
- (c) Contingent liabilities in respect of bill discounted with banks of approximately RM14.7 million.

4. PARTICULARS OF THE OFFER FOR SALE

4.1 Opening and Closing of Application

The Application will open at 10.00 a.m. on 30 June 2003 and will remain open until 8.00 p.m. on 15 July 2003 or for such further period or periods as the Directors and Promoters of PREMIUM together with the Managing Underwriter in their absolute discretion may decide.

Indicative Timetable

Event	Tentative Date
Opening date of Application for the Offer for Sale	30 June 2003
Closing date of Application for the Offer for Sale	15 July 2003
Balloting	17 July 2003
Allotment	28 July 2003
Listing	1 August 2003

4.2 Share Capital

	RM
Authorised	
500,000,000 ordinary shares of RM0.50 each	<u>250,000,000</u>
Issued and fully paid-up as at the date of this Prospectus	
337,000,004 ordinary shares of RM0.50 each	<u>168,500,002</u>
To be offered pursuant to the Offer for Sale	
43,208,000 ordinary shares of RM0.50 each	<u>21,604,000</u>

The price of RM0.50 for each Offer Share is payable in full on application.

There is only one class of shares in PREMIUM, being ordinary shares of RM0.50 each. The Offer Shares will rank *pari passu* in all respects with the existing issued and paid-up ordinary shares of RM0.50 each in PREMIUM including voting rights, dividends and distributions that may be declared subsequent to the date of this Prospectus.

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

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

4. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

4.3 Details of the Offer for Sale

The Offer for Sale is subject to the terms and conditions of this Prospectus and upon acceptance, the Offer Shares will be allocated in the following manner:

(i) Shareholders of BHB

3,000,000 Offer Shares have been reserved for the shareholders of BHB whose names appear on the Record of Depositors at 5.00 p.m. on 23 June 2003 prior to the Share Exchange. The existing issued and paid-up share capital of BHB prior to the Share Exchange of 19,950,000 BHB Shares were exchanged for 2,000,000 new PREMIUM Shares on the basis of one (1) new PREMIUM Share for every 9.975 BHB Shares pursuant to the Restructuring Scheme.

(ii) Eligible Directors, Employees, Suppliers, Customers and Agents of PREMIUM Group

5,000,000 Offer Shares have been reserved for the eligible Directors, employees, suppliers, customers and agents of PREMIUM Group.

(iii) Bumiputera investors to be approved by MITI

5,000,000 Offer Shares have been reserved for Bumiputera investors approved by MITI

(iv) Private Placement to Public Investors

20,000,000 Offer Shares by way of private placement to public investors

(v) Malaysian Public

10,208,000 Offer Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The Offer Shares in respect of Section 4.3 (iii) and (iv) above need not be and will not be underwritten. The Offer Shares in respect of Section 4.3 (i), (ii) and (v) above have been fully underwritten by the Managing Underwriter and Underwriters. Details on the brokerage, underwriting commission and placement fee relating to the Offer for Sale are set out in Section 4.7 of this Prospectus.

The Placement Agent has received irrevocable undertakings from certain identified investors to take up the Offer Shares under paragraph (iii) above.

Any Offer Shares in respect of paragraphs (i) and (ii) not subscribed by the shareholders of BHB and/or the eligible Directors, employees, suppliers, customers and agents of PREMIUM Group will be made available for application by the Malaysian public and vice-versa.

In the event of an under-subscription of the Offer Shares under paragraphs (i), (ii) and (v) above, the unsubscribed Offer Shares will be made available for application under the private placement pursuant to paragraph (iv) above and vice-versa. Any further Offer Shares not subscribed for will be made available for subscription by the Underwriters.

4. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

4.4 Purposes of the Offer for Sale

The purposes of the Offer for Sale are as follows:

- (i) to serve the purpose of meeting the 25% public shareholding spread pursuant to the listing requirements of KLSE and the SC Guidelines;
- (ii) to provide an opportunity for Malaysian investors, institutions, eligible Directors, employees, suppliers, customers and agents of PREMIUM to participate in the equity and continuing growth of the Group;
- (iii) to enable PREMIUM to meet the National Development Policy requirement on 30% Bumiputera shareholding spread in PREMIUM upon its quotation and Listing; and
- (iv) to facilitate the listing of and quotation for PREMIUM's entire issued and paid-up share capital on the Second Board of KLSE.

4.5 Pricing of the Offer Shares

The offer price of RM0.50 per ordinary share was determined and agreed upon by the Company and PMBB as Adviser and Managing Underwriter based on various factors, including but not limited to the following:

- (i) The Group's qualitative and quantitative factors as set out in Sections 6 and 10 of this Prospectus;
- (ii) The industry in which the Group operates in, and the future plans, strategies and prospects of the Group as described in Section 6 of this Prospectus;
- (iii) The Group's consolidated profit forecast together with the forecast net PE multiples for the financial year ending 31 December 2003 as set out in Section 10.4 of this Prospectus;
- (iv) The forecast net dividend yield for the financial year ending 31 December 2003 as set out in Section 10.6 of this Prospectus; and
- (v) The Group's proforma NTA per share as at 31 December 2002 as set out in Section 10.7 of this Prospectus.

However, investors should also note that the market price of PREMIUM Shares upon listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of PREMIUM's Shares being traded. Investors should form their own views on the valuation of the Offer Shares before deciding to invest in the Offer Shares.

4.6 Proceeds of the Offer for Sale

The gross proceeds of the Offer for Sale of approximately RM21,604,000 shall accrue to the Offerors and no part of the proceeds of the Offer for Sale is receivable by PREMIUM. The Offerors shall bear all expenses including underwriting fee, brokerage and stamp duty (if any) in relation to the Offer Shares estimated to be RM870,000.

PREMIUM will bear all expenses relating to the listing of and quotation for PREMIUM Shares on the Second Board of KLSE such as registration fee, professional fees, SC fee, advertising and listing expenses and other fees which are estimated to be approximately RM2,000,000.

4. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

4.7 Brokerage, Underwriting Commission and Placement Fee

The Underwriters have agreed to underwrite 18,208,000 PREMIUM Shares or 42.1% of the Offer Shares to be offered to the shareholders of BHB, the eligible Directors, employees, suppliers, customers and agents of PREMIUM Group, and the Malaysian public. Underwriting commission and placement fee are payable by the Offerors at 3.0% respectively of the offer price of RM0.50 per Offer Share pursuant to the Offer for Sale.

Brokerage is payable by the Offerors in respect of the Offer for Sale by PVOB Vendors at the rate of 1% of the offer price of RM0.50 per Offer Share in respect of successful applications bearing the stamp of either PMBB, a member company of KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH.

4.8 Salient Terms of the Underwriting Agreement

An Underwriting Agreement was entered into between the Company and the Underwriters on 18 June 2003 to underwrite the 18,208,000 Offer Shares ("Underwritten Shares") which are made available for application by the shareholders of BHB, the eligible Directors, employees, suppliers, customers and agents of PREMIUM Group and the Malaysian public ("Agreement").

The following are extracts of some of the salient clauses contained in the Agreement, including clauses which may allow the Underwriters to withdraw from the underwriting obligations after the opening of the Offer.

The terms, clauses and references set out in the remainder of this Section 4.8 are in respect of those set out in the Agreement.

