

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

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**Rimbunan Sawit**

**RIMBUNAN SAWIT BERHAD**

(Company No. 691393-U)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO**

**PART A**

- (I) **PROPOSED DISPOSAL OF ALL RIGHTS, TITLE AND INTERESTS IN RELATION TO THE SIMUNJAN ESTATE VIA AN ABSOLUTE ASSIGNMENT, DEVELOPMENT COSTS, BIOLOGICAL ASSETS, COMMERCIAL RIGHTS AND ALL THE FIXTURES AND FITTINGS RELATING THERETO BY RIMBUNAN SAWIT BERHAD ("RSB") TO TIASA MESRA SDN BHD, FOR A CASH CONSIDERATION OF RM150.0 MILLION;**
- (II) **PROPOSED ACQUISITION OF A PARCEL OF 67.5 HECTARES LAND (WHICH CURRENTLY FORMS PART OF PARENT LOT 248 BLOCK 4 STUNGKOR LAND DISTRICT, LUNDU, KUCHING DIVISION, SARAWAK) TOGETHER WITH A PALM OIL MILL (INCLUDING WORKERS' QUARTERS) ERECTED THEREON AND PLANTATION ASSETS BY RSB LUNDU PALM OIL MILL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF RSB, FROM R H LUNDU PALM OIL MILL SDN BHD, FOR A TOTAL CASH CONSIDERATION OF RM33.7 MILLION; AND**
- (III) **PROPOSED ACQUISITION OF 100,000 ORDINARY SHARES IN SASTAT HOLDINGS SDN BHD ("SHSB"), REPRESENTING THE ENTIRE EQUITY INTEREST IN SHSB, BY RSB FROM PERTUMBUHAN ABADI ASIA SDN BHD, TECK SING LIK ENTERPRISE SDN BHD AND TAN SRI DATUK SIR DIONG HIEW KING @ TIONG HIEW KING, FOR A TOTAL CASH CONSIDERATION OF RM17.0 MILLION**

**(COLLECTIVELY REFERRED TO AS "PROPOSALS")**

**PART B**

**INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF RSB IN RELATION TO THE PROPOSALS**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser*



**Maybank Investment Bank Berhad** (15938-H)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

*Independent Adviser*



**MERCURY SECURITIES SDN BHD**  
(Company No. 113193-W)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolutions pertaining to the Proposals will be tabled for your consideration at the extraordinary general meeting ("**EGM**") of RSB to be held at Level 2, North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000, Sibul, Sarawak on Thursday, 27 July 2017 at 11.00 a.m. or any adjournment thereof. The Notice of EGM and the Form of Proxy are enclosed in this Circular.

A member entitled to attend and vote at the forthcoming EGM is entitled to appoint more than 1 proxy to vote on his/her behalf. In such event, the completed Form of Proxy must be lodged at the registered office of RSB at North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000, Sibul, Sarawak not less than 48 hours before the appointed time of the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time to lodge the Form of Proxy : Tuesday, 25 July 2017 at 11.00 a.m.  
Date and time of the EGM : Thursday, 27 July 2017 at 11.00 a.m.

This Circular is dated 10 July 2017

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## DEFINITIONS

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

Advance	: Advance granted by TTSS, where Tan Sri Tiong is a shareholder, to SHSB to fund the oil palm plantation development costs including land clearing, planting, upkeep and maintenance and infrastructure set-up cost
Board	: Board of Directors of our Company
Bursa Securities	: Bursa Malaysia Securities Berhad
CA 1965	: Companies Act, 1965
CA 2016	: Companies Act, 2016
CPO	: Crude palm oil
DCF Method	: Discounted cash flow method
Director of Forests	: Director of Forests, Sarawak of the Forest Department Sarawak
Disposal Consideration	: RM150.0 million, being the cash consideration for the Proposed Disposal
EGM	: Extraordinary general meeting
FFB	: Fresh fruit bunches
FYE	: Financial year ended/ending, as the case may be
GST	: Goods and services tax
ha	: Hectares
Henry Butcher Malaysia	: Henry Butcher Malaysia Sdn Bhd
Henry Butcher Miri	: Henry Butcher Malaysia (Miri) Sdn Bhd
Henry Butcher Sarawak	: Henry Butcher Malaysia (Sarawak) Sdn Bhd
Hong Leong	: Hong Leong Bank Berhad, the financier who provided the Simunjan Facilities
Independent Advice Letter	: The independent advice letter from Mercury Securities as set out in Part B of this Circular
Independent Adviser or Mercury Securities	: Mercury Securities Sdn Bhd
Interested Directors	: Tan Sri Tiong, Tiong Kiong King, Tiong Chiong Ong and Tiong Chiong Ie, collectively
Interested Directors For The Proposed Disposal	: Tan Sri Tiong, Tiong Kiong King, Tiong Ing Ming, Tiong Chiong Ong and Tiong Chiong Ie, collectively
Interested Major Shareholders	: TTSH, Tan Sri Tiong and PAA, collectively
IRB	: Inland Revenue Board of Malaysia
Kendaie Oil Palm	: Kendaie Oil Palm Plantation Sdn Bhd

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**DEFINITIONS** *(cont'd)*

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LHSB	:	Ladang Hijau (Sarawak) Sdn Bhd
Licence Rights or LPF/0035	:	Licence No. 0035 for planted forest granted by the Director of Forests to Rejang Height in 2004 which allows the licensee to establish, develop and maintain the Simunjan Estate for a period of 60 years expiring on 21 March 2064 in the manner as specified in the tree planting plan therein and to harvest the same; and undertake oil palm planting activities for a period of 25 years expiring on 21 March 2029, after which the Simunjan Estate must be planted with trees other than oil palm
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	19 June 2017, being the latest practicable date prior to the printing of this Circular
Lundu Acquisition SPA	:	The conditional sale and purchase agreement dated 22 February 2017 between R H Lundu and RSB Lundu for the Proposed Lundu Acquisition (as varied by the Supplemental Lundu Acquisition SPA )
Lundu Land	:	An area measuring approximately 67.5 ha which forms part of the Parent Lot 248
Lundu Oil Mill	:	A 45 MT per hour palm oil mill which is erected on the Lundu Land
Lundu Properties	:	Collectively, the Lundu Land and the workers' quarters, the Lundu Oil Mill and the Plantation Assets
Lundu Valuation Reports	:	Collectively, the valuation report prepared by Henry Butcher Malaysia dated 28 February 2017 to appraise the market value of the Lundu Oil Mill and the Plantation Assets and the valuation report prepared by Henry Butcher Sarawak dated 28 February 2017 to appraise the market value of the Lundu Land and the workers' quarters
Maybank IB	:	Maybank Investment Bank Berhad
MT	:	Metric tonne
Minister	:	Minister of Planning and Resource Management Sarawak
Multi Greenview	:	Multi Greenview Sdn Bhd
NA	:	Net assets
NBV	:	Net book value
OER	:	Oil extraction rate
PAA	:	Pertumbuhan Abadi Asia Sdn Bhd
Parent Lot 248	:	Provisional lease of state land measuring approximately 250.0 ha located at Jalan Bau/Lundu, Lundu, known as Lot No. 248, Block 4, Stungkor Land District, Kuching Division, Sarawak
PJP	:	Pemandangan Jauh Plantation Sdn Bhd
PK	:	Palm kernel
Plantation Assets	:	All tangible and intangible assets owned, leased or hired, equipment and machinery owned, held or used and 4 specific motor vehicles used for the operations of the Lundu Oil Mill

