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Rimbunan Sawit

RIMBUNAN SAWIT BERHAD (691393-U)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

PROPOSED ACQUISITIONS BY RIMBUNAN SAWIT BERHAD OF 85% EQUITY INTEREST EACH IN BARAM TRADING SDN BHD AND NESDAYA PALMA SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM50,667,000 SUBJECT TO ADJUSTMENTS ("PROPOSED ACQUISITIONS")

Adviser



A MEMBER OF EDN BANK GROUP

MIMB INVESTMENT BANK BERHAD (10209-W)

(formerly known as Malaysian International Merchant Bankers Berhad)

A Participating Organisation of Bursa Malaysia Securities Berhad

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF RIMBUNAN SAWIT BERHAD IN RELATION TO THE PROPOSED ACQUISITIONS

Independent Adviser



PUBLIC INVESTMENT BANK BERHAD (20027-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(Wholly-Owned Subsidiary of Public Bank Berhad)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of the Extraordinary General Meeting, to be held at the Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibul, Sarawak on Friday, 21 December 2007 at 11.00 a.m., is set out in this Circular. Shareholders are advised to refer to the Notice of Extraordinary General Meeting and the Form of Proxy enclosed herein.

If you decide to appoint a proxy to attend and vote on your behalf at the Extraordinary General Meeting, the Form of Proxy must be lodged at the Registered Office of the Company at No. 85-86, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibul, Sarawak not less than forty-eight (48) hours before the time appointed for the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently decide to do so. The last day and time for lodging the Form of Proxy is on Wednesday, 19 December 2007 at 11.00 a.m.

This Circular is dated 6 December 2007

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

“Act”	: Companies Act, 1965
“Board”	: Board of Directors of RSB
“BTSB”	: Baram Trading Sdn Bhd
“BTSB Shares”	: 4,250,000 ordinary shares of RM1.00 each in BTSB
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“CPO”	: Crude palm oil
“DN”	: Desa Nuri Sdn Bhd
“EGM”	: Extraordinary General Meeting
“FFB”	: Fresh fruit bunches
“FIC”	: Foreign Investment Committee
“FYE”	: Financial year ended 31 July
“Ha”	: Hectares
“Henry Butcher”	: Henry Butcher Malaysia (Miri) Sdn Bhd, an independent registered firm of valuers
“IAL”	: Independent Advice Letter, as contained in Part B of this Circular
“LAT”	: Loss after taxation
“LBT”	: Loss before taxation
“Listing Requirements”	: The Listing Requirements of Bursa Securities
“MIMB”	: MIMB Investment Bank Berhad (formerly known as Malaysian International Merchant Bankers Berhad)
“NA”	: Net assets
“Nescaya Palma Estate”	: Oil palm plantation estate of NPSB
“NL”	: Net liabilities
“NTA”	: Net tangible assets
“NPSB”	: Nescaya Palma Sdn Bhd
“NPSB Shares”	: 2,125,000 ordinary shares of RM1.00 each in NPSB
“PAA”	: Pertumbuhan Abadi Asia Sdn Bhd
“PAT”	: Profit after taxation
“PBT”	: Profit before taxation
“PIVB”	: Public Investment Bank Berhad (formerly known as PB Securities Sdn Bhd)

DEFINITIONS

“PJP”	: Pemandangan Jauh Plantation Sdn Bhd
“Proposed BTSB Acquisition”	: The proposed acquisition by RSB of the BTSB Shares, representing 85% of the total issued and paid-up share capital of BTSB from PJP, RHS, TTSH and TUR pursuant to the SPA
“Proposed NPSB Acquisition”	: The proposed acquisition by RSB of the NPSB Shares, representing 85% of the total issued and paid-up share capital of NPSB from PJP and DN pursuant to the SPA
“Proposed Acquisitions”	: Collectively the Proposed BTSB Acquisition and Proposed NPSB Acquisition
“Purchase Consideration”	: RM18,417,000 for the Proposed BTSB Acquisition and RM32,250,000 for the Proposed NPSB Acquisition, totalling RM50,667,000, subject to adjustments as set out in Section 2.4 herein.
“RHS”	: Rimbunan Hijau (Sarawak) Sdn Bhd
“RHSA”	: Rimbunan Hijau Southeast Asia Sdn Bhd
“RM” and “sen”	: Ringgit Malaysia and sen respectively
“RSB” or “Company”	: Rimbunan Sawit Berhad
“RSB Group” or “Group”	: RSB and its subsidiary companies
“Shares”	: Ordinary shares of RM1.00 each
“SPA(s)”	: Conditional sale and purchase agreements for shares in relation to the Proposed Acquisitions dated 12 October 2007
“Temala Estate”	: Oil palm plantation estate of BTSB
“TSL”	: Teck Sing Lik Enterprise Sdn Bhd
“TSTHK”	: Tan Sri Datuk Diong Hiew King @ Tiong Hiew King
“TTSE”	: Tiong Toh Siong Enterprises Sdn Bhd
“TTSH”	: Tiong Toh Siong Holdings Sdn Bhd
“TUR”	: Telang Usan Resources Sdn Bhd
“Vendor(s)”	: DN, PJP, RHS, TTSH and TUR, individually and collectively

Words denoting the singular number only shall include the plural and also vice-versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice-versa. Reference to persons shall include corporations.

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PART A

LETTER TO THE SHAREHOLDERS OF RSB



Rimbunan Sawit

RIMBUNAN SAWIT BERHAD (691393-U)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

No. 85-86, Pusat Suria Permata,
Jalan Upper Lanang 12A,
96000 Sibu, Sarawak

6 December 2007

Board of Directors:

Tan Sri Datuk Diong Hiew King @ Tiong Hiew King (*Executive Chairman*)
Tiong Kiong King (*Non-Independent Non-Executive Vice Chairman*)
Tiong Chiong Ong (*Managing Director*)
Tiong Chiong Ie (*Non-Independent Non-Executive Director*)
Bong Wei Leong (*Independent Director*)
Tiong Ing Ming (*Independent Director*)

To: The Shareholders of Rimbunan Sawit Berhad

Dear Sir/Madam,

PROPOSED ACQUISITIONS BY RSB OF 85% EQUITY INTEREST EACH IN BARAM TRADING SDN BHD AND NESDAYA PALMA SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM50,667,000 SUBJECT TO ADJUSTMENTS

1. INTRODUCTION

On behalf of the Board, MIMB had on 12 October 2007 announced that RSB had entered into two (2) separate SPAs with the Vendors in relation to the Proposed Acquisitions.

In view of the interests of certain Directors and major shareholders of RSB as detailed in Section 7 of Part A of this Circular, the Proposed Acquisitions are deemed as related party transactions. Accordingly, pursuant to the requirements of Paragraph 10.08(2) of the Listing Requirements, the Board has appointed PIVB as the Independent Adviser to advise the non-interested shareholders of RSB in respect of the Proposed Acquisitions. PIVB had, vide its letter dated 17 October 2007, confirmed to Bursa Securities on its independence and eligibility to act as the Independent Adviser. The IAL prepared by PIVB is set out in Part B of this Circular.

On 27 November 2007, MIMB had, on behalf of the Board, announced that the Company had received a letter of no objection from the FIC dated 23 November 2007 in relation to the Proposed Acquisitions.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED ACQUISITIONS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITIONS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

SHAREHOLDERS OF RSB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR AND THE INDEPENDENT ADVICE LETTER BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITIONS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITIONS

2.1 Background Information of the Proposed Acquisitions

The Proposed Acquisitions involve the acquisitions by RSB of the following:-

- (a) 4,250,000 Shares in BTSB representing 85% of its issued and paid-up share capital from PJP, RHS, TTSH and TUR for a total purchase consideration of RM18,417,000 to be satisfied in cash; and
- (b) 2,125,000 Shares in NPSB representing 85% of its issued and paid-up share capital from PJP and DN for a total purchase consideration of RM32,250,000 to be satisfied in cash.

The Vendors of the BTSB Shares are as follows:-

Vendors	No of BTSB Shares held	% of total issued shares
PJP	3,251,057	65.02
RHS	124,471	2.49
TTSH	124,472	2.49
TUR	750,000	15.00
	<u>4,250,000</u>	<u>85.00</u>

The Vendors of the NPSB Shares are as follows:-

Vendors	No of NPSB Shares held	% of total issued shares
PJP	1,750,000	70.00
DN	375,000	15.00
	<u>2,125,000</u>	<u>85.00</u>

The BTSB Shares and NPSB Shares shall be acquired free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto and all dividends, rights and distributions declared paid or made in respect thereof.