Clause 3.7: Withdrawal or Non-Procurement of Approval for Listing by the KLSE

The Underwriters shall have the right to terminate this Agreement by notice in writing served by the Underwriters on the Company in the event that the approval of the KLSE for the listing of and quotation for the entire issued and paid up share capital of the Company on the Second Board of the KLSE is withdrawn or not procured or procured but subject to conditions not acceptable to the Managing Underwriter and/or the Underwriters and upon such termination the liabilities hereto of the Company, the Offerors and the Underwriters shall become null and void and none of the parties shall have a claim against each other save that each party shall return any moneys paid to the other or others under this Agreement within forty-eight (48) hours of the receipt of such notice provided that the Offerors shall remain liable for the payment of the underwriting commission and for the payment of all costs and expenses as stipulated in referred to in Clause 7.3 of the Agreement thereof.

4. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

4.8 Salient Terms of the Underwriting Agreement (cont'd)**Clause 3.8: Change in Circumstances**

Notwithstanding anything herein contained, the Underwriters or any of them acting through the Managing Underwriter may at any time before the closing date, by notice in writing to the Company, propose to terminate its obligations under this Agreement if in its reasonable opinion there shall have been such a change in national or international monetary, financial, political or economic conditions or in market condition (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regards to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or exchange control legislation or regulations or currency exchange rates or an occurrence as a result of an act or acts of God as would in its reasonable opinion materially prejudice the success of the offering of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market) or in the event of national disorder, outbreak of war or the declaration of a state of national emergency. For this purpose, a drop in the composite index of the KLSE below 25% of the benchmark index, for the period from the date of this Agreement to the closing date, for five (5) continuous business days would be deemed a material change in the stock market condition to allow the Underwriters to invoke this right.

Clause 6: Termination

6.1 Notwithstanding anything herein contained, the Underwriters and/or the Managing Underwriter (as the case may be) may by notice in writing to the Company and the Offerors given at any time before the closing date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if: -

- (i) there is any breach by the Company and/or the Offerors of any of the representations, warranties or undertakings as stipulated in the Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company and/or the Offerors; or
- (ii) there is failure on the part of the Company and/or the Offerors to perform any of its obligations herein contained; or

4. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

4.8 Salient Terms of the Underwriting Agreement (*cont'd*)

- (iii) there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Company, the success of the invitation for subscription of the Offer Shares by the public, or the distribution or sale of the Offer Shares; or
- (iv) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company; or
- (v) there shall have occurred, or happened any of the following circumstances:-
 - (a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);
 - (c) which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company, the success of the invitation for subscription of the Offer Shares by the public, or the distribution or sale of the Offer Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

4. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

4.8 Salient Terms of the Underwriting Agreement (cont'd)

6.2 Upon any such notice(s) being given pursuant to Clause 6.1, the Underwriters and the Managing Underwriter, shall be released and discharged from their obligations hereunder whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Offerors shall remain liable for the payment of the underwriting commission where the termination was due to a breach, act or omission of the Offeror, and the Offeror shall remain liable in respect of its obligations and liabilities as set out under Clause 7.3 of the Agreement for the payment of costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies, and for any antecedent breach.

4.9 Allocations of Shares under Offer for Sale to Eligible Directors, Employees, Suppliers, Customers and Agents of PREMIUM Group.

5,000,000 PREMIUM Shares, representing approximately 1.5% of the enlarged issued and paid-share capital of PREMIUM, have been reserved for eligible Directors, employees, suppliers, customers and agents of the PREMIUM Group.

(a) The PREMIUM Shares reserved for its eligible Directors and employees, are based on the following criteria as at the cut-off date of 31 December 2002:

- Job position;
- Length of service; and
- Job performance.

(b) The allocation of PREMIUM Shares to the Group's suppliers, customers and agents is based on the following criteria as at the cut-off date of 31 December 2002:

- Length of relationship; and
- Volume of transactions/contribution to PREMIUM Group.