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**DEFINITIONS** *(cont'd)*

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Proposals	:	Collectively, the Proposed Disposal, Proposed Lundu Acquisition and Proposed SHSB Acquisition
Proposed Disposal	:	Proposed disposal of all rights, title and interests of the Licence Rights in relation to the Simunjan Estate via an absolute assignment, development costs, biological assets, commercial rights and all the fixtures and fittings relating thereto by our Company to TMSB, for a cash consideration of RM150.0 million
Proposed Acquisition	Lundu	: Proposed acquisition of the Lundu Properties by RSB Lundu from R H Lundu, for a total cash consideration of RM33.7 million
Proposed Acquisition	SHSB	: Proposed acquisition of 100,000 SHSB Shares, representing the entire equity interest in SHSB, by our Company from the SHSB Vendors for a total cash consideration of RM17.0 million subject to adjustments as provided under the SSA
Purchase Consideration of Lundu	:	RM33.7 million, being the total cash purchase price for the Proposed Lundu Acquisition
Purchase Consideration of SHSB	:	RM17.0 million, being the cash purchase price for the Proposed SHSB Acquisition, subject to adjustments as provided under the SSA
R H Lundu	:	R H Lundu Palm Oil Mill Sdn Bhd
Rejang Height	:	Rejang Height Sdn Bhd
Revised TPP	:	Revised tree planting plan
RH Sarawak	:	Rimbunan Hijau (Sarawak) Sdn Bhd
RH Southeast Asia	:	Rimbunan Hijau Southeast Asia Sdn Bhd
RPGT	:	Real property gains tax
RSB or Company	:	Rimbunan Sawit Berhad
RSB Group or Group	:	Our Company and the subsidiaries, collectively
RSB Lundu	:	RSB Lundu Palm Oil Mill Sdn Bhd
RSB Shares	:	Ordinary shares in our Company
Sastat Estate	:	Provisional lease of state land measuring 1,504 ha, located along Batang Baram and known as Lot No. 205, Teraja Land District, Miri Division, Sarawak, of which 1,013.79 ha have been fully planted with oil palm
Sastat Estate Valuation Report	:	The valuation report prepared by Henry Butcher Miri dated 28 February 2017 to appraise the market value of the Sastat Estate
SHSB	:	Sastat Holdings Sdn Bhd
SHSB Shares	:	Ordinary shares in SHSB
SHSB Vendors	:	PAA, TSL and Tan Sri Tiong, collectively
Simunjan Agreement	:	The conditional agreement dated 22 February 2017 between our Company and TMSB for the Proposed Disposal
Simunjan Estate	:	A gross licensed area of 15,017.0 ha located within the Samarahan and Sri Aman divisions in Sarawak under LPF/0035 currently used as an oil palm plantation

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**DEFINITIONS** *(cont'd)*

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Simunjan Estate Valuation Report	:	The valuation report prepared by Henry Butcher Sarawak dated 28 February 2017 to appraise the market value of the Simunjan Estate
Simunjan Facilities	:	Credit facilities obtained from Hong Leong to partly fund the on-going development of the Simunjan Estate
SSA	:	The conditional share sale agreement between our Company and SHSB Vendors dated 22 February 2017 for the Proposed SHSB Acquisition
Subur Tiasa	:	Subur Tiasa Holdings Berhad
Supplemental Acquisition SPA	Lundu	: The supplemental agreement dated 28 March 2017 between R H Lundu and RSB Lundu to vary the Lundu Acquisition SPA
Tan Sri Tiong	:	Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King
TMSB	:	Tiasa Mesra Sdn Bhd
TSL	:	Teck Sing Lik Enterprise Sdn Bhd
TTSE	:	Tiong Toh Siong Enterprises Sdn Bhd
TTSH	:	Tiong Toh Siong Holdings Sdn Bhd
TTSS	:	Tiong Toh Siong & Sons Sdn Bhd
US	:	United States of America
Valuation Reports	:	Collectively, the Simunjan Estate Valuation Report, the Lundu Valuation Reports and the Sastat Estate Valuation Report

**Currency**

RM and sen : Ringgit Malaysia and sen respectively

All references to “**Company**” or “**RSB**” in this Circular are to Rimbunan Sawit Berhad and references to “**Group**” or “**RSB Group**” are to our Company and subsidiaries, collectively. All references to “**we**” and “**our**” in this Circular are to our Company, or where the context requires, our Group. All references to “**you**” in this Circular are to the shareholders of our Company.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment, rules and regulations is a reference to that enactment, rules and regulations as for the time being amended or re-enacted.

Any reference to a time of day in this Circular is a reference to Malaysian time, unless otherwise specified.

Any discrepancy in the tables between the amounts listed, actual figures and the totals thereof in this Circular are due to rounding.

This Circular includes forward-looking statements. All statements other than statements of historical facts included in this Circular including, without limitation, those regarding our Group's financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. There can be no assurance that such forward-looking statements will materialise, be fulfilled or be achieved.

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**PART A**

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS**





**Rimbunan Sawit**

**RIMBUNAN SAWIT BERHAD**

(Company No. 691393-U)  
(Incorporated in Malaysia)

**Registered office**

North Wing, Menara Rimbunan Hijau,  
101, Pusat Suria Permata,  
Jalan Upper Lanang,  
96000, Sibul, Sarawak

10 July 2017

**Board of Directors**

Tiong Chiong Ong (*Chairman and Non-Independent Non-Executive Director*)  
Tiong Kiong King (*Vice Chairman and Non-Independent Non-Executive Director*)  
Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King (*Executive Director*)  
Dato' Jin Kee Mou (*Chief Executive Officer*)  
Tiong Chiong Ie (*Non-Independent Non-Executive Director*)  
Bong Wei Leong (*Independent Director*)  
Tiong Ing Ming (*Independent Director*)

**To: Our shareholders**

Dear Sir/Madam,

- (I) **PROPOSED DISPOSAL;**
  - (II) **PROPOSED LUNDU ACQUISITION; AND**
  - (III) **PROPOSED SHSB ACQUISITION**
- 

**1. INTRODUCTION**

On 22 February 2017, Maybank IB, on behalf of our Board, announced that we are proposing to undertake the Proposals and had entered into the Simunjan Agreement, the Lundu Acquisition SPA and the SSA on even date.

On 28 March 2017, Maybank IB, on behalf of our Board, announced that we had entered into a supplemental agreement with R H Lundu for purposes of including 4 motor vehicles as part of the Plantation Assets.

The Proposals are deemed to be related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interest of certain directors of our Company, major shareholders and person connected to them as set out in Section 12 of Part A of this Circular. As such, we have on 19 January 2017 appointed Mercury Securities as the Independent Adviser, to advise our non-interested directors and non-interested shareholders on the fairness and the reasonableness of the Proposals and whether the Proposals are detrimental to our non-interested shareholders.

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

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE INDEPENDENT ADVICE LETTER AS SET OUT IN PART B OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

## 2. DETAILS OF THE PROPOSED DISPOSAL

### 2.1 Background information on the Proposed Disposal

The Proposed Disposal entails the disposal of the Licence Rights via an absolute assignment, development costs, biological assets, commercial rights and all the fixtures and fittings by our Company to TMSB for a cash consideration of RM150.0 million.

The Proposed Disposal is subject to the terms and conditions of the Simunjan Agreement.