2.2 Brief Information on BTSB and NPSB

2.2.1 BTSB

BTSB was incorporated in Malaysia on 25 July 1980 under the Act as a private limited company and the company is principally involved in the cultivation of oil palm.

It has an authorised share capital of RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each, all of which have been issued and fully paid-up. Presently, BTSB does not have any subsidiary or associated companies.

Presently, the directors of BTSB are as follows:-

- (a) TSTHK;
- (b) Datuk Stephen Timothy Wan Ullok;
- (c) Penghulu Ngau Ajang; and
- (d) Tiong Chiong Ie.

The existing shareholders of BTSB and their shareholdings therein as at 26 November 2007 are as follows:-

Shareholders	No of BTSB Shares held	%
PJP	3,251,057	65.02
RHS	124,471	2.49
TTSH	124,472	2.49
TUR	1,500,000	30.00
	<u>5,000,000</u>	<u>100.00</u>

Further information of BTSB is provided in Appendix I of this Circular.

2.2.2 NPSB

NPSB was incorporated in Malaysia on 18 May 1999 under the Act as a private limited company and the company is principally involved in the cultivation of oil palm.

It has an authorised share capital of RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each, of which 2,500,000 ordinary shares of RM1.00 each have been issued and fully paid-up. Presently, NPSB does not have any subsidiary or associated companies.

Presently, the directors of NPSB are as follows:-

- (a) Junaidi bin Hj. Reduan;
- (b) Datuk Tiong Thai King;
- (c) Tiong Chiong Ong; and
- (d) Wong Yiing Ngiik.

The existing shareholders of NPSB and their shareholdings therein as at 26 November 2007 are as follows:-

Shareholders	No of NPSB Shares held	%
PJP	1,750,000	70.00
DN	375,000	15.00
State Financial Secretary, Sarawak	375,000	15.00
	<u>2,500,000</u>	<u>100.00</u>

Further information of NPSB is provided in Appendix III of this Circular.

2.3 **Brief Information on Temala and Nescaya Palma Estates**

	Temala Estate	Nescaya Palma Estate
Size (Ha)	2,811	4,100
Planted area (Ha)	1,838	3,109
To be planted (Ha)	856	691
Title	Provisional lease	Provisional lease
Location	Lot 2, Block 6, Telang Usang Land District, Sarawak	Lot 13, Buloh Land District, Sarawak
Tenure	Leasehold 99 years expiring on 10 November 2087	Leasehold 60 years expiring on 12 March 2060
Land usage	Agriculture	Agriculture
Type of estate	Palm oil	Palm oil
Maturity of trees	About 8-9 years	About 1-4 years
Market value#	RM48,786,628	RM79,391,163

Based on valuation reports dated 15 August 2007 prepared by Henry Butcher using the discounted cash flow and comparison methods of valuation. Copies of the valuation certificates for Temala and Nescaya Palma Estates dated 3 December 2007 are enclosed as Appendix VII of this Circular.

The FFB productions of BTSB and NPSB for the past 5 calendar years from 2002 to 2006 are set out below.

	2002 Metric tonnes	2003 Metric tonnes	2004 Metric tonnes	2005 Metric tonnes	2006 Metric tonnes
Temala Estate	*792	6,613	12,471	18,602	24,345
Nescaya Palma Estate	^	^	^	^301	1,707

* Temala Estate only began producing FFB from September 2002.

^ Nescaya Palma Estate only began producing FFB from July 2005.

2.4 Basis of Purchase Consideration

The Purchase Consideration for the Proposed Acquisitions totaling RM50,667,000 was arrived at between the Company and the Vendors on a “willing-buyer willing-seller” basis after taking into consideration the following factors:-

- the unaudited NL of BTSB and NPSB as at 31 July 2007 based on their respective unaudited management accounts for the FYE 2007; and
- the surplus arising from the revaluations of Temala Estate and Nescaya Palma Estate based on their market values which have been appraised by Henry Butcher, the independent registered valuer.

	Unaudited as at 31 July 2007	
	BTSB RM'000	NPSB RM'000
NL	(5,224)	(555)
Add: Revaluation surplus*	26,891	38,496
Adjusted NTA	<u>21,667</u>	<u>37,941</u>
% to be acquired	85%	85%
Purchase Consideration	18,417	32,250
* Market value of the oil palm plantation estates	48,786	79,391
Less: Net book value of the oil palm plantation estates	(21,895)	(40,895)
Revaluation surplus	<u>26,891</u>	<u>38,496</u>

The final purchase consideration for the Proposed Acquisitions will be adjusted accordingly based on the final audited accounts of BTSB and NPSB for the FYE 2007 in the event that the difference between the adjusted audited and adjusted unaudited NL of BTSB and NPSB as at 31 July 2007 is more than RM100,000.

2.5 Mode of Payment

The Purchase Consideration for the Proposed Acquisitions shall be payable in the following manner:-

- (a) 10% upon execution of the SPAs; and
- (b) the balance 90%, subject to the adjustment as stated in Section 2.4 of this Circular, within 30 days from the date of fulfillment of the conditions precedent under the SPA.

2.6 Source of Funds

The Company intends to finance the Proposed Acquisitions through its internal funds. As BTSB and NPSB are already in operations, no additional financial commitment is expected to be required from RSB in putting the business operations of BTSB and NPSB on-stream after the completion of the Proposed Acquisitions.

2.7 Assumption of Liabilities

The Company will not assume any liabilities arising from the Proposed Acquisitions. The liabilities of BTSB and NPSB shall remain in the books of the companies and shall be settled in their ordinary course of business.

2.8 Original Dates and Costs of Investment

The original dates and costs of investment of the Vendors in BTSB and NPSB are as follows:-

Shareholders	Dates of investment	No. of BTSB Shares held	Original cost of investment RM
PJP	01.08.1998	3,251,057	3,251,057
RHS	18.01.2000	124,471	124,471
TTSH	04.05.1998 31.12.1998	11,035 113,437	124,472 1,279,618
TUR	04.05.1996 01.08.1998	106,689 1,393,311	106,689 1,393,311
Shareholders	Dates of investment	No. of NPSB Shares held	Original cost of investment RM
PJP	17.07.2003 19.11.2003	700,000 1,050,000	700,000 1,050,000
DN	02.03.2000 04.01.2001 19.11.2003	15,000 135,000 225,000	15,000 135,000 225,000

2.9 Background Information on Vendors

2.9.1 PJP

PJP was incorporated in Malaysia on 20 August 1992 under the Act as a private limited company and the company is principally an investment holding company.

It has an authorised share capital of RM25,000,000 divided into 25,000,000 ordinary shares of RM1.00 each, of which 22,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Presently, the directors of PJP are TSTHK and Tiong Kiong King.

The substantial shareholders of PJP and their shareholdings therein as at 26 November 2007 are as follows:-

Substantial shareholders	<-----Direct----->		<-----Indirect----->	
	No. of shares	%	No. of shares	%
Biru Hijau Enterprise Sdn Bhd	1,800,000	8.18	-	-
TSTHK	2,000,000	9.09	^(a) 13,088,000	59.49
TSL	2,110,000	9.59	^(b) 10,978,000	49.90
Dr Tiong Ik King	2,000,000	9.09	-	-
TTSH	9,978,000	45.35	-	-
Tiong Kiong King	-	-	^(c) 1,800,000	8.18

Notes:-

- (a) Deemed interested by virtue of his interests in TTSH, TSL and TTSE pursuant to Section 6A of the Act.
- (b) Deemed interested by virtue of its interests in TTSH and TTSE pursuant to Section 6A of the Act.
- (c) Deemed interested by virtue of his interest in Biru Hijau Enterprise Sdn Bhd pursuant to Section 6A of the Act.

2.9.2 RHS

RHS was incorporated in Malaysia on 29 June 1999 under the Act as a private limited company and the company is principally involved an investment holding company.

It has an authorised share capital of RM500,000 divided into 500,000 ordinary shares of RM1.00 each, of which 210,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Presently, the directors of RHS are TSTHK and Datuk Tiong Thai King.

The substantial shareholders of RHS and their shareholdings therein as at 26 November 2007 are as follows:-

Substantial shareholders	<-----Direct----->		<-----Indirect----->	
	No. of shares	%	No. of shares	%
PAA	100,000	47.62	-	-
TTSE	100,000	47.62	-	-
TSTHK	10,000	4.76	^(a) 200,000	95.24
TSL	-	-	^(b) 100,000	47.62

Notes:-

- (a) Deemed interested by virtue of his interests in TSL, PAA and TTSE pursuant to Section 6A of the Act.
- (b) Deemed interested by virtue of its interest in TTSE pursuant to Section 6A of the Act.