5. RISK FACTORS

Notwithstanding the prospects of the Group as outlined in this Prospectus, applicants for the Offer Shares should carefully consider the following factors (which may not be exhaustive) which may have a significant impact on the future performance of the Group, in addition to other information contained elsewhere herein, before applying for the Offer Shares:

5.1 Marketability of PREMIUM Shares

The offer price of RM0.50 per Offer Share was entirely determined and agreed upon by PREMIUM, the Offerors, and PMBB as Adviser and Managing Underwriter, after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects for the industries in which the Group operates, the management of the Group, the market prices for shares of companies engaged in businesses similar to that of the Group and the prevailing market conditions. As such, the price at which PREMIUM Shares will trade on the Second Board of KLSE will be dependent upon market forces which is beyond the control of the Company.

There can be no assurance that the offer price will correspond to the price at which the shares in PREMIUM will be traded on the Second Board of KLSE upon or subsequent to its listing or that an active market for PREMIUM Shares will develop and continue upon or subsequent to its listing.

5.2 Ownership and Control of PREMIUM

Following the completion of the Restructuring Scheme, the original substantial shareholders of PVOB, namely NLFCS, SCSB, FMSB, PVSB, PMCB, Tan Sri Dato' Dr K. R. Somasundram and DVSB will collectively and effectively own approximately 55.0% of the enlarged issued and paid-up share capital of PREMIUM. As a result, it is likely that the said shareholders will be able to effectively control the outcome of certain matters requiring the vote of PREMIUM shareholders, including the constitution of the Board of Directors and thus the direction and future operations of the PREMIUM Group, decisions regarding acquisitions and other business opportunities, declaration of dividends and issuance of additional shares and other securities, unless they are required to abstain from voting by law and/or the relevant authorities.

5.3 Business Risks

The PREMIUM Group is exposed to certain risks inherent in the speciality fats industry. These include, inter-alia, availability of adequate workforce, fluctuation in the price of raw materials, increases in salary costs, technological changes, changes in the general economic, business and credit conditions, changes in consumers' taste, interest rate and exchange rate fluctuations and changes in the legal and environmental framework within which the speciality fats industry operates. Although the PREMIUM Group seeks to limit these risks through inter-alia, employment of the latest technology and continuous research on product development, no assurance can be given that any change in these factors will not have a material adverse effect on the PREMIUM Group's business.

5. RISK FACTORS (CONT'D)

5.4 Operational Risks

Other risk which are also inherent to the specialty fat manufacturing industry includes fire outbreaks and the disruption of electricity supply, which would affect the PREMIUM Group's business operations. In addressing these inherent risks, the PREMIUM Group has in place the following risk management practices/plans:-

- (a) A safety committee consisting of senior management and operational staff of PVOB Group was formed to evaluate and perform security checks on the factories and to ensure security policies and control system are adhered to. The members of the safety committee have attended external safety courses in relation to method of handling fire fighting equipment and proper procedures to be carried out should fire occurs in the factories. The said members are responsible for the provision of such training to the factory workers;
- (b) The PREMIUM Group has made arrangement with the "Jabatan Bomba" to conduct fire drills at regular intervals;
- (c) The factory premises are guarded 24 hours with a minimum of two (2) guards. These guards are required to clock-in at designated locations within the premises every half an hour or every hour in the night. The guardhouses are installed with telephone lines which are equipped with a speed dial system to alert the nearest fire station and key personnel when the need arises;
- (d) Fire fighting system, i.e. fire hydrants, hose reels and fire extinguishers have been installed in the factories and a sprinkler system has been installed for the corporate office. The fire fighting system installed in the factory at Pasir Gudang, is controlled by a fire control panel which will alert the "Jabatan Bomba", Pasir Gudang when the system is triggered;
- (e) To ensure its smooth operation of all the three (3) factories in Pasir Gudang, and Kulai, Johor and Kakinada, India respectively, the PREMIUM Group has backup generator sets at all the factories. At the Pasir Gudang factory, there are two (2) generator sets which can provide electricity to essential operations and key plants. The plant in India can also run on generator set. MSSB's operation in Kulai can run partly on generator set.
- (f) The PREMIUM Group has taken out insurance coverage on inter-alia, fire consequential loss, fire of factory building, plant and machinery, stocks and office equipment. In relation to the operations in Kakinada, India, insurance coverage is taken out for fire only.