### 2.2 Key salient terms of the Simunjan Agreement

#### (a) Disposal Consideration

The Disposal Consideration shall be satisfied by TMSB in the following manner:

- (1) RM15.0 million as refundable deposit ("**Simunjan Deposit**"), to be paid to our Company within 7 business days upon the signing of the Simunjan Agreement and of which TMSB's solicitors shall retain RM4.5 million from the Simunjan Deposit for the purpose of RPGT; and
- (2) RM135.0 million ("**Balance Sum**") to be paid within 2 months after the date upon which all of the Conditions Precedent (as defined below) are fulfilled or waived, as the case may be ("**Completion Period**") in the following manner:
  - (i) such sum to fully settle the redemption sum payable to Hong Leong as per Hong Leong's redemption statement to procure the discharge and release of the following securities within the Completion Period:
    - (aa) the debenture created over the movable and immovable properties and assets to the Licence Rights over the Simunjan Estate to and in favour of Hong Leong; and
    - (bb) the corporate guarantee given by our Company to and in favour of Hong Leong; and
  - (ii) thereafter, the remaining Balance Sum to be paid over to our Company directly on or before the completion date.

The Disposal Consideration is exclusive of GST and TMSB shall be responsible for paying GST at such time and in such manner and mode required, in accordance with the Goods and Services Tax Act, 2014. TMSB agrees to indemnify our Company from and against all demands, claims, liabilities, losses, costs and expenses including legal costs which our Company may incur if TMSB fails to pay for the GST chargeable on the Disposal Consideration.

#### (b) Conditions Precedent (as defined below)

The Proposed Disposal is subject to the following conditions ("**Conditions Precedent**") being fulfilled within 6 months from the date of the Simunjan Agreement or such extended period as may be mutually agreed by the parties:

- (1) our Company obtaining the approval of our shareholders at the forthcoming EGM for the Proposed Disposal;

- (2) Subur Tiasa obtaining the approval of its shareholders in a general meeting for TMSB to acquire the Licence Rights including the development costs, biological assets, commercial rights and all fixture and fittings relating thereto;
- (3) our Company obtaining, at its own cost and expense, (i) the approval of the Director of Forests and/or the Minister for the absolute-assignment of the Licence Rights in favour of TMSB and to the form and content of the deed of assignment to be executed between RSB and TMSB for such assignment of the Licence Rights; and (ii) the endorsement of the Director of Forests of a revised tree planting plan to the tree planting plan that has been approved by the Director of Forests;
- (4) TMSB being satisfied with the results of a financial and legal due diligence review on the Licence Rights, and all other matters relating to the Licence Rights deemed necessary by TMSB, in its sole and absolute discretion;
- (5) our Company settling all existing liabilities owing to trade creditors for the development of the Simunjan Estate;
- (6) our Company procuring a redemption statement cum letter of undertaking from Hong Leong addressed to the financier of TMSB on the redemption sum payable to settle the Simunjan Facilities; and
- (7) all other approvals, consents or permissions from any regulatory authority or third party required by RSB for the Proposed Disposal.

Please refer to Section 1 of Appendix I of this Circular for the other salient terms of the Simunjan Agreement.

### **2.3 Background information on TMSB**

TMSB was incorporated as a private limited company in Malaysia under the CA 1965 on 30 March 2011 and is registered under the CA 2016. As at the LPD, TMSB has an issued share capital of RM2 comprising 2 ordinary shares.

TMSB is presently dormant but intends to engage in cultivation of oil palm upon completion of the Proposed Disposal. TMSB is wholly-owned by Subur Tiasa and does not have any subsidiary or associated company. As at the LPD, the directors of TMSB are Dato' Tiong Ing and Ngu Ying Ping.

For information purposes, Subur Tiasa was incorporated as a private limited company in Malaysia under the CA 1965 on 26 April 1995 under the name of Subur Tiasa Holdings Sdn Bhd and is registered under the CA 2016. It was converted into a public company and assumed its present name on 13 April 1996. Subur Tiasa was listed on the Main Board of Kuala Lumpur Stock Exchange (now known as Main Market of Bursa Securities) in 1997. As at the LPD, Subur Tiasa has an issued share capital of RM209,000,000 comprising 209,000,000 ordinary shares. Subur Tiasa is involved in investment holding and the extraction and sale of logs. As at the LPD, the directors of Subur Tiasa are Tiong Kiong King, Poh Kee Eng, Tiong Ing Ming, Tiong Ing and Ngu Ying Ping.

### **2.4 Basis and justification for the Disposal Consideration**

The Disposal Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the Simunjan Estate as at 11 January 2017 of RM143.7 million, as ascribed by Henry Butcher Sarawak using the DCF Method.

Our Company had on 9 January 2017 appointed Henry Butcher Sarawak to conduct a valuation on the Simunjan Estate. Under the terms of the Licence Rights, the licence holder is allowed to undertake oil palm planting activities for 25 years expiring on 21 March 2029 (i.e. with a remaining period of 12¼ years).

As licence rights are generally not available for sale, there are no good comparables in the market that can be adopted and considered for purposes of the comparison method in valuing the LPF/0035. As such, in arriving at the market value of the Simunjan Estate, Henry Butcher Sarawak has adopted the DCF Method as the primary method and the comparison method as a guide.

The DCF Method is an income-based method of valuation which involves the following:

- (i) assessment of cash inflows from the annual gross sale income of FFB;
- (ii) assessment of cash outflows such as total production costs which are to be deducted from cash inflows to arrive at the net cash flow; and
- (iii) discounting the net cash flow with an appropriate rate of return after taking into consideration the risks involved to earn income, opportunity costs of capital and other factors.

Since the Simunjan Estate is a plantation licence which involves yearly cash inflows and outflows, the DCF Method is the most suitable valuation method because discounted cash flow valuation is based on cash inflows and outflows. Henry Butcher Sarawak opines that the value derived from the DCF Method reflects the fair market value of the Simunjan Estate. Please refer to Appendix III of this Circular for the valuation certificate on the Simunjan Estate which sets out the detailed basis and assumptions used in the valuation.

We are of the view that the Disposal Consideration is justifiable since our Company will be disposing the Simunjan Estate above the market value as ascribed by Henry Butcher Sarawak where the Disposal Consideration represents a premium of approximately 4.4% and the proceeds can be used to fully finance the Proposed Lundu Acquisition and Proposed SHSB Acquisition. We regard the premium to be reasonable after taking into consideration the remaining period of the plantation licence of 12¼ years for oil palm planting and furthermore upon expiry of the plantation licence, the Simunjan Estate are to be planted with trees other than oil palm which is not in line with the core business of our Company.

Key information relating to the Simunjan Estate is set out in Section 5 of Part A of this Circular.

The LPF/0035 requires the licence holder to plant trees in accordance with the tree planting plan which was submitted to the Director of Forests in year 2005. The original planting schedule was not achieved due to native disputes and shortage of operational resources which occurred from years 2006 to 2007. As such, one of the Conditions Precedent requires our Company to obtain an endorsement of the Director of Forests of the Revised TPP to regularise the existing tree planting plan.

Our Board has undertaken to ensure that the Revised TPP will be consistent with the basis and assumptions used in arriving at the market value as ascribed by Henry Butcher Sarawak. Our Company had on 13 March 2017 submitted an application to the Director of Forests to seek its endorsement for the Revised TPP. Upon endorsement of the Revised TPP by the Directors of Forests and after completion of the Proposed Disposal, Subur Tiasa (being the holding company of TMSB) will need to ensure compliance with the terms and conditions of the Revised TPP.