2.9.3 TTSH

TTSH was incorporated in Malaysia on 10 August 1983 under the Act as a private limited company. Its principal activities are renting of properties and investment holding.

It has an authorised share capital of RM50,000,000 divided into 50,000,000 ordinary shares of RM1.00 each, of which 21,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Presently, the directors of TTSH are as follows:-

- (i) TSTHK;
- (ii) Datuk Tiong Thai King;
- (iii) Tiong Kiong King;
- (iv) Dr Tiong Ik King;
- (v) Tiong Choon; and
- (vi) Tiong Chiong Ie.

The substantial shareholders of TTSH and their shareholdings therein as at 26 November 2007 are as follows:-

Substantial shareholders	<-----Direct----->		<-----Indirect----->	
	No. of shares	%	No. of shares	%
Priharta Development Sdn Bhd	2,830,000	13.48	-	-
TSTHK	2,143,000	10.20	^(a) 3,457,000	16.46
TSL	3,257,000	15.51	-	-
Dr Tiong Ik King	2,830,000	13.48	-	-
Tiong Kiong King	2,830,000	13.48	-	-
Tiong Kiu King	1,570,000	7.47	-	-
Datuk Tiong Thai King	2,830,000	13.48	^(c) 200,000	0.95
Tiong Chiong Ie	-	-	^(b) 2,830,000	13.48
Tiong Jin Choo	-	-	^(b) 2,830,000	13.48
Tiong Chiong Siong	-	-	^(b) 2,830,000	13.48

Notes:-

- (a) Deemed interested by virtue of his interests in TSL and Rejang Healthcare Corporation Sdn Bhd pursuant to Section 6A of the Act.
- (b) Deemed interested by virtue of their interests in Priharta Development Sdn Bhd pursuant to Section 6A of the Act.
- (c) Deemed interested by virtue of his interest in Rejang Healthcare Corporation Sdn Bhd pursuant to Section 6A of the Act.

2.9.4 DN

DN was incorporated in Malaysia on 24 August 1999 under the Act as a private limited company. DN has yet to commence business operations since its incorporation.

It has an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each, all of which have been issued and fully paid-up.

Presently, the directors of DN are TSTHK and Tiong Kiong King.

The substantial shareholders of DN and their shareholdings therein as at 26 November 2007 are as follows:-

Substantial shareholders	<-----Direct----->		<-----Indirect----->	
	No. of shares	%	No. of shares	%
PJP	100,000	100.00	-	-
TTSH	-	-	^(a) 100,000	100.00
TSL	-	-	^(b) 100,000	100.00
TSTHK	-	-	^(c) 100,000	100.00

Notes:-

- (a) Deemed interested by virtue of its interest in PJP pursuant to Section 6A of the Act.
(b) Deemed interested by virtue of its interests in TTSH and PJP pursuant to Section 6A of the Act.
(c) Deemed interested by virtue of his interests in TSL, TTSH and PJP pursuant to Section 6A of the Act.

2.9.5 TUR

TUR was incorporated in Malaysia on 11 January 1996 under the Act as a private limited company and its principal activity is investment holding.

It has an authorised share capital of RM500,000 divided into 500,000 ordinary shares of RM1.00 each, of which 355,632 ordinary shares of RM1.00 each have been issued and fully paid-up.

Presently, the directors of TUR are Datuk Stephen Timothy Wan Ullok, Alexis Lawrence Marcel Wan Ullok and Yiap Liw Luan.

The substantial shareholders of TUR and their shareholdings therein as at 26 November 2007 are as follows:-

Substantial shareholders	<-----Direct----->		<-----Indirect----->	
	No. of shares	%	No. of shares	%
Yiap Liw Luan	49,604	13.95	-	-
STWU Enterprises Sdn Bhd	297,501	83.65	-	-
Kelolong Holdings Sdn Bhd	-	-	^(a) 297,501	83.65
Datuk Stephen Timothy Wan Ullok	-	-	^(b) 297,501	83.65
Alexis Lawrence Marcel Wan Ullok	-	-	^(b) 297,501	83.65
Audry Mariette Sylvie Wan Ullok	-	-	^(b) 297,501	83.65
Marie Julie Wan Ullok	-	-	^(b) 297,501	83.65
Stephanie Marie Wan Ullok	-	-	^(b) 297,501	83.65
Timothy Jean Michel Wan Ullok	-	-	^(b) 297,501	83.65

Notes:-

- (a) Deemed interested by virtue of its interest in STWU Enterprises Sdn Bhd pursuant to Section 6A of the Act.
(b) Deemed interested by virtue of their interests in Kelolong Holdings Sdn Bhd and STWU Enterprises Sdn Bhd pursuant to Section 6A of the Act.

2.10 Salient Terms of the SPAs

Some of the salient terms of the SPAs for the Proposed Acquisitions are as follows:-

(a) Payment Terms

The purchase consideration for the BTSB Shares and NPSB Shares shall be satisfied as follows:-

- (i) the deposit (equivalent to RM5,066,700) shall be paid by the Company to the Vendors in the proportions set out in Schedule 1 of the SPAs upon the execution of the SPAs, the receipt whereof is hereby acknowledged by the Vendors; and
- (ii) the balance purchase consideration shall be paid by the Company to the Vendors on the completion date by way of cheque or in such manner as may be mutually agreed upon by the parties.

(b) Conditions Precedent

The sale and purchase of the BTSB Shares and NPSB Shares shall be conditional upon the fulfillment of the following within the stipulated period:

- (i) the Company obtaining the letter of no objection of the FIC for the Proposed Acquisitions;
- (ii) the Company obtaining the approval of its shareholders in a general meeting for the Proposed Acquisitions;
- (iii) if applicable, the Vendors procuring the approval/consent from its banks and financial institutions for the change in the shareholding structure and composition of the Board of Directors consequential to the acquisition of the BTSB Shares and NPSB Shares by the Company;
- (iv) the conduct of a financial and legal due diligence by the Company on BTSB and NPSB, and their affairs, the results of which are determined by the Company in its sole and absolute discretion to be satisfactory; and
- (v) if required, the Vendors procuring any other approval or consent of any relevant authority.

The conditions precedent under the SPAs are to be fulfilled within 3 months from the date of the SPAs, or such extended period as may be mutually agreed by the parties in writing.

(c) Vendor's Warranties

- (i) The Vendors:-
 - (aa) give such warranties and representations to the Company as stipulated in Schedule 2 of the SPAs in connection with BTSB and NPSB, and the same shall be deemed to be as effective on the completion date as it is on the date thereof;
 - (bb) warrant that, save and except as previously disclosed to the Company in writing, the warranties and representations stipulated in Schedule 2 of the SPAs are true and accurate in all respects, and, will continue to be so up to and including the completion date; and

- (cc) warrant that the contents of any disclosure in writing and of all accompanying documents (if any) are true and accurate in all respects and fully, clearly and accurately disclose every matter to which they relate.
- (ii) The Vendors undertake, in relation to any warranty and representation stipulated in Schedule 2 of the SPAs which refers to the knowledge, information or belief of the Vendors, that they have made careful enquiry into the subject matter of that warranty and representation and is to the best of the Vendors' knowledge true.
- (iii) Each of the warranties and representations stipulated in Schedule 2 of the SPAs is without prejudice to any other warranty and representation and, except where expressly stated otherwise, no clause of the SPAs shall govern or limit the extent or application of any other clause.
- (iv) The Vendors shall promptly disclose in writing to the Company any event or circumstance which arises or becomes known to them prior to the completion date and is inconsistent with any of the warranties and representations or the contents of any disclosure in writing or which the Vendors knew (or ought reasonably to have known) would have been material to be known by a purchaser for value of the BTSB Shares and NPSB Shares.
- (v) The rights and remedies of the Company in respect of any breach of the warranties and representations stipulated in Schedule 2 of the SPAs shall not be affected by the completion of the sale and purchase transaction therein contained, by any investigation made by the Company or on its behalf into the affairs of BTSB and NPSB, by its rescinding or failing to rescind the SPA, or failing to exercise or delaying the exercise of any right or remedy, or by any other event or matter, except a specific and duly authorised written waiver or release, and no single or partial exercise of any right or remedy shall preclude any further or other exercise.
- (vi) The Vendors shall procure that, except so far as may be necessary to give effect to the SPAs, BTSB and NPSB shall not, prior to the completion date, without the prior written consent of the Company, do, procure or allow anything which may cause, constitute or result in a breach of the warranties and representations stipulated in Schedule 2 of the SPAs.