With the abovementioned risk management practices/plans in place, the operational risks to the PREMIUM Group which include fire outbreaks and the disruption of electricity supply are mitigated.

5. RISK FACTORS (CONT'D)

5.5 Competition and New Market Entrants

The PREMIUM Group faces competition from various competitors in the speciality fats sector, both local and abroad. No assurance is given that PREMIUM Group will be able to maintain its market share upon completion of the Restructuring Scheme. Nevertheless, the Directors of the PREMIUM Group believe that PREMIUM Group is in a position to compete with these competitors based on its competitive edge coupled with its long standing relationship with its suppliers and customers, its continual commitment to technology and the high barriers to entry in speciality fats in respect of technical expertise and the need for significant investment in technological equipment and research and development. In addition, PREMIUM Group has strong brand loyalty amongst its customers as its products have been in the market for more than eight (8) years.

Nevertheless, no assurance could be given that changes to these factors would not have any material adverse impact on the PREMIUM Group's business.

5.6 Dependence on Major Customers

The PREMIUM Group's customers are mainly from overseas. The total sales from the top twenty (20) customers of PREMIUM Group constitute 40% of the total turnover for the financial year ended 31 December 2002. In this respect, the PREMIUM Group has been dependent on these major customers, who are food manufacturers. There can be no assurance that the PREMIUM Group's business relationship with them will not be disrupted. However, with the PREMIUM Group's proven track record, competent personnel and continuous investment in research and development to cater for customers' requirements and changes in consumers' taste, the PREMIUM Group is well poised to continue securing business from its customers.

5.7 Effects of AFTA

The AFTA agreement was signed in 1992 between Malaysia, Thailand, Singapore, Indonesia, Philippines and Brunei to promote economic co-operation and increase competitiveness by reducing inter-regional barriers in the ASEAN region. Under AFTA, member countries will have to commence lowering tariffs, export subsidies and tax relief from the year 2000 onward and are to abolish them by the year 2003.

With the initiation of the Common Effective Preferential Tariff scheme under AFTA, tariff on goods traded within the ASEAN region, which meet a 40% ASEAN content requirement, will be reduced to 0-5% by the year 2003 (2006 for Vietnam, and 2008 for Laos and Myanmar). This would result in a liberalised market and may potentially intensify competition among speciality fats producers in the ASEAN region.

Notwithstanding the intensified competition, the market liberalisation of the speciality fats industry is expected to present opportunities to PREMIUM Group, to increase its market share both domestically and regionally by innovating niche products that meet the market demand under the AFTA regime. To enhance its competitiveness under the AFTA regime, the PREMIUM Group has introduced and will continue to introduce new speciality fats products, has upgraded and will continue to upgrade its plant and machinery, and has trained and will continue to train its workforce to keep abreast with current production technologies and technical know-how. One of the steps taken by the PREMIUM Group to mitigate any unfavourable effects which may arise from the implementation of AFTA was the capital expansion in 2002 aimed at increasing the product diversity and the production capacity of the plant, whereby:

5. RISK FACTORS (CONT'D)

5.7 Effects of AFTA (cont'd)

- (i) PREMIUM has commissioned a new fractionation plant, upgraded its hydrogenation plant, deodorization plants and storage tanks facilities during the year ended 31 December 2002;
- (ii) MSSB has installed a new fractionation plant and packaging plant to produce high end quality crude/refined olein and stearine as well as upgraded its existing oil mill; and
- (iii) PFSB is planning to construct a new margarine plant to penetrate the consumer market directly.

Although every effort has been taken by the PREMIUM Group to maintain its competitiveness, there is no assurance that AFTA will not have any material adverse effect on the Group's business and financial condition.