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## 2.5 Use of proceeds

The gross proceeds arising from the Proposed Disposal will be used in the following manner:

<u>Description of use of proceeds</u>	<b>Estimated timeframe for utilisation from receipt of proceeds</b>	<b>Amount</b> <b>(RM' million)</b>
Finance the Proposed Lundu Acquisition <sup>(a)</sup>	Within 6 months	33.7
Finance the Proposed SHSB Acquisition <sup>(a)</sup>	Within 6 months	17.0
Repayment of the Simunjan Facilities <sup>(b)</sup>	Within 6 months	58.0
Repayment of the Advance <sup>(c)</sup>	Within 12 months	23.0
Defray estimated expenses relating to the Proposals <sup>(d)</sup>	Within 12 months	13.0
Working capital of our Group <sup>(e)</sup>	Within 6 months	5.3
<b>Total</b>		<b>150.0</b>

### Notes:

- <sup>(a)</sup> In the event our Company is unable to complete the Proposed Lundu Acquisition and the Proposed SHSB Acquisition, the proceeds will be used as working capital instead.
- <sup>(b)</sup> As at the LPD, the total borrowings of our Group are approximately RM590.0 million. We intend to fully repay the Simunjan Facilities, the outstanding principal amount of which as at 31 May 2017 is RM55.0 million. The repayment would result in interest savings of approximately RM3.0 million (calculated based on the weighted average interest rate of our Group's banking facilities of 5.0% per annum).
- <sup>(c)</sup> Our Company is required under the SSA to repay the Advance of RM23.0 million to TTSS on behalf of SHSB within a period of 12 months after the fulfilment of the conditions precedent under the SSA. In the event our Company is unable to complete the Proposed SHSB Acquisition, the proceeds will be used as working capital instead.
- <sup>(d)</sup> The details of the estimated expenses relating to the Proposals are as follows:

<u>Description</u>	<b>Amount</b> <b>(RM million)</b>
Corporate tax <sup>(1)</sup>	5.5
Stamp duty	2.6
RPGT	3.0
Professional fees	1.0
Legal documentation, printing cost, advertisement cost, cost of convening the forthcoming EGM including meals and refreshments, travelling and accommodation expenses	0.8
Regulatory fees	0.1
<b>Total</b>	<b>13.0</b>

### Note:

- <sup>(1)</sup> Being the estimated income tax charge arising from the clawback of the agricultural allowances claimed on the Simunjan Estate pursuant to the Income Tax Act, 1967.

Any variation to the amount of estimated expenses relating to the Proposals will result in an adjustment from/to the portion being earmarked for working capital accordingly.

- <sup>(e)</sup> Working capital of our Group includes, but is not limited to, payment of trade creditors and the day-to-day operating expenses of our Group.

## 2.6 Liabilities to be assumed by TMSB

There are no liabilities, including contingent liabilities and guarantees, to be assumed by TMSB pursuant to the Proposed Disposal.

## 2.7 Original cost and dates of investment by our Company

The original cost and dates of investment by our Company for the Licence Rights as well as the development costs incurred for the Simunjan Estate are as follows:

<u>Date of investment</u>	<u>Amount</u>
	<b>(RM'000)</b>
15 September 2010	<sup>(a)</sup> 46,112
1 October 2010 up to the LPD	<sup>(a)</sup> 128,373
	<b>174,485</b>

**Note:**

<sup>(a)</sup> Inclusive of the costs relating to furniture, fittings and equipment for the staff quarters, administrative office, fertilizer store and surau located at the Simunjan Estate.

## 3. DETAILS OF THE PROPOSED LUNDU ACQUISITION

### 3.1 Background information on the Proposed Lundu Acquisition

The Proposed Lundu Acquisition entails the acquisition of the Lundu Land measuring approximately 67.5 ha together with the Lundu Oil Mill (including workers' quarters) and the Plantation Assets for a total cash consideration of RM33.7 million.

The Lundu Properties will be acquired by RSB Lundu free from all claims, charges, liens, encumbrances and equities and in the case of Lundu Land, subject to all conditions and restrictions, expressed or implied in the document of title to the Lundu Land upon its issuance.

The Proposed Lundu Acquisition is subject to the terms and conditions of the Lundu Acquisition SPA.

### 3.2 Key salient terms of the Lundu Acquisition SPA

(a) Purchase Consideration of Lundu

- (1) The Purchase Consideration of Lundu shall be paid by RSB Lundu to R H Lundu by way of cash or such other manner as mutually to be agreed upon, in the following manner:
  - (i) RM3.37 million, representing 10% of the Purchase Consideration of Lundu ("**Lundu Deposit**"), as refundable deposit, within 7 business days after the execution of the Lundu Acquisition SPA; and
  - (ii) RM30.33 million, representing 90% of the Purchase Consideration of Lundu, within 3 days upon registration of the transfer of the Lundu Land to RSB Lundu being accepted by the Kuching land registry office.
- (2) RSB Lundu shall retain RM0.15 million, representing 3% of the Purchase Consideration of Lundu, to pay to the IRB for contingent RPTG arising from the disposal of the Lundu Land by R H Lundu. Such payment to IRB shall be deemed to be payment towards the Purchase Consideration of Lundu by RSB Lundu to R H Lundu.
- (3) The Purchase Consideration of Lundu is exclusive of GST and RSB Lundu shall be responsible for paying GST, if applicable, at such time and in such manner and mode required of RSB Lundu, in accordance with the Goods and Services Tax Act 2014.

(b) Conditions precedent

The Lundu Acquisition SPA is subject to the following conditions being fulfilled:

- (1) the completion of a legal due diligence review to be conducted on, among others, the Lundu Land, the Lundu Oil Mill and the Plantation Assets to the satisfaction of RSB Lundu;
- (2) the completion of the subdivision of the Parent Lot 248 culminating in the issuance of a separate document of title to the Lundu Land with a term of lease of 60 years from the date of registration of the provisional lease of the Parent Lot 248 by the Land and Survey Kuching Division;
- (3) the Director of Land and Survey Kuching Division's consent for the transfer of the Lundu Land to RSB Lundu;
- (4) the Superintendent of Land and Survey' consent in writing for the transfer of the Lundu Land to RSB Lundu in accordance with Section 31 of the Sarawak Land Code;
- (5) the completion of the Proposed Disposal;
- (6) the approvals of the Board of Directors and the shareholders of R H Lundu for the disposal of the Lundu Land, the Lundu Oil Mill and the Plantation Assets;
- (7) the approval of the Board of Directors of RSB Lundu for the Proposed Lundu Acquisition;
- (8) the approval of our shareholders at the forthcoming EGM for the Proposed Lundu Acquisition; and
- (9) all such other approvals, consents or authorisations from the relevant authorities or parties.

The above conditions precedent shall be fulfilled within 12 months from the date of the Lundu Acquisition SPA or such other extended period as the parties may mutually agree upon in writing.

Please refer to Section 2 of Appendix I of this Circular for the other salient terms of the Lundu Acquisition SPA.

### 3.3 Background information on R H Lundu

R H Lundu was incorporated as a private limited company in Malaysia under the CA 1965 on 14 July 1988 under the name of Kamasda Sdn Bhd and is registered under the CA 2016. It assumed its present name on 15 May 2001. As at the LPD, R H Lundu has an issued share capital of RM6,100,000 comprising 6,100,000 ordinary shares.

R H Lundu is principally engaged in the business of operation of a palm oil mill, sales of palm oil products and cultivation of oil palm.