3. RATIONALE FOR THE PROPOSED ACQUISITIONS

The Proposed Acquisitions are consistent with RSB's plans to continue to expand its oil palm cultivation business by acquiring new plantation land bank in Malaysia, particularly in Sarawak. The Proposed Acquisitions represent a strategic investment by RSB and are expected to contribute positively to the earnings as well as the shareholders' value of the RSB Group in the medium to long term.

Following the Proposed Acquisitions, the total plantation land bank owned by the RSB Group would be increased from 13,663 hectares to 20,574 hectares, adding 6,911 hectares, of which 4,947 are already planted. With the expected improvement of oil palm production yield from the Temala Estate and Nescaya Palma Estate over the next few years, coupled with the strong CPO prices, the RSB Group is expected to benefit from improving revenue and profit contributions from BTSB and NPSB.

4. INDUSTRY OUTLOOK, RISK FACTORS AND FUTURE PROSPECTS

4.1 Industry Outlook

The Malaysian oil palm industry recorded an impressive performance in 2006. Export earnings of oil palm products rose to a record RM31.8 billion, while palm oil stocks declined and prices formed up sharply especially during the last quarter of the year. The industry also saw exciting developments shaping up in the local biofuel industry with the Honourable Prime Minister launching the Envo Diesel (palm olein blend with diesel) and first integrated palm oil biodiesel plant using MPOB technology in March and August 2006 respectively.

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

CPO prices have been gaining strength over the past few quarters. One reason is the biodiesel factor where CPO and palm olein is an important feedstock in its manufacture. In EU, the aim of biodiesel production is to substitute fossil fuel in the transport sector. Towards this, the European Biodiesel Board (EBB) welcomes the conclusion of the European summit on energy for EU to form an Energy Policy for Europe. This favours the EU biodiesel industry, which currently leads the world with a 7-million tonne annual capacity.

CPO price is expected to be bullish in the 2nd quarter of 2007. This scenario is based on several reasons, vis-à-vis reduction in duty for vegetable oils in India, expected increase of global demand for biodiesel and high price of soybean oil in the market.

Production of CPO is expected to show a marginal increase in the 2nd quarter of 2007. The forecast of average monthly production of CPO is 1.16 million tonne or an increase of about 9% as compared to the 1st quarter of 2007.

The reduction in Indian duty for vegetable oil as well as expected increase in global demand for biodiesel will continue to cause increases in the export of Malaysian palm oil products in the next quarter.

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

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

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

(Source: Economic Report 2007/2008).

The production of palm oil is expected to increase at an average rate of 5.5 per cent per annum with the expansion in planted area and higher oil extraction rate (“OER”), during the Plan (2006-2010) period.

To ensure quality control and high standards in oil palm plantations as well as improve productivity, efforts will be geared towards encouraging plantations to adopt international standards. In addition, to achieve Vision 35:25, a target of 35 metric tonnes of fresh fruit bunch per hectare and 25 per cent OER, plantations will be encouraged to use quality oil palm seedlings.

During the Plan (2006-2010) period, the palm oil industry is expected to benefit from greater downstream product diversification. To accelerate the development of the palm oil downstream industry, palm oil industrial clusters (POICs) will be established in the transborder areas of Eastern Johor-Southern Pahang and Southern Kelantan-Northern Terengganu as well as Sabah and Sarawak. The POICs will act as a catalyst in creating the value chain of the palm oil industry as well as assist in the development of related supporting industries. Efforts will also be intensified to develop Malaysian brands of palm oil products, particularly in the oleochemicals derivatives industry, as well as build upon international networking to penetrate new markets.

(Source: Ninth Malaysia Plan 2006-2010).

4.2 Risk Factors

(a) Business risks

Pursuant to the Proposed Acquisitions, the RSB Group will continue to be subject to the risks inherent in the oil palm plantation industry. These include but not limited to the fluctuations in demand and commodity prices, weather conditions, pests and diseases, threat of substitutes for palm oil products, constraints of supply of labour and raw materials, rising costs of raw materials, potential native customary rights claims and changes in general economic, business and credit conditions. Although the Board and management of RSB would continuously take appropriate measures to limit such risks, no assurance can be given that any change to these factors will not have a material adverse effect on the business operations of the RSB Group.

(b) Competition

As palm oil is a commodity, the direct competitions amongst the local plantation owners are expected to be minimal as the local industry players usually only compete for land and labour. Due to the scarcity of suitable land bank and the occasional shortage of labour forces, particularly foreign workers, the local industry players face challenges to counter rising production cost for palm oil. Generally, palm oil faces the stiffest competition from other edible or vegetable oils such as soybean, sunflower seed, rapeseed and other such substitutes for palm oil. In addition, palm oil producers also face competition from external players or other palm oil producing countries such as Indonesia.

(c) Fluctuations in crude palm oil prices

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

(d) Financial risk

Pursuant to a sale and leaseback arrangement, the beneficial interests of Temala Estate, together with several other plantation assets owned by the related companies of BTSB, have been transferred to a special purpose vehicle to facilitate the issuance of RM135 million Islamic securities by R.H. Capital Sdn Bhd of which RM21.2 million was raised for the benefit of BTSB. As one of the lessees, BTSB is subject to cross-default risk under the terms of the aforesaid Islamic securities whereby any breach of or default by any other lessees may result in the trustee of the aforesaid Islamic securities exercising the put option to require all the lessees to purchase their respective assets sold and leased back pursuant to the aforesaid Islamic securities. When this happens, each of the lessees will have to pay their respective proportions of the purchase price which is equivalent to the total nominal or face value of the aforesaid Islamic securities together with all outstanding income distributions the issuer of the aforesaid Islamic securities is obliged to pay and together with the stipulated compensation, if applicable. Further, any failure by one lessee to complete the said purchase will result in non-completion of the other purchases by the other lessees as the purchases under the put option are inter-conditional. This will lead to a termination of the put option whereupon the trustee may deal with those assets in such manner as it deems fit. Notwithstanding the cross-default risk, TTSB had given an irrevocable and unconditional undertaking to the trustee of the aforesaid Islamic securities to provide sufficient funds to ensure all the lessees meet their respective obligations under the aforesaid Islamic securities.

In addition, BTSB is contractually obliged under the relevant documents relating to the aforesaid Islamic securities to observe certain restrictive covenants which may limit its operating and financial flexibilities. To mitigate this, BTSB shall take appropriate precautions to prevent any such breach and shall obtain all relevant written consents, where applicable and required, from the trustee of the aforesaid Islamic securities.

4.3 Future Prospects

With the decision of the Board to undertake the Proposed Acquisitions, the cultivation of oil palm is and will continue to be the core business of the RSB Group and the Board remains optimistic of the prospects of the RSB Group, backed by the continuing growth of the palm oil industry and the strong CPO prices.

5. EFFECTS OF THE PROPOSED ACQUISITIONS

5.1 Share Capital and Substantial Shareholders' Shareholdings

The Proposed Acquisitions will not have any effect on the issued and paid-up share capital of the Company as well as its substantial shareholders' shareholdings as they do not involve any issuance of new shares by the Company.

5.2 NA and Gearing

The Proposed Acquisitions are not expected to have any material effects on the NA and gearing of the Group. However, as BTSB and NPSB are expected to contribute positively to the future earnings of the Group, the NA of the Group is also expected to improve in the medium to long term. The Proposed Acquisitions are not expected to have any immediate effects on the NA per share as they do not involve any issuance of new shares by the Company.

5.3 Earnings

For the financial year ending 31 August 2008, BTSB and NPSB are not expected to contribute significantly to the revenue and profits of the RSB Group.

With the expected improvement of oil palm production yield from the Temala Estate and Nescaya Palma Estate over the next few years, coupled with the strong CPO prices, the RSB Group is expected to benefit from improving revenue and profit contributions from BTSB and NPSB in the medium to long term.

Nonetheless, the Proposed Acquisitions are not expected to have any immediate effects on the earnings per share of RSB.

6. APPROVALS REQUIRED

The Proposed Acquisitions, where RSB is concerned, are subject to and conditional upon the following:-

- (a) no objection from the FIC, which was obtained via its letter dated 23 November 2007;
- (b) approval of the shareholders of RSB, at the forthcoming EGM to be convened for the Proposed Acquisitions;
- (c) the conduct of a financial and legal due diligence by RSB on BTSB and NPSB; and
- (d) approvals from any other relevant authorities/parties, if required.

