

RIMBUNAN SAWIT BERHAD (“RSB” OR THE “COMPANY”)

PROPOSED ACQUISITIONS BY RSB OF 100% EQUITY INTEREST IN LUMIERA ENTERPRISE SDN BHD AND 85% OF EQUITY INTEREST IN WOODIJAYA SDN BHD FOR AN AGGREGATE PURCHASE CONSIDERATION OF RM58,594,000 TO BE SATISFIED IN CASH

1. INTRODUCTION

1.1 On behalf of the Board of Directors of RSB (“**Board**”), MIMB Investment Bank Berhad, a member of the EON Bank Group (“**MIMB**”), wishes to announce that the Company had on 31 July 2009 entered into 2 separate conditional sale and purchase agreements for shares (“**SPA**”) in relation to the following proposed acquisitions:-

- (a) 200,000 ordinary shares of RM1.00 each in Lumiera Enterprise Sdn Bhd (“**Lumiera**”) representing 100% of its issued and paid-up share capital from Teck Sing Lik Enterprise Sdn Bhd (“**TSL**”), Pertumbuhan Abadi Asia Sdn Bhd (“**PAA**”) and Kendaie Oil Palm Plantation Sdn Bhd (“**Kendaie**”) for a purchase consideration of RM31,018,000 to be satisfied in cash (“**Proposed Lumiera Acquisition**”); and
- (b) 10,200 ordinary shares of RM1.00 each in Woodijaya Sdn Bhd (“**Woodijaya**”) representing 85% of its issued and paid-up share capital from Tumbuh Tiasa Enterprises Sdn Bhd (“**Tumbuh Tiasa**”) for a purchase consideration of RM27,576,000 to be satisfied in cash (“**Proposed Woodijaya Acquisition**”).

(hereinafter collectively known as the “**Proposed Acquisitions**”)

TSL, PAA, Kendaie and Tumbuh Tiasa are collectively known as the “**Vendors**”.

2. PROPOSED LUMIERA ACQUISITIONS

2.1 Details of the Proposed Lumiera Acquisition

The Proposed Lumiera Acquisition involves the acquisition by RSB of 200,000 ordinary shares of RM1.00 each in Lumiera (“**Lumiera Shares**”) representing 100% of the issued and paid-up share capital of Lumiera from Kendaie, TSL and PAA for a cash consideration of RM31,018,000.

The Lumiera 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.

The Vendors of the Lumiera Shares are as follows:-

Vendors	No. of Shares	% of Total Issued Shares
TSL	70,000	35.0
PAA	70,000	35.0
Kendaie	60,000	30.0
	200,000	100.0

2.2 Information on Lumiera

Lumiera was incorporated in Malaysia on 31 January 1996 under the Companies Act, 1965 (“Act”) as a private limited company. The principal activity of Lumiera is cultivation of oil palm and as at the date of this announcement, the company has yet to commence business operations. Lumiera does not have any subsidiary or associated company.

Presently, it has an authorised share capital of RM500,000 divided into 500,000 Lumiera Shares, of which 200,000 Lumiera Shares have been issued and fully paid-up.

Lumiera owns a piece of provisional lease of state land measuring 6,071 hectares located along the eastern bank of lower Batang Baram, between Marudi and Kuala Baram which is situated within Lot 196, Teraja Land District, Miri Division, Sarawak (“Lumiera Land”). Based on the appraisal made on 25 July 2009 by the independent registered valuer appointed by RSB, namely Henry Butcher Malaysia (Miri) Sdn Bhd, the market value of the Lumiera Land is RM37,993,000. Further details on Lumiera Land are set out in Section 4 of this announcement.

The directors of Lumiera are Tan Sri Datuk Diong Hiew King @ Tiong Hiew King (“TSTHK”), Tiong Choon, Ko Yeu Ying and Tiong Chiong Ong. TSTHK and Tiong Chiong Ong are the Directors of RSB. TSTHK is also a major shareholder of RSB.