As at the LPD, the directors of R H Lundu are Tan Sri Tiong and Tiong Choon and the substantial shareholders of R H Lundu are as follows:

	Direct		Indirect	
	No. of shares	%	No. of shares	%
TSL	1,820,000	29.84	1,650,000	<sup>(a)</sup> 27.05
TTSE	1,650,000	27.05	-	-
TTSH	1,400,000	22.95	-	-
Tan Sri Tiong	160,000	2.60	5,220,000	<sup>(b)</sup> 85.58

**Notes:**

(a) Deemed interested by virtue of its interests in TTSE pursuant to Section 8 of the CA 2016.

(b) Deemed interested by virtue of his interests in TSL, TTSE and TTSH pursuant to Section 8 of the CA 2016 and the interest of his spouse and children in R H Lundu pursuant to Section 59(11)(c) of the CA 2016.

### 3.4 Basis and justification for the Purchase Consideration of Lundu

The Purchase Consideration of Lundu was arrived at on a willing-buyer willing-seller basis after taking into consideration the following:

- (i) market value of the Lundu Oil Mill and the Plantation Assets as at 11 January 2017 of RM28.7 million, as ascribed by Henry Butcher Malaysia using the depreciated replacement cost method; and
- (ii) market value of the Lundu Land and the workers' quarters as at 11 January 2017 of RM5.0 million, as ascribed by Henry Butcher Sarawak using the comparison method and the depreciated replacement cost method, respectively.

Our Company had on 25 November 2016 appointed Henry Butcher Malaysia and Henry Butcher Sarawak to conduct a valuation on the Lundu Properties. The description and basis/justification for each of the valuation methods adopted by the valuers are as follows:

<b>Subject property</b>	<b>Method of valuation adopted and basis for adoption</b>
Lundu Oil Mill and the Plantation Assets	The depreciated replacement cost method takes into consideration the remaining economic life of the Lundu Oil Mill and the Plantation Assets, current replacement prices of these assets including major upgrades/additions, current state of the technology and observed physical condition of the Lundu Oil Mill and the Plantation Assets. Accordingly, Henry Butcher Malaysia opines that the value derived from the depreciated replacement cost method reflects the fair market value of the Lundu Oil Mill and the Plantation Assets and there are also no direct sale comparable of palm oil mill complexes of similar capacity or age to provide exact indication of value. As such, Henry Butcher Malaysia only adopted 1 method of valuation in valuing the Lundu Oil Mill and the Plantation Assets.
Lundu Land	The comparison method is a market approach of comparing the Lundu Land with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing the properties, due consideration is given to factors such as location, size, building differences, time element and other relevant factors to arrive at the market value of the Lundu Land. Accordingly, Henry Butcher Sarawak opines that the value derived from the comparison method reflects the fair market value of Lundu Land, and there is also no direct comparable of sale involving palm oil mill complexes or land for palm oil mill complexes to provide exact indication of values. As such, Henry Butcher Sarawak only adopted 1 method of valuation in valuing the Lundu Land.
Workers' quarters	The depreciated replacement cost method involves the derivation of value of the workers' quarters, and other improvements derived from prevailing costs of the workers' quarters, but no more than the cost of the modern logical replacements, less an appropriate adjustment for depreciation or obsolescence to reflect the existing condition of the workers' quarters at the date of valuation. Accordingly, Henry Butcher Sarawak opines that the value derived from the depreciated replacement cost reflects the fair market value of the workers' quarters, and there is also no direct comparable of the sale involving palm oil mill complexes or workers' quarters to provide exact indication of values. As such, Henry Butcher Sarawak only adopted 1 method of valuation in valuing the workers' quarters.



Please refer to Appendix IV of this Circular for the valuation certificate on the Lundu Properties which sets out the detailed basis and assumptions used in the valuation.

We are of the view that the Purchase Consideration of Lundu is justifiable because it reflects the market value of the Lundu Properties as ascribed by the respective valuers which is deemed to be a fair value transacted on arm's length basis.

Key information relating to the Lundu Properties is set out in Section 5 of Part A of this Circular.

### **3.5 Source of funding**

The Purchase Consideration of Lundu will be satisfied entirely in cash via proceeds from the Proposed Disposal.

### **3.6 Liabilities to be assumed**

There are no liabilities, including contingent liabilities and guarantees, to be assumed by our Company and RSB Lundu pursuant to the Proposed Lundu Acquisition.

### **3.7 Additional financial commitment**

There is no additional financial commitment by our Company and RSB Lundu in putting the Lundu Oil Mill on-stream as the Lundu Oil Mill is already in operations.

### **3.8 Original cost and date of investment**

R H Lundu's original cost of investment to construct the Lundu Oil Mill was RM36.0 million. The Lundu Oil Mill was commissioned into operation in March 2006. R H Lundu's original cost of investment for the Parent Lot 248, which was acquired on 30 January 2004, was RM2.7 million.

## **4. DETAILS OF THE PROPOSED SHSB ACQUISITION**

### **4.1 Background information on the Proposed SHSB Acquisition**

The Proposed SHSB Acquisition entails the acquisition of 100,000 SHSB Shares, representing the entire equity interest in SHSB, from the SHSB Vendors for a total cash consideration of RM17.0 million subject to adjustments as provided under the SSA.

The SHSB Shares shall be acquired by RSB free from all claims, charges, liens, security interests and encumbrances.

Upon completion of the Proposed SHSB Acquisition, SHSB will be a wholly-owned subsidiary of our Company.

The Proposed SHSB Acquisition is subject to the terms and conditions of the SSA.

### **4.2 Key salient terms of the SSA**

#### **(a) Purchase Consideration of SHSB**

- (1) The Purchase Consideration of SHSB shall be paid in cash in the following manner:
  - (i) RM1.7 million, as the refundable deposit, within 7 business days from the date of the SSA ("**SSA Deposit**"); and
  - (ii) RM15.3 million ("**Balance Purchase Consideration**"), subject to Adjustments (as defined below), on the completion date (i.e. being the date to be agreed between our Company and the SHSB Vendors or, in the absence of such date, the last day of the period of 60 days from the date where last Condition (as defined below) is met or such later date as mutually agreed by the parties).

- (2) Our Company's solicitors shall pay a sum equivalent to 3% of the Purchase Consideration of SHSB, on behalf of the SHSB Vendors, to the Director General of the IRB within 60 days from the date of the SSA. This amount shall form part of the SSA Deposit.
- (3) If the NA of SHSB as per the audited financial statements of SHSB for the FYE 31 August 2016 ("**2016 Audited Account**") is lower than the NA as per the unaudited financial statements of SHSB for the FYE 31 August 2016 by more than RM100,000 ("**NA Shortfall**"), the Purchase Consideration of SHSB shall be reduced by such amount equivalent to the NA Shortfall ("**Adjustments**").
- (4) No adjustment will be made to the Purchase Consideration of SHSB if the NA Shortfall is RM100,000 or less. The NA Shortfall shall be deducted from the Balance Purchase Consideration accordingly.
- (5) If any adjustments to the market value on the land owned by SHSB as ascribed by the registered valuer results in the final market value being lower than the initial market value obtained by our Company prior to the date of the SSA by more than 5% ("**MV Shortfall**"), the Purchase Consideration of SHSB shall be reduced by such amount equivalent to the MV Shortfall.
- (6) No adjustment will be made to the Purchase Consideration of SHSB if the MV Shortfall is within a variance of 5% of the initial market value. The MV Shortfall shall be paid together with the payment of the Balance Purchase Consideration or be deducted therefrom accordingly.

For avoidance of doubt, as the Purchase Consideration of SHSB takes into consideration the NA of SHSB for the FYE 31 August 2016, the Adjustments has been provided for in the SSA given that the 2016 Audited Account was not available at the time of execution of the SSA. Based on the 2016 Audited Account, the NA shortfall is less than RM100,000, therefore no adjustment will be made to the Purchase Consideration of SHSB.