The Proposed BTSB Acquisition and the Proposed NPSB Acquisition are not inter-conditional upon each other. The Proposed Acquisitions are expected to be completed by the 1st quarter of 2008.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the Directors and/or major shareholders of the Company or any persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisitions:-

- (a) TSTHK is the Executive Chairman and a major shareholder of RSB. He is also a Director and substantial shareholder of BTSB, PJP, RSH, TTSH and DN. As such, he is deemed interested in the Proposed Acquisitions.
- (b) TTSH and TSL are major shareholders of RSB. They are deemed interested in the Proposed Acquisitions by virtue of their substantial equity interests in BTSB and NPSB.
- (c) PAA and TTSE are major shareholders of RSB. They are deemed interested in the Proposed Acquisitions by virtue of their substantial equity interests in RHS, which is one of the Vendors.
- (d) Tiong Kiong King, Tiong Chiong Ong and Tiong Chiong Ie are the Directors of RSB. They are deemed interested in the Proposed Acquisitions by virtue of their family relationships with TSTHK.

Accordingly, TSTHK, Tiong Kiong King, Tiong Chiong Ong and Tiong Chiong Ie have and will continue to abstain from voting and deliberating on the Proposed Acquisitions at all Board meetings of the Company. The abovementioned Directors and major shareholders will also abstain and have undertaken to ensure that any persons connected with them will abstain from voting on the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM in respect of their direct and/or indirect shareholdings in RSB.

The shareholdings of the aforementioned interested Directors and major shareholders in RSB as at 26 November 2007 are as follows:-

	<-----Direct----->		<-----Indirect----->	
	No. of shares '000	%	No. of shares '000	%
TSTHK	300	0.23	⁽¹⁾ 68,376	53.31
TTSH	31,038	24.20	-	-
TSL	7,048	5.49	⁽²⁾ 47,411	36.96
PAA	11,857	9.24	⁽³⁾ 17,034	13.28
TTSE	1,300	1.01	⁽⁴⁾ 15,073	11.75
RHSA	15,073	11.75	-	-
Tiong Kiong King	814	0.63	⁽⁵⁾ 3,027	2.36
Tiong Chiong Ong	478	0.37	-	-
Tiong Chiong Ie	300	0.23	⁽⁶⁾ 2,466	1.92

Notes:-

1. Deemed interested by virtue of his interests in TTSH, TSL, TTSE, PAA, RHSA, RHS and Rejang Healthcare Corporation Sdn Bhd pursuant to Section 6A of the Act.
2. Deemed interested by virtue of its interests in TTSH, TTSE and RHSA pursuant to Section 6A of the Act.
3. Deemed interested by virtue of its interests in RHSA and RHS pursuant to Section 6A of the Act.
4. Deemed interested by virtue of its interest in RHSA pursuant to Section 6A of the Act.
5. Deemed interested by virtue of his interest in Biru-Hijau Enterprise Sdn Bhd pursuant to Section 6A of the Act.
6. Deemed interested by virtue of his interest in Prihartta Development Sdn Bhd pursuant to Section 6A of the Act.

8. INDEPENDENT ADVISER

In view of the interests of certain Directors and major shareholders of RSB in the Proposed Acquisitions as set out in Section 7 above, the Proposed Acquisitions are deemed as related party transactions. Accordingly, pursuant to the requirements of Paragraph 10.08(2) of the Listing Requirements, the Board has appointed PIVB as the independent adviser to comment as to whether the Proposed Acquisitions are fair and reasonable, whether the Proposed Acquisitions are to the detriment of the non-interested shareholders of RSB and whether the non-interested shareholders of RSB should vote in favour of the Proposed Acquisitions.

9. DIRECTORS' RECOMMENDATION

The Board (save for TSTHK, Tiong Kiong King, Tiong Chiong Ong and Tiong Chiong Ie), having taken into consideration all aspects of the Proposed Acquisitions, is of the opinion that the terms of the Proposed Acquisitions are fair and reasonable to and are in the best interest of the Company. Accordingly, the Board (save for TSTHK, Tiong Kiong King, Tiong Chiong Ong and Tiong Chiong Ie) recommends that you vote in favour of the ordinary resolutions pertaining to the Proposed Acquisitions at the forthcoming EGM.

10. OUTSTANDING CORPORATE EXERCISES

The Board confirms that, as at the date of this Circular, there are no other proposals which have been announced by the Company but not yet completed, save and except for the Proposed Acquisitions, which are the subject matters of this Circular.

11. EGM

The EGM, notice of which is enclosed in this Circular, will be held at the Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibu, Sarawak on Friday, 21 December 2007 at 11.00 a.m., for the purpose of considering, and if thought fit, passing the relevant resolutions to give effect to the Proposed Acquisitions.

If you are unable to attend and vote at the EGM in person, please complete the enclosed Form of Proxy in accordance with the instructions therein and return it to the Registered Office of the Company at No. 85-86, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibu, Sarawak as soon as possible and in any event not less than forty eight (48) hours before the appointed time set for the EGM and any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

12. FURTHER INFORMATION

Shareholders are advised to read both this Circular and the IAL issued by PIVB (as enclosed in Part B of this Circular) as well as the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
RIMBUNAN SAWIT BERHAD

BONG WEI LEONG
INDEPENDENT DIRECTOR

PART B

**INDEPENDENT ADVICE LETTER BY PUBLIC INVESTMENT BANK BERHAD
TO THE NON-INTERESTED SHAREHOLDERS OF RSB
IN RELATION TO THE PROPOSED ACQUISITIONS**



PUBLIC INVESTMENT BANK
大众投资银行

Registered Office:

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

6 December 2007

To: The non-interested shareholders of Rimbunan Sawit Berhad

Dear Sir/Madam,

IAL TO THE NON-INTERESTED SHAREHOLDERS OF RSB IN RELATION TO THE PROPOSED ACQUISITIONS BY RSB OF 85% EQUITY INTERESTS EACH IN BARAM TRADING SDN BHD AND NESCAVA PALMA SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM50,667,000, SUBJECT TO ADJUSTMENTS

1. PREAMBLE

This IAL is prepared for inclusion in the circular to the shareholders of RSB dated 6 December 2007 ("Circular") in relation to the Proposed Acquisitions and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined herein.

2. INTRODUCTION

On 12 October 2007, MIMB, on behalf of your Board, announced that the Company had entered into two (2) separate conditional SPAs with the Vendors in relation to the proposed acquisitions of the following:-

- (a) 4,250,000 Shares in BTSSB representing 85% of its issued and paid-up share capital from PJP, RHS, TTSH and TUR for a total purchase consideration of RM18,417,000, to be satisfied in cash; and
- (b) 2,125,000 Shares in NPSB representing 85% of its issued and paid-up share capital from PJP and DN for a total purchase consideration of RM32,250,000, to be satisfied in cash.

The Proposed Acquisitions are related party transactions as defined under the Listing Requirements in view of the interests of certain Directors and major shareholders of RSB as set out in Section 7 of Part A of the Circular. Accordingly, in compliance with paragraph 10.08 of the Listing Requirements, the Board had appointed PIVB as the Independent Adviser to advise the non-interested shareholders of RSB in respect of the Proposed Acquisitions.

We had, vide our letter dated 17 October 2007, confirmed to Bursa Securities on our eligibility to act as the Independent Adviser to the non-interested shareholders of RSB in respect of the Proposed Acquisitions.

PUBLIC INVESTMENT BANK BERHAD (20027-W)
(Formerly known as PB Securities Sdn Bhd)
(A Participating Organisation of Bursa Malaysia Securities Berhad)
Head Office : 25th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur
Peti Surat 10988, 50732 Kuala Lumpur. Telephone : 03 - 21669382 (15 lines) Facsimile : 03 - 21669362
(Wholly-owned subsidiary of Public Bank Berhad)

The purpose of this IAL is to provide the non-interested shareholders of RSB with an independent evaluation on the fairness and reasonableness of the Proposed Acquisitions in so far as the non-interested shareholders are concerned and whether the Proposed Acquisitions are to the detriment of the non-interested shareholders as well as to provide our recommendation in relation to the resolutions to be tabled at the forthcoming EGM, subject to the scope and limitations of our role and evaluation as specified herein.

NON-INTERESTED SHAREHOLDERS OF RSB ARE ADVISED TO READ BOTH THIS IAL TOGETHER WITH THE OTHER SECTIONS OF THE CIRCULAR AND TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITIONS TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

3. DETAILS OF THE PROPOSED ACQUISITIONS

The details of the Proposed Acquisitions, including the salient terms and conditions of the SPAs and information on the Vendors, are set out in Section 2 of Part A of the Circular.

Subject to the conditions precedent and approvals required for the Proposed Acquisitions as set out in Section 6 of Part A of the Circular being fulfilled or obtained, the Proposed Acquisitions are expected to be completed by the 1st quarter of 2008.