5.8 Effects of the WTO Liberalisation

Pursuant to the commitments initiated by the government in respect of the implementation of the WTO liberalisation, the global industry will be a free market economy. This would fuel intense competition amongst the global players in the speciality fats and oils industry. In this regard, the PREMIUM Group's recent expansion to India via the acquisition of the equity interest in AAO will strengthen the PREMIUM Group's competitiveness. This is the first step that the PREMIUM Group has undertaken to venture its operations overseas to enhance its market share in the global market. With the on-going research and development carried out by the PREMIUM Group to produce niche speciality fats products as well as its continuing expansion and upgrading of its plant and machinery, the PREMIUM Group believes that its business model is competitive and resilient against the dynamics of the global market conditions.

Notwithstanding the above, being a net exporter of speciality fats and non-speciality oils, the PREMIUM Group may also stand to benefit from the tariff and duty exemptions that are currently imposed in its overseas customers' countries. This in turn, will not only provide an avenue for the PREMIUM Group to expand its overseas market share in this business, but also enable the PREMIUM Group to increase the production of higher-end products.

5.9 Dependence on Key Personnel

The PREMIUM Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing senior management personnel. The loss of any of the PREMIUM Group's key management could adversely affect its continued ability to compete. Measures have been taken in grooming other members of management team in key management areas to ensure that they will be provided with the necessary experience and exposure to gradually assume senior positions.

The PREMIUM Group's future success will also depend upon its ability to attract and retain experienced personnel. To ensure this, the PREMIUM Group has devised a comprehensive human resource management policy covering the areas of continuous education and training, career development, as well as a conducive working environment with emphasis on safety, health and the promotion of positive working cultures.

It is the PREMIUM Group's practice to retain the services of the Group's Directors and senior management whenever possible and to also attract and retain experienced personnel. This would ensure a smooth transition in the leadership team when the younger members of the management gradually take over from the senior members of the management.

5. RISK FACTORS (CONT'D)

5.10 Exchange Rate Risk

The main raw material of the PREMIUM Group is crude palm oil, which is a commodity that is traded on the Kuala Lumpur Commodity Exchange. Hence, the price fluctuations of the said raw material are determined by the forces of supply and demand in the market. The pegging of the Ringgit Malaysia against the US since 1 September 1998 has removed the exchange rate risks for the PREMIUM Group.

The PREMIUM Group's speciality fat products are mainly sold in foreign countries denominated in foreign currencies and hence it is exposed to exchange rate fluctuation. However, the PVOB Group's customers are spread across more than 49 countries and this provides the PREMIUM Group with a natural hedge against any adverse impact resulting from foreign exchange rate movement.

However, there can be no assurance that any future significant fluctuations in exchange rates or any financial crisis will not impact on the revenue and earnings of the PREMIUM Group.

5.11 Insurance Risk

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operation. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets, particularly plant and machinery against unforeseen events such as fire and lightning, storm, riot, strikes and malicious damage. Although the Group has taken the necessary measures to ensure that its assets, particularly plant and machinery are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of all assets of the Group, including but not limited to, any consequential costs arising therefrom.

5.12 Restrictive Covenants under Credit Facility Agreements

The subsidiaries of the Group have entered into various credit facility agreements with banks or financiers to finance their operations and business activities. These agreements contain, inter-alia, covenants, which may limit the Group's operating and financial flexibility. Any act by the Group falling within the ambit or scope of such covenants will require the consent of the relevant banks or financiers. Any breach of such covenants may give rise to a right by the bank or financier to terminate the relevant credit facility and/or enforce any securities held by the bank or financier and to call a cross-default on other credit facilities. There can be no assurance that the aforesaid enforcement of the right by the banks or financiers will not have any material adverse impact on the Group's operations and financial results.

The Board of Directors of PREMIUM is aware of such covenants and shall continue the Group's compliance of the same.