(b) **Conditions**

The SSA is subject to the following conditions ("**Conditions**") being met by the last day of the period of 6 months from the date of the SSA, with an extension of a further 6 months if any of the Conditions is not fulfilled by the expiry of the first 6 months:

- (1) the resolutions of our directors and shareholders, and the SHSB Vendors approving the SSA;
- (2) our Company being satisfied with the results of due diligence reviews on SHSB;
- (3) all other approvals, consents or authorisations and matters contemplated by the SSA being obtained;
- (4) upon the completion of the Proposed Disposal; and
- (5) upon receipt of the 2016 Audited Account.

Please refer to Section 3 of Appendix I of this Circular for the other salient terms of the SSA.

### **4.3 Background information on SHSB**

SHSB was incorporated as a private limited company in Malaysia under the CA 1965 on 23 July 2007 and is registered under the CA 2016.

As at the LPD, SHSB has an issued share capital of RM100,000 comprising 100,000 SHSB Shares. As at the LPD, the directors of SHSB are Tan Sri Tiong, Tiong Chiong Ong and Tiong Choon, and the shareholders of SHSB are as follows:

<b>Shareholders</b>	<b>No. of SHSB Shares</b>	<b>%</b>
PAA	49,500	49.5
TSL	49,500	49.5
Tan Sri Tiong	1,000	1.0
	<b>100,000</b>	<b>100.0</b>

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

SHSB is principally engaged in the cultivation of oil palm. SHSB is the registered owner of the Sasat Estate.

A summary of the audited financial information of SHSB for the past 3 FYEs 31 August 2014 to 2016 is set out in Appendix II of this Circular.

#### **4.4 Background information on the SHSB Vendors**

##### **4.3.1 Background information on PAA**

PAA was incorporated as a private limited company in Malaysia under the CA 1965 on 29 January 1981 under the name of Sebandi Sdn Bhd and is registered under the CA 2016. It assumed its present name on 25 January 2006. As at the LPD, PAA has an issued share capital of RM10,000 comprising 10,000 ordinary shares.

PAA is principally engaged in investment holding.

As at the LPD, the directors of PAA are Tan Sri Tiong, Dato' Tiong Ing and Tiong Choon. Tan Sri Tiong owns 99% of the equity interest in PAA.

##### **4.3.2 Background information on TSL**

TSL was incorporated as a private limited company in Malaysia under the CA 1965 on 2 May 1980 under the name of Teck Sing Lick Enterprise Sdn Bhd and is registered under the CA 2016. It assumed its present name on 4 July 1983. As at the LPD, TSL has an issued share capital of RM5,000,000 comprising 5,000,000 ordinary shares.

TSL is principally engaged in investment holding and cultivation of oil palm.

As at the LPD, the directors of TSL are Tan Sri Tiong, Tiong Chiong Ong and Tiong Choon. Tan Sri Tiong owns 84% of the equity interest in TSL.

#### **4.5 Basis and justification for the Purchase Consideration of SHSB**

The Purchase Consideration of SHSB was arrived at on a willing-buyer willing-seller basis after taking into consideration the adjusted audited NA of SHSB which was arrived at as follows:

	<b>Amount</b>
	<b>(RM)</b>
Audited net liabilities as at 31 August 2016	(71,684.0)
Add : Net revaluation surplus	(a) 17,787,835.0
<b>Adjusted audited NA</b>	<b>17,716,151.0</b>

**Note:**

- (a) *The net revaluation surplus is calculated based on the market value of the Sastat Estate as at 1 January 2017 of RM40.0 million as ascribed by Henry Butcher Miri using the DCF Method less the audited NBV of the Sastat Estate, including its property, plant and equipment as at 31 August 2016 of RM22.2 million.*

Our Company had on 5 December 2016 appointed Henry Butcher Miri to conduct a valuation on the Sastat Estate. In arriving at the market value of the Sastat Estate, Henry Butcher Miri has adopted the DCF Method as the primary method and the comparison method as a guide. Similar to the Simunjan Estate, it has an on-going nature of an operational estate. As the DCF method requires costing figures which are available and fairly reliable, and consideration can be given to criteria which are unique to each estate to derive its market value, which is more actual, realistic and certain. Henry Butcher Miri opines that the value derived from the DCF Method reflects the fair market value of the Sastat Estate. Please refer to Appendix V of this Circular for the valuation certificate on the Sastat Estate which sets out the detailed basis and assumptions used in the valuation.

We are of the view that the Purchase Consideration of SHSB is justifiable since our Company will be acquiring SHSB below the value of its NA (after accounting for the valuation of the Sastat Estate as ascribed by Henry Butcher Miri) where the Purchase Consideration of SHSB represents a discount of 4.1% to the adjusted audited NA of SHSB as at 31 August 2016 of RM17.72 million as well as after taking into consideration the rationale and benefits of the Proposed SHSB Acquisition as set out in Section 6 of Part A of this Circular.

Key information relating to the Sastat Estate is set out in Section 5 of Part A of this Circular.

**4.6 Source of funding**

The Purchase Consideration of SHSB will be satisfied entirely in cash via proceeds from the Proposed Disposal.

**4.7 Liabilities to be assumed**

There are no liabilities, including contingent liabilities and guarantees, to be assumed by our Company pursuant to the Proposed SHSB Acquisition.

Save for the Advance which stood at RM22,960,586 as at the LPD, the existing liabilities of SHSB will be settled by SHSB in its ordinary course of business. Pursuant to the terms of the SSA, our Company undertakes to fully repay the Advance on behalf of SHSB within 12 months after the fulfilment of all conditions precedent of the SSA.

In the event the Advance is not repaid in full by our Company within 12 months after the fulfilment of all conditions pursuant to the SSA, our Company and the SHSB Vendors will negotiate in good faith to extend the period of repayment further, failing which, the failure to repay will amount to a breach of the SSA by our Company entitling the SHSB Vendors to take legal action against our Company to recover such sums from our Company.

**4.8 Additional financial commitment**

Based on the Sastat Estate Valuation Report, the Sastat Estate comprises planted and plantable areas of 1,013.79 ha and 69.39.00 ha respectively. It is expected that there will be additional financial commitment in the form of plantation development expenditure. However, the actual quantum to be incurred by our Company for the continuing development and planting programme of the Sastat Estate after the completion of the Proposed SHSB Acquisition cannot be ascertained at this juncture.

For illustrative purposes only, the estimated additional financial commitment by our Company to carry out the continuing development and the planting programme of the Sastat Estate is as follows:

	<u>Amount</u>
	(RM)
<b>Existing immature plantation</b>	
- Upkeep and maintenance	770,000
- Graveling, culverts & infrastructure	2,000,000
<b>New planting</b>	
- Initial development cost	1,040,000
- Upkeep and maintenance	700,000
<b>Total</b>	<u><u>4,510,000</u></u>

**The above is not to be taken as the definite amount of expenditure to be incurred or the obligation of our Company for the continuing development and planting programme of the Sastat Estate.**

Save for the above, there is no additional financial commitment by our Company in putting the assets/businesses of SHSB on-stream as SHSB's business is already on-going.