4. SOURCES OF INFORMATION

In preparing this IAL, PIVB has relied upon the following sources of information and documents:-

- (a) information contained in Part A of the Circular and the appendices thereto;
- (b) the SPAs, valuation reports dated 15 August 2007 prepared by Henry Butcher and other relevant information furnished to us by RSB;
- (c) other publicly available information; and
- (d) discussions with the management of RSB.

5. LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITIONS

PIVB was not involved in any negotiation on the terms and conditions of the Proposed Acquisitions. Accordingly, **our evaluation is based on information contained in Part A of the Circular and the appendices thereto and other relevant information furnished to us by or on behalf of RSB as well as other publicly available information.**

We have relied on the Company, and its Directors and management to take due care to ensure that all information, documents and representations provided to us by the Company to facilitate our evaluation are accurate, valid and complete in all material respects. Accordingly, we have not independently verified such information for its reasonableness, reliability, accuracy and/or completeness. We express no opinion on any such information and have not undertaken any independent investigation into the business and affairs of RSB and all relevant parties involved in the Proposed Acquisitions.

Your Directors have individually and collectively confirmed that all relevant material facts and information critical to our evaluation have been disclosed to us. Your Directors have also accepted responsibility for the accuracy of the information provided and given herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there is no omission of any material fact that would make any information supplied to us misleading and/or inaccurate.

As the Independent Adviser, we have evaluated the Proposed Acquisitions and in rendering our advice, we have considered those factors which we believe are of general importance to the assessment of the implications of the Proposed Acquisitions and would be of relevance and general concern to the non-interested shareholders of RSB. This opinion is rendered solely for the benefit of the non-interested shareholders of RSB.

Our evaluation and recommendation expressed herein is confined to the Proposed Acquisitions. Our scope as the Independent Adviser does not extend to expressing any opinion on the commercial merits of the Proposed Acquisitions as this remains the sole responsibility of the Board of RSB.

PIVB's views and recommendation in this IAL are to the non-interested shareholders at large and not to any non-interested shareholder individually. Hence, in carrying out our evaluation, we have not given any consideration to the specific objectives, financial situation and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders.

We recommend that any individual non-interested shareholder or group of non-interested shareholders who is in doubt as to the action to be taken or require advice in relation to the Proposed Acquisitions in the context of their individual objectives, financial situation or particular needs, to consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers. We shall not be liable for any damage or loss of any kind sustained or suffered by an individual non-interested shareholder or any group of non-interested shareholders in reliance on the opinion stated herein for any purpose whatsoever that is particular to such individual non-interested shareholder or group of non-interested shareholders.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, to the best knowledge of your Board, there are no other major shareholders, directors and/or persons connected to them which have any interest, whether direct or indirect, in the Proposed Acquisitions:-

- (a) TSTHK is the Executive Chairman and a major shareholder of RSB. He is also a Director and substantial shareholder of BTSB, PJP, RSH, TTSH and DN. As such, he is deemed interested in the Proposed Acquisitions.
- (b) TTSH and TSL are major shareholders of RSB. They are deemed interested in the Proposed Acquisitions by virtue of their substantial equity interests in BTSB and NPSB.
- (c) PAA and TTSE are major shareholders of RSB. They are deemed interested in the Proposed Acquisitions by virtue of their substantial equity interests in RHS, which is one of the Vendors.
- (d) Tiong Kiong King, Tiong Chiong Ong and Tiong Chiong Ie are the Directors of RSB. They are deemed interested in the Proposed Acquisitions by virtue of their family relationships with TSTHK.

Accordingly, TSTHK, Tiong Kiong King, Tiong Chiong Ong and Tiong Chiong Ie have and will continue to abstain from voting and deliberating on the Proposed Acquisitions at all Board meetings of the Company. The abovementioned Directors and major shareholders will also abstain and have undertaken to ensure that any persons connected with them will abstain from voting on the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM in respect of their direct and/or indirect shareholdings in RSB.

The shareholdings of the aforementioned interested Directors and major shareholders in RSB as at 26 November 2007 are as follows:-

	<-----Direct----->		<-----Indirect----->	
	No. of shares '000	%	No. of shares '000	%
TSTHK	300	0.23	⁽¹⁾ 68,376	53.31
TTSH	31,038	24.20	-	-
TSL	7,048	5.49	⁽²⁾ 47,411	36.96
PAA	11,857	9.24	⁽³⁾ 17,034	13.28
TTSE	1,300	1.01	⁽⁴⁾ 15,073	11.75
RHSA	15,073	11.75	-	-
Tiong Kiong King	814	0.63	⁽⁵⁾ 3,027	2.36
Tiong Chiong Ong	478	0.37	-	-
Tiong Chiong Ie	300	0.23	⁽⁶⁾ 2,466	1.92

Notes:-

1. Deemed interested by virtue of his interests in TTSH, TSL, TTSE, PAA, RHSA, RHS and Rejang Healthcare Corporation Sdn Bhd pursuant to Section 6A of the Act.
2. Deemed interested by virtue of its interests in TTSH, TTSE and RHSA pursuant to Section 6A of the Act.
3. Deemed interested by virtue of its interests in RHSA and RHS pursuant to Section 6A of the Act.
4. Deemed interested by virtue of its interest in RHSA pursuant to Section 6A of the Act.
5. Deemed interested by virtue of his interest in Biru-Hijau Enterprise Sdn Bhd pursuant to Section 6A of the Act.
6. Deemed interested by virtue of his interest in Prihartta Development Sdn Bhd pursuant to Section 6A of the Act.

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7. EVALUATION OF THE PROPOSED ACQUISITIONS

In evaluating the Proposed Acquisitions, we have taken into consideration the following in arriving at our opinion:-

(a) Rationale for the Proposed Acquisitions	Section 8
(b) Reasonableness of the Purchase Consideration	Section 9
(c) Source of financing for the Proposed Acquisitions	Section 10
(d) Effects of the Proposed Acquisitions	Section 11
(e) Overview and prospects of the Malaysian economy and the palm oil industry for the next twelve (12) months	Section 12
(f) Prospects of the enlarged RSB Group for the next twelve (12) months	Section 13
(g) Risk factors associated with the Proposed Acquisitions	Section 14

The views expressed by PIVB in this IAL are, amongst others, based on the current economic, market and other conditions prevailing as at the latest practicable date. In this respect, the non-interested shareholders should take further note of any announcements made subsequent to the date of this IAL which are relevant to their consideration of the Proposed Acquisitions to enable the non-interested shareholders of RSB to vote for or against the Proposed Acquisitions.

8. RATIONALE FOR THE PROPOSED ACQUISITIONS

The rationale for the Proposed Acquisitions which is extracted from Section 3 of Part A of the Circular is as follows:-

“The Proposed Acquisitions are consistent with RSB’s plans to continue to expand its oil palm cultivation business by acquiring new plantation land bank in Malaysia, particularly in Sarawak. The Proposed Acquisitions represent a strategic investment by RSB and are expected to contribute positively to the earnings as well as the shareholders’ value of the RSB Group in the medium to long term.

Following the Proposed Acquisitions, the total plantation land bank owned by the RSB Group would be increased from 13,663 hectares to 20,574 hectares, adding 6,911 hectares, of which 4,947 are already planted. With the expected improvement of oil palm production yield from the Temala Estate and Nescaya Palma Estate over the next few years, coupled with the strong CPO prices, the RSB Group is expected to benefit from improving revenue and profit contributions from BTSB and NPSB.”

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The following is our evaluation of the rationale which is premised on the main points in the rationale above.

(i) ***“Expansion of the RSB Group’s oil palm cultivation business by acquiring new plantation land bank in Malaysia, particularly in Sarawak.”***

The expansion of the RSB Group’s oil palm cultivation business, particularly in Sarawak, would be beneficial to the RSB Group as the RSB Group’s existing oil palm plantations and palm oil mill are all located in Miri, Sarawak and Temala Estate which is owned by BTSB is also located in Miri, Sarawak, which is near the RSB Group’s existing oil palm plantations. Therefore, with the Proposed BTSB Acquisition, the RSB Group will be able to leverage on the common infrastructures of the enlarged RSB Group to reap economies of scale and operational synergies. The close proximity of the RSB Group’s existing oil palm plantations, the palm oil mill and Temala Estate which is owned by BTSB, will ensure a continuous supply of FFB, lower transportation costs and more importantly, ensure that after harvesting, the freshness of the FFB is retained, thereby enhancing the FFB yields. In addition, BTSB is currently one of the top ten (10) suppliers of FFB to the RSB Group. Therefore, with the Proposed BTSB Acquisition, the RSB Group would be able to receive sustainable supply of FFB from BTSB, at a lower cost.