5.13 Political, Economic and Regulatory Considerations

Like all other business entities, adverse developments in political, economic and regulatory conditions in Malaysia and ASEAN region could unfavourably affect the financial position and business prospects of the PREMIUM Group. Political uncertainties such as changes in political leadership, risk of war, expropriation, nationalisation, re-negotiation or nullification of existing contracts, and changes in interest rates, methods of taxation and currency exchange rules and contracts could unfavourably affect PREMIUM Group.

Whilst the PREMIUM Group endeavours to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially and unfavourably affect the PREMIUM Group.

5. RISK FACTORS (CONT'D)

5.14 Profit Forecast

The forecast for the PREMIUM Group is based on assumptions which the Directors deem to be reasonable, but which nevertheless is subject to uncertainties and contingencies, such as variations in the prices of products and services as well as cost of raw materials/resources, utilities and chemicals. Due to the subjective judgments and inherent uncertainties of the forecast, and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecast contained will be realised, and actual results may be materially different from those shown.

The Reporting Accountants, Messrs. KPMG and the adviser, PMBB have made emphasis of matters on certain underlying principal assumptions in the profit forecast of the PREMIUM Group for the financial year ending 31 December 2003, the details of which are set out in the Reporting Accountants' letter in Section 10.5 of this Prospectus.

Set out below are the comments from the Directors of PREMIUM in relation to the aforesaid emphasis of matters:

(a) Sales of speciality fats and fractionated oils

The Directors of PREMIUM are confident that the newly installed fractionation plants can produce products of acceptable quality because the technology used has proven to be working.

(b) Special grade refined products

The initial intention of setting up refinery/fractionation plants in MSSB was to produce high grade refined palm olein. Further, this super olein is mainly for the supply to PVOB in order to make better quality downstream products instead of relying on other suppliers, whose supply and quality of olein is out of the control of PVOB.

There is also positive market response for quality refined products from overseas consumers who are ready to pay a premium of USD20 per metric tonne for quality refined palm oil/palm olein/palm stearin with the required specification of colour and free fatty acid content. The reason for the high premium is also due to the cost savings as there is no need for the products to undergo further refining.

Being in the business for eighteen (18) years, the management has the technical expertise and experience of the market. In addition, the demand for the said products are encouraging. As these plants are based on the same technology as those plants in PVOB, the Group does not foresee any difficulty in operating the said plants. The plants have started production in April 2003 and there have been sales made in April 2003 in respect of these plants.

Hence, the Directors of PREMIUM are of the opinion that the gross contribution as forecasted above is reasonable and achievable.

5. RISK FACTORS (CONT'D)

(c) Contingent liabilities on cess payment

A statutory body has filed an appeal in the Federal Court against the judgement by the Court of Appeal dismissing the claims made by the statutory body against PVOB of RM4.2 million for the period from 1986 to 1997. The appeal is pending hearing in Federal Court. The details are as set out in Section 13.5 of this Prospectus.

If PVOB loses the case, it will be required to pay approximately RM4.2 million together with interest of RM1.7 million and cost thereon, which would have a material impact on the consolidated profit forecast for the year ending 31 December 2003.

Since the Court of Appeal had decided in favour of PVOB, the Directors are of the opinion that PVOB has a good case and hence, no provision has been made in the consolidated profit forecast for the year ending 31 December 2003.

5.15 Operations in India

In 2002, the Group expanded its operations to India. The operations in India are subject to certain business risk which includes but not limited to the general conditions of the India economy, its political stability, changes in legal and tax legislations affecting the industry in which AAO operates, fluctuations in exchange rates and fluctuations in costs of production. As such, there can be no assurance that any change to the above factors will not have a material adverse impact on the operations of AAO.

5.16 Forward Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of future results, and others are forward-looking in nature, i.e. those other than statements of historical facts, which are subject to uncertainties and contingencies. Although the Group believes that the expectations reflected in such future statement are reasonable at this time, there can be no assurance that such expectations will prove correct in the future. In light of these and other uncertainties, the inclusion of any forward-looking statement in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the Group will be achieved.