#### 4.9 Original cost and date of investment

The original cost and date of investment by the SHSB Vendors in SHSB are as follows:

<u>Vendor</u>	<u>Date of investment</u>	<u>No. of SHSB Shares</u>	<sup>(a)</sup> <u>Amount</u>
			(RM)
PAA	21 January 2009	49,500	4,797,338
TSL	21 January 2009	49,500	4,797,341
Tan Sri Tiong	21 January 2009	1,000	96,917
		<u>100,000</u>	<u>9,691,596</u>

**Note:**

<sup>(a)</sup> The cost includes stamp duty paid by the respective SHSB Vendors.

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## 5. SUMMARY OF KEY INFORMATION ON THE SIMUNJAN ESTATE, THE LUNDU PROPERTIES AND THE SASSTAT ESTATE

### 5.1 Key information

	Simunjan Estate	Lundu Properties	Sasstat Estate
<b>Location / Description / Existing and future use</b>	<p>Simunjan Estate is currently an oil palm plantation located within the Samarahan division while the northeast corner spreads into the Sri Aman division in Sarawak. It is situated about 12 km to the southeast of Simunjan town.</p>	<p>The location of the Lundu Land is commonly known as Jalan Bau/Lundu, which is about 15-20 km to the South-West of Lundu Bazaar.</p> <p>The Lundu Land currently forms part of the Parent Lot 248. To facilitate the Proposed Lundu Acquisition, R H Lundu has on 15 March 2017 applied for the subdivision of the Parent Lot 248 and the issuance of a separate document of title to the Lundu Land with a term of lease of 60 years from the date of registration of the provisional lease of the Parent Lot 248 by the Land and Survey, Kuching Division.</p>	<p>Sasstat Estate is an oil palm plantation located along Batang Baram, near to Marudi. The western boundary largely follows the eastern bank of Batang Baram situated at Batang Baram, Baram, Miri Division, Sarawak.</p>
<b>Title / Lot no.</b>	Not applicable	Part of Lot No. 248, Block 4, Stungkor Land District in the Kuching Division, Sarawak	Lot No. 205, Teraja Land District in the Miri Division, Sarawak
<b>Licence tenure / Title tenure / Provisional lease tenure</b>	<p>The Sarawak Forest Department has issued LPF/0035 based on the Forests (Planted Forests) Rules, 1997</p> <p><b><u>Tenure of LPF/0035</u></b></p> <ul style="list-style-type: none"> <li>Forest planting for 60 years, expiring on 21 March 2064 with a remaining period of 47 years</li> </ul>	<p>The Lundu Land currently forms part of the Parent Lot 248. Based on the terms of the provisional lease of the Parent Lot 248 and its term lease of 60 years commencing on 30 January 2004 and expiring on 29 January 2064, the term of the lease of the Lundu Land upon issuance of a separate document of title shall also reflect a similar term of lease of 60 years from the date of registration of the provisional lease of the Parent Lot 248 by the Land and Survey Kuching Division</p>	<p>Provisional lease of state land of 60 years from 6 August 2008 and expiring on 5 August 2068</p>

<b>Licence tenure / Title tenure / Provisional lease tenure (cont'd)</b>	<ul style="list-style-type: none"> <li>Oil palm planting for 25 years, expiring on 21 March 2029 with a remaining period of 12¼ years</li> </ul> <p>Upon the expiry of the licensed period for oil palm planting, Simunjan Estate shall be planted with trees other than oil palm</p>		
<b>Registered licensee / proprietor</b>	<ul style="list-style-type: none"> <li>Rejang Height is the licensee as per LPF/0035(a)</li> <li>Our Company is the assignee as per deed of assignment dated 30 December 2009(a)</li> </ul>	R H Lundu	SHSB
<b>Licence area / Title area</b>	15,017.0 ha	Approximately 67.5 ha (subject to the subdivision and the issuance of a separate document of title to the Lundu Land)	1,504.0 ha
<b>Planted area</b>	5,775.44 ha	Not applicable	1,013.79 ha
<b>Age of oil palm / oil mill (years)</b>	2 - 9	Approximately 10	1 - 5
<b>Audited NBV</b>	RM147,277,450 (as at 31 December 2016)	RM13,239,046 (as at 31 July 2016)	RM22,212,165 (as at 31 August 2016)
<b>Encumbrances</b>	Specific debenture charged in favour of Hong Leong for the Simunjan Facilities	None	None
<b>Independent valuer</b>	Henry Butcher Sarawak	<ul style="list-style-type: none"> <li>Henry Butcher Malaysia, for the Lundu Oil Mill and the Plantation Assets</li> <li>Henry Butcher Sarawak, for the Lundu Land and the workers' quarters</li> </ul>	Henry Butcher Miri

	Simunjan Estate	Lundu Properties	Sastat Estate
<b>Date of valuation</b>	11 January 2017	11 January 2017	1 January 2017
<b>Method of valuation</b>	<ul style="list-style-type: none"> <li>• DCF Method as primary method</li> <li>• Comparison method as a guide</li> </ul>	<ul style="list-style-type: none"> <li>• Depreciated replacement cost method only for the Lundu Oil Mill and the Plantation Assets</li> <li>• Comparison method only for the Lundu Land</li> <li>• Depreciated replacement cost method only for the workers' quarters</li> </ul>	<ul style="list-style-type: none"> <li>• DCF Method as primary method</li> <li>• Comparison method as a guide</li> </ul>
<b>Market value</b>	RM143.7 million (as at 11 January 2017)	<ul style="list-style-type: none"> <li>• RM28.7 million, for the Lundu Oil Mill and the Plantation Assets (as at 11 January 2017)</li> <li>• RM5.0 million, for the Lundu Land and the workers' quarters (as at 11 January 2017)</li> </ul>	RM40.0 million (as at 1 January 2017)

**Note:**

(a) On 22 March 2004, the Sarawak Forest Department had granted the LPF/0035 to Rejang Height, a company related to Tan Sri Tiong. On 23 December 2009, Rejang Height had obtained the consent from the Minister and/or Director of Forests to absolutely assign the Licence Rights to RSB. RSB subsequently entered into a deed of assignment with Rejang Height on 30 December 2009 for the absolute assignment of the Licence Rights.

Save as disclosed in Section 5 of Appendix VII of this Circular, there is no other pending or threatened material litigation, claims or arbitration involving the Simunjan Estate and the Lundu Properties ("Estates"), which has or would have a material and adverse effect on the Estates and to the best of the knowledge and belief of the management of the respective Estates, they are not aware of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially and adversely affect the Estates.



## 5.2 Age profile and FFB production of the Simunjan Estate and the Sastat Estate

### 5.2.1 Age profile

	(a) Simunjan Estate	(a) Sastat Estate
	(ha)	(ha)
Immature (below 4 years old)	111.89	192.33
Young (4-10 years old)	5,663.55	(b) 821.46
<b>Planted area</b>	<b>5,775.44</b>	<b>1,013.79</b>
Plantable but not planted area	5,370.39	69.39
Unplantable area	(c) 3,871.17	420.82
<b>Total land area</b>	<b>15,017.00</b>	<b>1,504.00</b>

**Notes:**

(a) Based on the respective valuation reports.

(b) All oil palms are 4 - 5 years old.

(c) Includes building, road & reserve and nursery amounting to 181.09 ha.