The existing shareholders of Lumiera and their shareholdings therein as at 15 July 2009 are as follows:-

Shareholders	No. of Shares	% of Total Issued Shares
TSL	70,000	35.0
PAA	70,000	35.0
Kendaie	60,000	30.0

2.3 Salient Financial Information on Lumiera

The audited financial information on Lumiera for the financial years ended 31 March 2005 to 2009 are set out below:-

Financial Years Ended 31 March	Audited 2005 RM'000	Audited 2006 RM'000	Audited 2007 RM'000	Audited 2008 RM'000	Audited 2009 RM'000
Revenue	-	-	-	-	-
Loss before taxation (“LBT”)	(3)	(6)	(152)	(2)	(3)
Loss after taxation (“LAT”)	(3)	(6)	(152)	(2)	(3)
Shareholders’ funds	(26)	(33)	15	13	10
Total assets	6,177	6,303	6,720	6,909	6,985
Total borrowings	4,387	2,983	-	919	14

- (a) *There were no extraordinary nor exceptional items throughout the periods under review.*
- (b) *There were no audit qualifications reported in the audited financial statements of Lumiera throughout the periods under review.*
- (c) *No revenue was generated throughout the period under review as the company has yet to commence business operations.*

2.4 Basis of Purchase Consideration

The purchase consideration for the Proposed Lumiera Acquisition amounting to RM31,018,000 was arrived at between the Company and the Vendors on a “willing-buyer willing-seller” basis after taking into consideration the following factors:-

- (a) the audited net tangible assets (“NTA”) of Lumiera as at 31 March 2009; and
- (b) adjustment for the surplus arising from the revaluation of Lumiera Land based on the market value which has been appraised by the independent registered valuer appointed by RSB, namely Henry Butcher Malaysia (Miri) Sdn Bhd, on 25 July 2009, using the Comparison method.

2.5 Mode of Payment and Source of Funds

The purchase consideration is to be wholly satisfied in cash and shall be payable in the following manner:-

- (a) 10% upon execution of the SPA; and
- (b) The balance 90% within 30 days from the date of fulfilment of the conditions precedent under the SPA.

The Company proposes to finance the Proposed Lumiera Acquisition through a combination of internal funds and/or bank borrowings, which will be determined by the Board later. RSB will not assume any liability arising from the Proposed Lumiera Acquisition.

An estimated additional financial commitment of approximately RM53.0 million is expected for the future plantation development related expenditure on Lumiera Land, which will be funded via a combination of internal funds and/or bank borrowings.

2.6 Original Dates and Costs of Investment

The original dates and costs of investment of the Vendors in Lumiera were as follows:-

Shareholders	Dates of Investment	No. of Shares	Original Cost of Investment (RM)
Kendaie	20.12.2006	60,000	13,561,275
TSL	14.03.2007	70,000	70,000
PAA	14.03.2007	70,000	70,000

Brief information on the Vendors is set out in Section 6 of this announcement

3. PROPOSED WOODIJAYA ACQUISITION

3.1 Details of the Proposed Woodijaya Acquisition

The Proposed Woodijaya Acquisition involves the acquisition by RSB of 10,200 ordinary shares of RM1.00 each in Woodijaya (“**Woodijaya Shares**”) representing 85% of the issued and paid-up share capital of Woodijaya from Tumbuh Tiasa for a cash consideration of RM27,576,000.

The Woodijaya 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.

The Vendor of the Woodijaya Shares is as follows:-

Vendor	No. of Shares	% of Total Issued Shares
Tumbuh Tiasa	10,200	85.0

3.2 Information on Woodijaya

Woodijaya was incorporated in Malaysia on 26 September 1997 under the Act as a private limited company. The principal activity of Woodijaya is cultivation of oil palm and as at the date of this announcement, the company has yet to commence business operations. Woodijaya does not have any subsidiary or associated company.

Presently, it has an authorised share capital of RM100,000 divided into 100,000 Woodijaya Shares of which 12,000 Woodijaya Shares have been issued and fully paid-up.

Woodijaya owns 2 pieces of provisional lease of state lands measuring 5,000 hectares located between the western bank of lower Batang Baram and the eastern bank of Sungai Bakong, Baram, which are situated within Lot 197, Teraja Land District and Lot 1200, Puyut Land District, both in Miri Division, Sarawak ("**Woodijaya Land**"). Based on the appraisal made on 25 July 2009 by the independent registered valuer appointed by RSB, namely Henry Butcher Malaysia (Miri) Sdn Bhd, the market value of the Woodijaya Land is RM36,732,000. Further details on Woodijaya Land are set out in Section 4 of this announcement.

The directors of Woodijaya are TSTHK, Tiong Choon and Tiong Chiong Ong. TSTHK and Tiong Chiong Ong are the Directors of RSB. TSTHK is also a major shareholder of RSB.