Furthermore, with the Proposed NPSB Acquisition, the RSB Group will be able to expand its palm oil operations to Sibuloh, where the Nescaya Palma Estate is located. Therefore, the RSB Group will be able to tap into a new market as they currently do not have any existing palm oil operations in Sibuloh, which is also where their head office is located.

Premised on the above, the expansion of the RSB Group’s oil palm cultivation business via the Proposed Acquisitions are expected to enhance the profitability and shareholders’ value of the enlarged RSB Group in the medium to long term once the synergistic benefits and economies of scale are realised by the enlarged RSB Group.

(ii) ***“Increase in the total plantation land bank owned by the RSB Group”***

The Proposed Acquisitions would result in an increase in the RSB Group’s total plantation land bank from 13,663 hectares to 20,574 hectares, as follows:-

		RSB Group	BTSB	NPSB	Combined Group
Age profile	Maturity	Area (hectares)			
Below 5 years	Immature	347	-	3,109	3,456
6 to 10 years	Mature	4,722	1,838	-	6,560
11 to 15 years	Mature	4,974	-	-	4,974
Above 16 years	Mature	188	-	-	188
	Total planted area	10,231	1,838	3,109	15,178
	Unplanted area	1,911	856	691	3,458
	Others*	1,521	117	300	1,938
	Total	13,663	2,811	4,100	20,574

(Source: RSB’s 2006 Annual Report, Part A of the Circular, RSB’s initial public offering prospectus dated 31 May 2006)

Note:-

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

As set out in the table above, the RSB Group's existing land bank is almost fully utilised. Therefore, one of the fastest ways for the RSB Group to grow is via acquisitions. As such, the additional land bank with planted oil palm trees from both Temala Estate and Nescaya Palma Estate would be beneficial to the RSB Group's operations as it will ensure a continuous supply of FFB to the RSB Group in the future. Furthermore, the oil palm trees in both Temala Estate and Nescaya Palma Estate are all relatively young and hence, the RSB Group will be able to reap the benefits of these young oil palm trees which will generally produce higher yields once they reach maturity. Of the total planted area of 15,178 hectares of the enlarged RSB Group, approximately 43% are oil palm trees aged between 6-10 years, whilst approximately 23% are immature plantings. This will assure a rising yield trend in the coming years as the immature plantings reaches maturity and the young oil palm trees attain prime age. The oil palm trees are expected to reach their peak and produce the highest yield generally between the ages of eight (8) to fifteen (15) years. Therefore, the Proposed Acquisitions present good growth prospects to the RSB Group in view of the balanced mix of the age profile of the enlarged RSB Group's oil palm trees once the Proposed Acquisitions are completed.

In addition, given RSB's extensive experience in the development of oil palm plantations in Malaysia, RSB would be in a position to share its experience and extensive knowledge with BTSB and NPSB in developing and operating oil palm plantations to further strengthen the RSB Group's position as an emerging plantation player in a competitive industry, thus maximising the benefits expected to be derived from the development of these land banks.

Premised on the above, we are of the view that the rationale for the Proposed Acquisitions are fair and reasonable. The Proposed Acquisitions will enable the RSB Group to expand its oil palm cultivation business via acquisitions which are expected to contribute positively to the earnings and shareholders' value of the RSB Group in the medium to long term.

9. REASONABLENESS OF THE PURCHASE CONSIDERATION

The basis of determining the Purchase Consideration for the Proposed Acquisitions is set out in Section 2.4 of Part A of the Circular. In evaluating the reasonableness of the Purchase Consideration, we have considered the following factors which are elaborated in the following sections:-

- (i) The historical performance of BTSB and NPSB; and
- (ii) The adjusted NTA of BTSB and NPSB.

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9.1 The historical performance of BTSB and NPSB

(i) Historical financial performance

BTSB

The salient financial information on BTSB for the past six (6) FYE 2002-2007 is set out below:-

FYE	<-----Audited----->					Unaudited
	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Revenue	#-	888	2,540	3,872	5,328	7,312
LBT	(14)	(1,446)	(3,011)	(4,389)	(2,073)	(2,152)
LAT	(14)	(1,446)	(3,011)	(4,389)	(2,073)	(2,152)

(Source: Audited financial statements of BTSB for the FYE 2002-2006 and the unaudited management accounts of BTSB for the FYE 2007)

Notes:-

Temala Estate only began producing FFB from September 2002.

* There were no extraordinary or exceptional items for the financial years under review.

NPSB

The salient financial information on NPSB for the past six (6) financial period ended/FYE 2002-2007 is set out below:-

Financial period ended/FYE	<-----Audited----->					Unaudited
	^2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Revenue	-	-	-	-	#174	1,178
PBT/(LBT)	(187)	13	(206)	(349)	(395)	(5)
PAT/(LAT)	(187)	13	(206)	(349)	(395)	(5)

(Source: Audited financial statements of NPSB for the financial year ended 31 December 2002, financial period ended 31 July 2003 and FYE 2004-2006 and the unaudited management accounts of NPSB for the FYE 2007)

Notes:-

- ^ Based on the audited financial statements for the financial year ended 31 December 2002. NPSB changed its financial year end to 31 July in 2003.
- # Nescaya Palma Estate only began producing FFB from July 2005.
- * There were no extraordinary or exceptional items for the financial years under review.

(ii) Historical FFB production data

Production of FFB of BTSB and NPSB for the past five (5) calendar years from 2002 to 2006 are set out below:-

	2002 Metric tonne	2003 Metric tonne	2004 Metric tonne	2005 Metric tonne	2006 Metric tonne
Temala Estate (owned by BTSB)	*792	6,613	12,471	18,602	24,345
Nescaya Palma Estate (owned by NPSB)	^	^	^	^301	1,707

(Source: Part A of the Circular)

Notes:-

- * Temala Estate only began producing FFB from September 2002.
- ^ Nescaya Palma Estate only began producing FFB from July 2005.

Based on the above historical financial performance and FFB production data of both BTSB and NPSB, we note that both companies have not been profitable in the past and are currently in net liabilities position. This could be due to the fact that both companies are involved in the oil palm plantation business which requires a development period of 2 to 3 years before the oil palm plantations start producing FFB and contribute towards the companies' revenues. However, we noted that the financial performance and FFB production of both companies have been improving year on year and should be able to contribute to the profitability of the RSB Group once the Temala Estate and Nescaya Palma Estate reach maturity in the medium term and hence, produce a higher FFB yield to offset against the costs incurred in maintaining the oil palm plantations. In addition, CPO prices are expected to remain bullish for the short to medium term and hence, the RSB Group will be able to leverage on the favourable CPO prices through the additional FFB production contributed by the Temala Estate and Nescaya Palma Estate.

Premised on the above, in spite of BTSB and NPSB's historical financial performance which are not indicative of their future financial performance, the improving FFB production of Temala Estate and Nescaya Palma Estate and the current bullish CPO prices, we are of the opinion that BTSB and NPSB will be able to contribute positively to the enlarged RSB Group's profitability and enhance shareholders' value in the medium to long term once BTSB and NPSB's oil palm trees reach its prime age.

9.2 The adjusted NTA of BTSB and NPSB

The computation of the adjusted NTA of BTSB and NPSB based on the unaudited NL of BTSB and NPSB as at 31 July 2007 and the surplus arising from the revaluation of Temala Estate and Nescaya Palma Estate are set out below:-

	BTSB RM'000	NPSB RM'000
Unaudited NL as at 31 July 2007	(5,224)	(555)
Add: Surplus arising from the revaluation of oil palm plantation*	26,891	38,496
Adjusted NTA	<u>21,667</u>	<u>37,941</u>
85% of adjusted NTA (RM'000)	<u>18,417</u>	<u>32,250</u>
Purchase consideration (RM'000)	<u>18,417</u>	<u>32,250</u>

Notes:-

* Calculated based on the difference between the market value and the net book value of the respective oil palm plantations which are set out as follows:-

	BTSB Temala Estate RM'000	NPSB Nescaya Palma Estate RM'000
Market value as at 31 July 2007 [^]	48,786	79,391
Less: Net book value as at 31 July 2007#	<u>(21,895)</u>	<u>(40,895)</u>
Surplus	<u>26,891</u>	<u>38,496</u>

[^] Based on the valuation reports dated 15 August 2007 prepared by Henry Butcher, an independent registered valuer, using the discounted cash flow and comparison methods of valuation.

Based on the unaudited management accounts of BTSB and NPSB respectively, for the FYE 2007.

From the above table, we note that the Purchase Consideration for the acquisitions of 85% equity interests each in BTSB and NPSB respectively, are approximately equivalent to the aforesaid 85% of the adjusted NTA of the respective companies.