The existing shareholders of Woodijaya as at 15 July 2009 were as follows:-

Shareholders	No. of Shares	% of Total Issued Shares
Tumbuh Tiasa	10,200	85.0
State Financial Secretary, Sarawak	1,800	15.0

3.3 Salient Financial Information on Woodijaya

The audited financial information on Woodijaya for the financial years ended 30 September 2004 to 2007 and the audited financial period from 1 October 2007 to 31 March 2009 are set out below:-

	<----- Financial Year Ended 30 September ----->				Period from
	2004	2005	2006	2007	01.10.2007
	RM'000	RM'000	RM'000	RM'000	to 31.03.2009
					RM'000
Revenue	-	-	-	-	-
LBT	*	(1)	(1)	(1)	(242)
LAT	*	(1)	(1)	(1)	(242)
Shareholders' funds	(8)	(9)	(11)	1	(242)
Total assets	*	*	*	27	4,156
Total borrowings	-	-	-	-	-

- (a) *There were no extraordinary nor exceptional items throughout the periods under review.*
- (b) *There were no audit qualifications reported in the audited financial statements of Woodijaya throughout the periods under review.*
- (c) *No revenue was generated throughout the periods under review as the company has yet to commence business operations.*
- (d) *During the financial year, the company changed its financial year end from 30 September to 31 March to be co-terminous with that of the holding company, Tumbuh Tiasa.*

* *Negligible.*

3.4 Basis of Purchase Consideration

The purchase consideration for the Proposed Woodijaya Acquisition amounting to RM27,576,000 was arrived at between the Company and the Vendors on a “willing-buyer willing-seller” basis after taking into consideration the following factors:-

- (a) the audited NTA of Woodijaya as at 31 March 2009; and
- (b) adjustment for the surplus arising from the revaluation of Woodijaya Land based on the market value which has been appraised by the independent registered valuer appointed by RSB, namely Henry Butcher Malaysia (Miri) Sdn Bhd, on 25 July 2009, using the Comparison method.

3.5 Mode of Payment and Source of Funds

The purchase consideration is to be wholly satisfied in cash and shall be payable in the following manner:-

- (a) 10% upon execution of the SPA; and
- (b) The balance 90% within 30 days from the date of fulfilment of the conditions precedent under the SPA.

The Company proposes to finance the Proposed Woodijaya Acquisition through a combination of internal funds and/or bank borrowings, which will be determined by the Board later. RSB will not assume any liability arising from the Proposed Woodijaya Acquisition.

An estimated additional financial commitment of approximately RM60.0 million is expected for the future plantation development related expenditure on Woodijaya Land, which will be funded via a combination of internal funds and/or bank borrowings.

3.6 Original Dates and Costs of Investment

The original dates and costs of investment of Tumbuh Tiasa in Woodijaya were as follows:-

Shareholders	Dates of Investment	No. of Shares	Original Cost of Investment (RM)
Tumbuh Tiasa	31.10.2007	10,200	12,077,013

Brief information on Tumbuh Tiasa is set out in Section 6 of this announcement.

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4. INFORMATION ON THE LANDS

Brief information on the Lumiera and Woodijaya Lands are as follows:-

	Lumiera Land	Woodijaya Land
Location	Lot 196, Teraja Land District, Miri Division, Sarawak	Lot 1200, Puyut Land District and Lot 197, Teraja Land District, Miri Division, Sarawak
Title and tenure	Provisional lease of state land of 60 years expiring on 4 March 2061	Provisional lease of state land of 60 years expiring on 24 October 2067
Title area (Hectares)	6,071	5,000
Planted area (Hectares)	-	-
Age of oil palm	-	-
Land usage	Agriculture purposes	Agriculture purposes
Type of land	Mixed zone land / Country land	Mixed zone land / Country land
Encumbrances	Charged to Malayan Banking Berhad for RM14 million vide L.1399/2007, L.1400/2007, L.1401/2007, L.1402/2007 of 2 February 2007, respectively (includes caveat) and for RM1.0 million vide L.1403/2007 of 2 February 2007 (includes caveat)	Charged to Hong Leong Bank Berhad for RM42 million with 1 other title vide L.15191/2007 of 27 December 2007 (includes caveat)
Market value (RM)	37,993,000	36,732,000
Net book value as at 31 March 2009 (RM)	6,984,755	4,047,850
Material date of valuation	25 July 2009	
Method of valuation	Comparison method of valuation	

As at the date of this announcement, Lumiera and Woodijaya Lands have not produced any fresh fruit bunches (“FFB”) as the lands are still undeveloped.

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5. SALIENT TERMS OF THE SPAS AND VALUATION REPORTS

5.1 Salient Terms of the SPAs

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

(a) **Payment Terms**

The purchase consideration for the Lumiera Shares and Woodijaya Shares shall be satisfied as follows:

- (i) the deposit (equivalent to RM5,859,400) 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 Lumiera Shares and Woodijaya Shares shall be conditional upon the fulfillment of the following within the stipulated period:

- (i) the Company obtaining the approval of its shareholders in a general meeting for the Proposed Acquisitions;
- (ii) if applicable, the Vendors procuring the approval/consent from its banks and financial institutions for the change in the shareholding and Board of Directors' structures consequential to the acquisition of the Lumiera Shares and Woodijaya Shares by the Company;
- (iii) the conduct of a financial and legal due diligence by the Company on Lumiera and Woodijaya, and their affairs, the results of which are determined by the Company in its sole and absolute discretion to be satisfactory;
- (iv) the Vendors procuring the respective companies to obtain from the relevant authorities an extension of time to comply with the conditions expressed on issue document of title to the Lumiera and Woodijaya Lands which have not been fully complied with or to obtain a waiver of such conditions; 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 Purchaser as stipulated in Schedule 2 of the SPAs in connection with Lumiera and Woodijaya, 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 Lumiera Shares and Woodijaya 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 Lumiera and Woodijaya, by its rescinding or failing to rescind the SPAs, 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, Lumiera and Woodijaya 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.

(d) **Negative Covenants**

Save and except as provided herein, the Vendors covenant and undertake that it shall ensure that the Lumiera and Woodijaya shall not between the date of this Agreement and the completion date, without the prior written consent of the Company, do among others, the following:-

- (i) create or issue or agree to create or issue any shares or loan capital or give or agree to give any option in respect of any shares or loan capital;
- (ii) permit any liens, charges or encumbrances to arise on any of its assets except those arising in the ordinary course of its businesses;
- (iii) dispose of any part of its respective assets save and except in the ordinary course of business;
- (iv) do or suffer anything whereby its assets will be depleted or diminished in value or its financial position shall be rendered less favourable than at the date hereof other than normal depreciation in the ordinary course of business;
- (v) declare any dividend or make any distribution of its capital to its members or do or suffer anything whereby its financial position shall be rendered less favourable than at the date hereof;
- (vi) do or cause or allow to be done or omitted to be done any act or thing which would result (or be likely to result) in the respective companies incurring any contingent liability or in the diminution of the company's value; and

- (vii) do or cause or allow to be done or omitted to be done any act or thing which would result (or be likely to result) in a breach of any of the representations warranties and undertakings contained herein.

(e) **Right to nominated director**

If required by the Company, the Vendors shall cause the respective companies to take all action necessary to appoint the directors as specified by the Company, being the nominees of the Company to the Board of Directors of the respective companies, prior to the completion date.

5.2 Salient Terms of the Valuation Reports

- (a) The Lumiera Land and Woodijaya Land were initially inspected by the valuer on 24 September 2008 and further inspected on 23 July 2009 and the material date of valuation was on 25 July 2009;
- (b) The Lumiera Land is about 30 kilometres (aerial measured) to the East of Miri City Centre. There is no access by road at present. However, it can be reached from Batang Baram via river transport;
- (c) The Woodijaya Land is about 27 kilometres (aerial measured) to the South-East of Miri City Centre. It can be accessed by way of the present plantation road (Hazardland Plantation), plus a section of a logging road, which will lead from the Miri-Bintulu Trunk Road to Sungai Bakong. Alternatively, it can be reached by using boat via Batang Baram;
- (d) The Lumiera Land covers a total area of 6,071 hectares with an irregular in shape and the Woodijaya Land covers a total gross area of 5,000 hectares (Lot 197 with 2,181 hectares and Lot 1200 with 2,819 hectares);
- (e) Currently, the Lumiera and Woodijaya Lands are still vacant, undeveloped and are generally covered with secondary jungle. With reference to the approved EIA reports prepared for the said lands and after considering the climatic condition such as rainfall records and soil condition, the subject lands are suitable for oil palm cultivation;
- (f) The valuer adopted the Comparison Method in formulating the current market value of the Lumiera and Woodijaya Lands as both lands are vacant and undeveloped. Thus, only one method of valuation is adopted to assess the market value of the Lumiera and Woodijaya Lands; and
- (g) The Comparison Method is the market approach of comparing the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities.