Therefore, premised on the above, we are of the opinion that the Purchase Consideration is fair and reasonable to the RSB Group as the Purchase Consideration is based on the adjusted NTA of the respective companies had the surplus from the revaluation of their oil palm plantations been accounted for in their unaudited management accounts for the FYE 2007, and thus, is reflective of the fair value of both the BTSB Shares and NPSB Shares proposed to be acquired by RSB.

However, the non-interested shareholders should take note that the final Purchase Consideration for the Proposed Acquisitions will be adjusted accordingly based on the final audited accounts of both BTSB and NPSB for the FYE 2007 in the event that the difference between the adjusted audited and adjusted unaudited NTA of BTSB and NPSB as at 31 July 2007 is more than RM100,000.

10. SOURCE OF FINANCING FOR THE PROPOSED ACQUISITIONS

As set out in Section 2.6 of Part A of the Circular, the total purchase consideration of RM50.667 million for the Proposed Acquisitions will be financed by RSB through its internally generated funds.

We note that as disclosed in RSB's latest unaudited consolidated balance sheet for the financial year ended 31 August 2007, the RSB Group has the following cash and cash equivalents as at 31 August 2007:-

	RM'000
Cash and bank balances	353
Fixed deposits	90,512
	<u><u>90,865</u></u>

(Source: RSB's Interim Financial Statements for the 4th Quarter Ended 31 August 2007)

Therefore, the RSB Group's internal funds are sufficient to settle the total purchase consideration of RM50.667 million wholly in cash.

11. EFFECTS OF THE PROPOSED ACQUISITIONS

The effects of the Proposed Acquisitions on the RSB Group are as follows:-

11.1 Share Capital and Substantial Shareholders' Shareholdings

The Proposed Acquisitions will not have any effect on the issued and paid-up share capital of the Company as well as its substantial shareholders' shareholdings as they do not involve any issuance of new shares by the Company.

11.2 Earnings

For the financial year ending 31 August 2008, BTSB and NPSB are not expected to contribute significantly to the revenue and profits of the RSB Group.

With the expected improvement of oil palm production yield from the Temala Estate and Nescaya Palma Estate over the next few years, coupled with the strong CPO prices, the RSB Group is expected to benefit from improving revenue and profit contributions from BTSB and NPSB in the medium to long term.

Nonetheless, the Proposed Acquisitions are not expected to have any immediate effects on the earnings per share of the RSB Group.

11.3 NA and Gearing

The Proposed Acquisitions are not expected to have any material effects on the NA and gearing of the RSB Group. However, as BTSB and NPSB are expected to contribute positively to the future earnings of the RSB Group, the NA of the RSB Group is also expected to improve in the medium to long term. The Proposed Acquisitions are not expected to have any immediate effects on the NA per share as they do not involve any issuance of new shares by the Company.

Premised on the above, we are of the view that the Proposed Acquisitions are not expected to have any material effects on the RSB Group for the financial year ending 31 August 2008. However, it is expected to contribute positively to the RSB Group's future earnings and enhance its NA in the medium to long term.

12. OVERVIEW AND PROSPECTS OF THE MALAYSIAN ECONOMY AND THE PALM OIL INDUSTRY FOR THE NEXT TWELVE (12) MONTHS

12.1 Overview and prospects of the Malaysian economy for the next twelve (12) months

Growth prospects for the Malaysian economy remain favourable in 2007, despite uncertainty in the global economic environment. Strong domestic economic fundamentals will enable the economy to grow at 6.0% in 2007 (2006: 5.9%). On the supply side, output growth is supported by expansion in all sectors of the economy. The services sector is envisaged to contribute significantly to real Gross Domestic Product ("GDP") growth, led by robust household spending and buoyant business activity. The manufacturing sector is expected to pick up in the second half of the year on the back of an anticipated recovery in global electronics demand. The agriculture sector will continue to expand, supported by higher output of food commodities. The scheduled implementation of Ninth Malaysia Plan ("9MP") projects and improvement in the property market will further boost the construction sector. Output growth of the mining sector is envisaged to turn positive, with increased crude oil production in the second half of the year. On the demand side, growth will be driven by resilient domestic demand of both private and public sectors, largely due to stronger consumer sentiment and business confidence as well as higher Government spending. On the external front, Malaysia is expected to record a smaller trade surplus, as import growth picks up momentum in line with increased domestic economic activity.

Notwithstanding the external challenges, the Malaysian economy is expected to remain resilient on the back of a well-diversified and broad-based structure as well as strong macroeconomic fundamentals, which have strengthened over the years. The Malaysian economy is anticipated to strengthen further to 6.0-6.5% in 2008 (2007: 6.0%) with positive contribution from all sectors of the economy. Domestic demand will be the main driver of the economy, while external demand is expected to pick up in tandem with improved prospects in world trade. Private investment and consumption spending are expected to remain robust, while public expenditure continues to expand. Inflation is anticipated to remain low despite strong expansion in the economy as output growth is still below potential level. Coupled with increased productivity, the economy would be able to absorb higher demand expenditure. In line with higher output and firm commodity prices, nominal Gross National Product ("GNP") per capita is expected to rise 6.8% to RM23,864 in 2008 (2007: 7.2%; RM22,345).

(Source: Economic Report 2007/2008)

Premised on the above, we are of the opinion that the outlook and the prospects of the Malaysian economy are expected to be **positive** with the Malaysian economy expected to grow for the next twelve (12) months underpinned by strong domestic economic fundamentals, higher domestic demand, robust private investment and consumption coupled with low inflation.

12.2 Overview and prospects of the palm oil industry in Malaysia for the next twelve (12) months

Production of CPO in 2007 is projected to record lower output of 15.7 million tonnes (2006:15.9 million tonnes). In the early part of the year, major floods destroyed newly matured trees and disrupted harvesting activities in the southern region of Peninsular Malaysia and was further compounded by the seasonal down cycle. Production of CPO in Johor, the worst-hit state by the floods, declined by 15.5% during the first quarter of 2007. Nevertheless, the new matured areas coming onstream, better estate management and higher quality agricultural inputs are expected to partially offset the negative impact of unfavourable weather. Higher palm oil prices are expected to encourage better efficiency in oil palm harvesting.

Production of CPO decreased by 8.0% during the first six months of 2007 (January-June 2006: 1.3%), due to lower yields of fresh fruit 47 bunch on account of “tree stress” after peak production in late 2006 and lower output from flood-affected areas in early 2007. FFB yields declined 9.7% to 8.2 tonnes per hectare (January-June 2006: 9.1 tonnes per hectare) in the first six months of 2007. However, oil extraction rate (“OER”) for the same period improved to 20.0% (January-June 2006: 19.7%). The total oil palm planted area is expected to increase by 2.7% to 4,277,548 hectares in 2007 (2006: 2.8%; 4,165,215 hectares) with 3,813,597 hectares comprising matured areas. The new oil palm areas are mainly in Sarawak (22,844 hectares) and Sabah (16,156 hectares). Sabah has the largest oil palm planted area with 1,267,262 hectares or 29.6% of the total planted area. Malaysia remains the world’s largest palm oil producer, accounting for about 43.0% of world output.

The global stock of palm oil is expected to decrease in 2007 due to lower supply and increased demand from major markets in particular China, coupled with higher demand from the biodiesel industry. Palm oil stock in Malaysia for the first six months averaged 1.3 million tonnes, a drop of 17.9% (January-June 2006: 1.6 million tonnes; 12.5%). Projection of higher world demand for vegetable oils and fats and palm-based biofuel industry as well as tight supply are expected to push CPO prices to higher levels. The average CPO price for the first seven months of 2007 registered an increase of 60.4% to RM2,266 per tonne as against RM1,413 per tonne in the corresponding period of 2006. The local delivered CPO price soared to an all-time high of RM2,886 per tonne in June 2007. The surge in the price of CPO was largely due to tight supply and increasing global demand for edible oils and biodiesel as well as increased prices of substitutes, particularly soya bean and rapeseed oils. In addition, Indonesia, the world’s second largest producer of CPO after Malaysia, restricted exports of CPO by imposing higher export duty to meet local demand of cooking oil. India, one of the world’s largest edible oil importers, slashed import duties on crude and refined palm oil as part of the efforts to contain rising inflation. In the US, more food producers and fast-food chains are switching to trans-fatty acid-free oil such as palm oil. Following the ban by New York City on the use of trans-fatty acids in eateries effective 1 July 2007, other cities in the US are expected to take similar action. These developments will have positive impact on the price of CPO which is estimated to remain high at RM2,400 per tonne in 2007 (2006: RM1,503 per tonne).