6. INFORMATION ON THE VENDORS

6.1 Details of TSL

TSL is a private limited company incorporated in Malaysia under the Act on 2 May 1980. TSL is principally engaged in renting of properties, investment holdings and properties development. The principal activities of its subsidiary and associated companies includes property development and management services, investment holdings, plantation contract works, purchase and sale of timber log, letting of equipment and investment in corporate securities, oil palm plantation, logging contract works, manufacturing and marketing of optical fibres and optical fibre cable and research and development of broadband services, log sales and production and sale of sawn timber and laminated board, contractor, operation of palm oil mill and sales of palm oil products, oil palm marketing and processing and sale of crude palm oil (“CPO”), timber contractor, investment in real properties, timber extraction and timber merchant, undertaking plantation contract work and hiring of equipment.

TSL has an authorised share capital RM5,000,000 comprising of 5,000,000 ordinary shares of RM1.00 each of which 4,000,000 ordinary shares of RM1.00 each have been issued and credited as fully paid-up.

The directors of TSL are TSTHK and Tiong Chiong Ong.

The substantial shareholder of TSL is TSTHK.

6.2 Details of PAA

PAA is a private limited company incorporated in Malaysia under the Act on 29 January 1981. PAA and its subsidiary and associated companies are principally engaged in investment holdings, property development and management services, plantation contract work, letting of equipment and investment in corporate securities, oil palm plantation, timber contractor, development of a planted forest and cultivation of oil palm, timber merchant, undertaking plantation contract work and hiring of equipment.

PAA has an authorised share capital RM200,000 comprising of 200,000 ordinary shares of RM1.00 each of which 10,000 ordinary shares of RM1.00 each have been issued and credited as fully paid-up.

The directors of PAA are TSTHK and Tiong Choon.

The substantial shareholder of PAA is TSTHK.

6.3 Details of Kendaie

Kendaie is a private limited company incorporated in Malaysia under the Act on 12 August 1998. Kendaie and its subsidiary and associated companies are principally engaged in letting of equipment, investment in corporate securities, cultivation of oil palm and oil palm plantation.

Kendaie has an authorised share capital RM1,000,000 comprising of 1,000,000 ordinary shares of RM1.00 each of which 1,000,000 ordinary shares of RM1.00 each have been issued and credited as fully paid-up.

The directors of Kendaie are Datuk Tiong Thai King, Ting Wee Huong and Wong Yiing Ngiik.

The substantial shareholders of Kendaie are Tiong Toh Siong Enterprise Sdn Bhd (“**TTSE**”), TSL and PAA.

6.4 Details of Tumbuh Tiasa

Tumbuh Tiasa is a private limited company incorporated in Malaysia under the Act on 29 March 2005. Tumbuh Tiasa and its subsidiary company are currently dormant.

Tumbuh Tiasa has an authorised share capital RM5,000,000 comprising of 5,000,000 ordinary shares of RM1.00 each of which 4,000,000 ordinary shares of RM1.00 each have been issued and credited as fully paid-up.

The directors of Tumbuh Tiasa are TSTHK and Tiong Choon.

The substantial shareholders of Tumbuh Tiasa are TSL, TTSE and PAA.

7. 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 land bank in Malaysia, particularly in Sarawak.

At present, the size of RSB’s total plantation land is approximately 20,574 hectares, of which 12,918 hectares comprise mature planted area, 3,597 hectares is immature planted area, 663 hectares unplanted and the remaining 3,396 hectares is for other purposes. The Proposed Acquisitions would increase RSB’s total plantation land size from approximately 20,574 hectares to 31,645 hectares of which about 11,734 hectares are presently unplanted and will be developed later (which includes Lumiera and Woodijaya Lands with a total area of 11,071 hectares).

The undeveloped Lumiera and Woodijaya Lands would help to reduce the overall maturity profile of the Group's plantations and increasing the Group's total undeveloped land banks for future oil palm cultivation.

The Board is of the view that the total purchase considerations for the Proposed Acquisitions are reasonable taking into account the market values of the Lumiera and Woodijaya Lands of RM6,258 and RM7,346 per hectare respectively, as appraised by the independent valuer. In addition, the Board has also taken note that the Group is expected to incur a further financial commitment to develop the said lands into oil palm estate which is estimated to be about RM113 million in total and which will be funded through a combination of internal funds and/or bank borrowings. Barring unforeseen circumstances, the Board expects both Lumiera and Woodijaya to contribute profits to the Group within 5 years from the date of initial planting on the said lands.

In summary, 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.

8. INDUSTRY OUTLOOK

The first quarter of 2009 recorded a slight decrease in world oils and fats production. Production of palm oil notably had decreased by 12% from 11.36 million tonnes in the previous quarter to 10 million tonnes in this quarter. Based on yield cycle, palm oil production would normally drop in the first quarter. In Malaysia, palm oil production was down by 20.9% from 4.79 million tonnes in the fourth quarter 2008 to 3.79 million tonnes in this quarter. In tandem with this trend, production of palm kernel and palm kernel oil in Malaysia had also decreased to 1.02 million tonnes or by 18.1% and to 0.49 million tonnes or by 16% respectively.

Malaysian palm oil export had registered a decline from 4.31 million tonnes to 3.87 million tonnes in this quarter. China, PR maintained its position as the biggest export market for Malaysian palm oil with import volume of 0.77 million tonnes, followed by Pakistan 0.55 million tonnes, EU 0.41 million tonnes, India 0.41 million tonnes, USA 0.22 million tonnes and Japan 0.14 million tonnes. Together, these six countries accounted for 2.5 million tonnes or 64.6% of total Malaysian palm oil exports in first quarter 2009. Malaysian exports of palm kernel oil had decreased by 3.5% from 0.30 million tonnes in previous quarter to 0.29 million tonnes in this quarter and exports for palm kernel cake had increased by 14.5% to 0.61 million tonnes from 0.54 million tonnes in the previous quarter.

The supply of palm oil which includes production of CPO and stock of palm oil is expected to decline in the second quarter of 2009. This is due to low production of CPO estimated at 3.65 million tonnes and stock of palm oil at 1.4 million tonnes as compared to at 3.79 million tonnes and at 1.59 million tonnes respectively in the first quarter. The decline in stock of CPO is expected due to lower production of CPO and positive growth in export of palm oil in the second quarter. Export of palm oil is expected to grow at 1.30 million tonnes compared to 1.29 million tonnes. Based on this scenario, the price of CPO in the second quarter is expected to strengthen to RM2,666 per tonne as compared to RM1,919 per tonne in the first quarter.

(Source: Quarterly Report on Oils and Fats, 1st Quarter 2009, Malaysian Palm Oil Board)

The year 2009 is expected to be a challenging one for the industry in view of the high prevailing palm oil stocks, set-back in prices and concerns of a global recession. The Malaysian Government has taken various measures to stabilize palm oil prices at remunerative levels. Among the measures are the Oil Palm Replanting Incentive Scheme to accelerate replanting and reduce CPO production in the near term, the implementation of the 5% biodiesel mandate in the transport and industrial sector starting with government vehicles in February 2009 and increasing exports under the CPO export duty free scheme.

(Source: Overview of the Malaysian Oil Palm Industry 2008, Malaysian Palm Oil Board)

9. RISK FACTORS

Upon completion of the Proposed Acquisitions and once Lumiera and Woodijaya Lands are developed into oil palm estates, RSB will be further exposed to certain risks inherent in palm oil industry, which include, but are 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 rising costs of productions. Although the Company 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 its business operations.

10. FUTURE PROSPECTS

The future prospects of the RSB Group would very much depend on the ability of the Company to continue to increase its operational efficiency, thus increasing the overall yield of the Group's present plantations and to successfully develop Lumiera and Woodijaya Lands into oil palm estates. In this respect, the Group will continue with its efforts to be cost efficient and to increase productivity to cushion any steep rise in production cost in the coming years.

As attested from the decision of the Board to undertake the Proposed Acquisitions, the Board remains optimistic of the prospects of the RSB Group in the palm oil industry, backed by the continuing growth of the industry and anticipated favourable long-term CPO prices.

11. EFFECTS OF THE PROPOSED ACQUISITIONS

For the financial year ending 31 August 2009, the Proposed Acquisitions are not expected to contribute to the revenue and profits of the RSB Group. However, the Proposed Acquisitions are expected to contribute positively to the future earnings of the RSB Group as and when the areas within Lumiera and Woodijaya Lands are developed into oil palm estates and reach maturity, despite the interest costs that may arise from additional bank borrowings taken to part finance the Proposed Acquisitions. Accordingly, the earnings and net assets ("NA") of the Group are expected to improve in the medium to long term.

The Proposed Acquisitions will not have any effect on the share capital, shareholdings of the Directors and substantial shareholders of the RSB Group as it does not involve any issuance of new shares by the Company.

The effects of the Proposed Acquisitions on the NA per share and gearing of the RSB Group based on its consolidated audited financial statements for the financial year ended 31 August 2008 are set out as follows:-

	Audited as at 31 August 2008 RM'000	After Proposed Acquisitions RM'000
Share capital	64,133	64,133
Reserves		
- Retained profits	52,627	*51,683
- Share premium	6,866	6,866
- Merger reserves	(44,631)	**(77,447)
	14,862	(18,898)
Shareholders' funds / NA	<u>78,995</u>	<u>45,235</u>
NA per share (RM)	0.62	^0.35
Total borrowings	144,731	#174,745
Gearing (times)	1.83	^3.86

Notes:-

- * *After taking into account the estimated expenses relating to the Proposed Acquisitions of RM500,000 and the accumulated losses of Lumiera and Woodijaya which stood at RM189,662 and RM253,754 as at 31 March 2009 respectively.*
- # *Assuming the Company takes up additional borrowings of RM30.0 million to part finance the Proposed Acquisitions and after including Lumiera's existing borrowings as at 31 March 2009 of RM13,755.*
- ** *The Proposed Acquisitions are common control business combinations, where the combining entities (i.e. the Company, Lumiera and Woodijaya) are ultimately controlled by the same parties both before and after the transaction.*

The Company accounts for such transaction using merger accounting method, which assume that there is no acquisition and there has been a continuation of the risks and benefits to the controlling parties. As such, under the merger accounting method, the net assets of the combining entities will be consolidated using their existing book values (instead of fair values or revalued values) and any difference between the purchase consideration and the nominal value of the share capital thereto will be accounted for as merger reserve.

Since the total purchase consideration under the Proposed Acquisitions is higher than the nominal value of the share capital of Lumiera and Woodijaya, a merger deficit arises which has the effect of reducing the equity of the RSB Group. As a result, the proforma consolidated NA and NA per share of RSB would decrease whilst the proforma gearing of the Group would increase (after accounting for the abovesaid additional borrowings).

- ^ *Nonetheless, had the Company adopted the purchase method of accounting to account for the effects of the Proposed Acquisitions, the net assets of the combining entities will be consolidated using their fair values (instead of cost or book values) and any difference between the purchase consideration and the fair values of the net assets thereto (i.e. after the incorporation of the surplus arising from the revaluation of both the Lumiera and Woodijaya Lands based on their respective market values) will be accounted for as goodwill.*

As such, under the purchase method of accounting, there would not be any effect on the proforma consolidated NA and NA per share of RSB, whilst the proforma gearing of the Group would increase from 1.83 times to 2.21 times (after accounting for the abovesaid additional borrowings).

12. APPROVALS REQUIRED

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

- (a) approval of the shareholders of RSB, at an extraordinary general meeting ("EGM") to be convened for the Proposed Acquisitions; and
- (b) approvals from any other relevant authorities/parties, if required.

The Proposed Lumiera Acquisition and the Proposed Woodijaya Acquisition are not inter-conditional upon each other.

13. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the Directors and/or major shareholders of the Company or any person 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 of Lumiera and Woodijaya and substantial shareholder by virtue of his substantial equity interest in the Vendors, namely TSL, PAA and Tumbuh Tiasa. As such, he is deemed interested in the Proposed Acquisitions.

- (b) TSL, PAA and TTSE are major shareholders of RSB. They are deemed interested in the Proposed Acquisitions by virtue of their substantial equity interests in the Vendors, namely Kendaie and Tumbuh Tiasa.
- (c) 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 (“**Interested Directors**”) have and will continue to abstain from voting and deliberating on the Proposed Acquisitions at all Board meetings of the Company. The Interested Directors and the above 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 an EGM (to be convened later), in respect of their direct and/or indirect shareholdings in RSB.

The shareholdings of the Interested Directors in RSB based on its Record of Depositors as at 30 June 2009 are as follows:-

	<----- No. of RSB Shares Held ----->			
	Direct	%	Indirect	%
<u>Interested Directors</u>				
TSTHK	300,000	0.23	^(a) 69,343,794	54.06
Tiong Kiong King	^(b) 1,813,600	1.41	^(c) 2,027,300	1.58
Tiong Chiong Ong	530,200	0.41	^(d) 26,000	0.02
Tiong Chiong Ie	200,000	0.16	^(e) 484,000	0.38
<u>Major Shareholders</u>				
TSTHK	300,000	0.23	^(f) 67,422,894	52.56
Tiong Toh Siong Holdings Sdn Bhd (“ TTSH ”)	31,037,594	24.20	-	-
TSL	7,047,500	5.49	^(g) 47,410,994	36.96
PAA	10,903,600	8.50	^(h) 17,033,900	13.28
TTSE	1,300,300	1.01	⁽ⁱ⁾ 15,073,100	11.75
Rimbunan Hijau Southeast Asia Sdn Bhd (“ RHSA ”)	15,073,100	11.75	-	-

- (a) Deemed interested by virtue of his interests in TTSH, TSL, TTSE, PAA, RHSA, Rimbunan Hijau (Sarawak) Sdn Bhd (“**RHS**”) and Rejang Healthcare Sdn Bhd pursuant to Section 6A of the Act, and his spouse’s and children’s interests in the Company.
- (b) Shares held through Mayban Nominees (Tempatan) Sdn Bhd.
- (c) Deemed interested by virtue of his interest in Biru-Hijau Enterprise Sdn Bhd pursuant to Section 6A of the Act.
- (d) Deemed interested by virtue of his spouse’s interest in the Company.
- (e) Deemed interested by virtue of his interest in Priharta Development Sdn Bhd pursuant to Section 6A of the Act.
- (f) Deemed interested by virtue of his interests in TTSH, TSL, TTSE, PAA, RHSA, RHS and Rejang Healthcare Sdn Bhd pursuant to Section 6A of the Act.
- (g) Deemed interested by virtue of its interests in TTSH, TTSE and RHSA pursuant to Section 6A of the Act.
- (h) Deemed interested by virtue of its interests in RHSA and RHS pursuant to Section 6A of the Act.
- (i) Deemed interested by virtue of its interest in RHSA pursuant to Section 6A of the Act.

14. DIRECTORS' STATEMENT

The Board (save for Interested Directors), 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 RSB Group.

15. ESTIMATED TIME FRAME FOR COMPLETION

The Proposed Acquisitions are expected to be completed by third quarter of 2009.

16. ADVISER AND INDEPENDENT ADVISER

MIMB, a member of the EON Bank Group, has been appointed as Principal Adviser to RSB for the Proposed Acquisitions.

Notwithstanding the above, MIMB, wishes to highlight that the substantial shareholder of RSB namely, TSTHK, and Directors namely, Tiong Kiong King and Tiong Chiong Ong, have an indirect substantial shareholdings in EON Capital Berhad, a public company listed on the Main Board of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) by virtue of their interests in R.H. Development Corporation Sdn Bhd, a company ultimately controlled by TSTHK. MIMB is a wholly-owned subsidiary of EON Bank Berhad, which in turn is wholly-owned by EON Capital Berhad. In addition, Tiong Chiong Ong, the Managing Director of RSB, is also a non-executive Director of EON Bank Berhad.

In view that the Proposed Acquisitions are deemed related party transactions pursuant to paragraph 10.08 of the Listing Requirements of Bursa Securities and in order to mitigate any potential conflict of interest which may arise from the appointment of MIMB as the Principal Adviser of the Proposed Acquisitions, the Board has appointed Public Investment Bank Berhad as the independent adviser to comment as to whether the Proposed Acquisitions are fair and reasonable, whether they 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 resolutions pertaining to the Proposed Acquisitions.

17. COMPLIANCE WITH THE SECURITIES COMMISSION'S (“SC”) GUIDELINES ON THE OFFERING OF EQUITY AND EQUITY-LINKED SECURITIES (“SC GUIDELINES”)

To the best knowledge of the Directors of RSB, the Proposed Acquisitions do not depart from the SC Guidelines.

18. DOCUMENTS FOR INSPECTION

The SPAs and the respective Valuation Reports for Lumiera and Woodijaya Lands are available for inspection at the registered office of RSB at No. 85 & 86, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibul, Sarawak, during normal office hours from Monday to Friday (except for public holidays) for a period of at least 3 months from the date of this announcement.

This announcement is dated 31 July 2009.