### 5.2.2 FFB production

Year	Simunjan Estate		
	2014	2015	2016
Mature area (ha)	2,067.67	3,221.17	4,791.36
FFB production (MT)	26,961.74	30,187.54	31,511.40
Yield (MT/ha)	13.04	9.37	6.58
Year	Sastat Estate		
	2014	2015	2016
Mature area (ha)	-	-	652.50
FFB production (MT)	-	346.00	1,854.00
Yield (MT/ha)	-	-	2.84

### 5.3 Extraction rates and production of Lundu Oil Mill

Year	2014	2015	2016
OER (%)	19.71	19.43	19.75
Kernel extraction rate (%)	4.20	3.96	4.29
CPO production (MT)	47,966.74	49,248.98	43,640.25
PK production (MT)	10,172.00	10,041.06	9,481.79

### 5.4 Net profit / (loss) attributable to the Simunjan Estate, the Lundu Oil Mill and the Sastat Estate

	Audited			
	2013	2014	2015	2016
	(RM)	(RM)	(RM)	(RM)
Simunjan Estate	(2,184,880)	1,005,811	(228,918)	(a) (11,415,106)
Lundu Oil Mill	558,601	4,658,771	4,275,541	6,358,326
Sastat Estate	(3,475)	(3,220)	6,517	(120,355)

**Note:**

<sup>(a)</sup> Including impairment loss of RM11.7 million on its biological assets, property, plant and equipment, and intangible asset based on the Simunjan Estate Valuation Report.

## 6. RATIONALE AND BENEFITS OF THE PROPOSALS

The Proposals are in line with our Company's long term strategy to focus on cultivation of oil palm and palm oil milling.

Under the terms of LPF/0035, the licence holder is allowed to undertake oil palm planting activities for a maximum period of 25 years such that upon expiry, the Simunjan Estate shall be planted with trees other than oil palm. In other words, there is no certainty that an extension will be granted by the Director of Forests for planting of oil palm after the said expiry. Since our Group's core business is in the cultivation of oil palm and it does not have any intention to diversify into other businesses (such as timber extraction and reforestation operations) in the medium-to-long term, our Company decided to dispose the Licence Rights which allows us to raise funds to fully finance the Proposed Lundu Acquisition and Proposed SHSB Acquisition. The proceeds from the Proposed Disposal will also be used to fully repay the Simunjan Facilities to reduce the total borrowings and gearing of our Group.

Presently, the FFB harvested from 2 estates owned by our Group, namely the Biawak estate and Lundu estate, as well as the other estates owned by companies related to Tan Sri Tiong ("**Other Estates**"), are sent for processing at the Lundu Oil Mill. The Proposed Lundu Acquisition will allow our Group to have direct management control over the Lundu Oil Mill's operations. As the oil palm from the Other Estates mature over the next few years, there will be additional supply of FFB for the Lundu Oil Mill.

The Proposed Lundu Acquisition will also reduce the number and quantum of recurrent related party transactions with R H Lundu when seeking annual shareholders' approval.

As at 31 May 2017, our Group's oil palm planted area stood at approximately 55,250 ha, representing 60.8% of our Group's total land bank of 90,940 ha. The Sastat Estate has a young crop profile with a weighted average age of less than 5 years. Also, the provisional lease over the Sastat Estate will only expire in 5 August 2068, thus leaving a remaining period of about 51 years, which allows SHSB the opportunity to replant its oil palm trees and thus ensure continuity of income. Hence, the acquisition of the Sastat Estate via SHSB is also expected to provide steady revenue and earnings to our Group in the medium to long term.

The Sastat Estate is also contiguous with our Group's existing estates, namely the Woodijaya estate and Lumiera estate. As such, it is expected that there would be operational synergy, reduced average operational cost, higher productivity and enhanced management of these estates in the future.

## 7. INDUSTRY OUTLOOK, PROSPECTS AND FUTURE PLANS FOR THE LUNDU OIL MILL AND SHSB

### 7.1 Overview and outlook on the Malaysian economy

The Malaysian economy recorded a higher growth of 5.6% in the 1<sup>st</sup> quarter of 2017 (4Q 2016: 4.5%). Private sector activity was higher and remained as the main driver of growth. Growth was further lifted by higher exports, as increased demand for manufactured products led to a strong growth in real exports (9.8%; 4Q 2016: 2.2%). Real imports also increased at a faster rate of 12.9% (4Q 2016: 1.6%) on account of higher growth of capital and intermediate goods. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.8% (4Q 2016: 1.3%).

Domestic demand growth increased to 7.7% in the 1<sup>st</sup> quarter of the year (4Q 2016: 3.2%), supported by continued expansion in private sector expenditure (8.2%; 4Q 2016: 5.9%) and the turnaround in public sector expenditure. Private consumption grew by 6.6% (4Q 2016: 6.1%). Household spending remained supported by continued expansion in employment and wage growth. The implementation of selected government measures, including the higher amount of Bantuan Rakyat 1Malaysia cash transfers, also provided additional impetus to household spending. Public consumption recorded a stronger growth of 7.5% (4Q 2016: -4.2%) attributed to higher spending on both emoluments and supplies and services. Private investment grew at a robust pace of 12.9% (4Q 2016: 4.9%), following continued capital spending in the services and manufacturing sectors. Investments in machinery and equipment were higher during the quarter, supported by the implementation of several large-scale projects in the manufacturing sector.

Business sentiments improved during the quarter amid the better international economic environment and more stable financial markets. Public investment registered a higher growth of 3.2% (4Q 2016: -0.4%), driven mainly by higher spending on fixed assets by public corporations.

On the supply side, most economic sectors expanded at a faster pace. The improvement in the overall growth was contributed primarily by the turnaround in the agriculture sector and higher growth in the manufacturing and services sectors. Growth in the agriculture sector rebounded as crude palm oil yields recovered from the negative impact of El Niño. The performance of the sector was also supported by a double-digit expansion in rubber production.

The ringgit and most regional currencies appreciated against the US dollar during the quarter amid the broad weakening of the US dollar. Despite reaching the highest level in 14 years in early January 2017, the US dollar index went on a downward trend during the quarter. The weaker US dollar sentiments were driven mainly by market uncertainties on the direction and implication of policies in the US. Regional currencies were also supported by renewed investor interest in financial assets of regional countries following the US Federal Reserve's decision to maintain the path of interest rate normalisation in March 2017. In addition, the ringgit showed more stability during the quarter, compared to the previous quarter, following the measures announced by the Financial Market Committee of Bank Negara Malaysia in December 2016.

*(Source: Economic and financial developments in Malaysia in the 1<sup>st</sup> quarter of 2017, Bank Negara Malaysia)*

## **7.2 Outlook of the palm oil industry**

Growth in the agriculture sector is envisaged to turnaround to 1.5% in 2017 (2016: -3.3%) The projection is on account of improvement in the output of oil palm and rubber as well as a strong growth in the food commodity subsector. Production of CPO is envisaged to rebound 5.6% to 19 million MT following better yields and expansion in matured areas (2016: -9.8%; 18 million MT).

*(Source: Chapter 3: Economic Performance and Prospects, Economic Report 2016/2017, Ministry of Finance Malaysia)*

Malaysian palm oil performance in the 1<sup>st</sup> quarter of 2017 was weaker over the previous quarter. The main performance indicators, i.e. production and exports recorded a slower performance as compared to that of the 4<sup>th</sup> quarter of 2016. Malaysian palm products total production and exports declined by 14.59% and 15.07% respectively.

Among the palm products, the largest decline in production were crude PK oil by 16.36% and followed by CPO by 15.43%, PK cake by 15.00% and PK by 9.91%, quarter-on-quarter basis.

On the export side, export of finished products, biodiesel, PK cake, PK oil and palm oil declined by 80.88%, 57.14%, 21.31%, 16.67% and 10.29% respectively. However, exports of oleochemicals improved by 9.84% against that in the 4<sup>th</sup> quarter of 2016.

Malaysian palm oil imports showed increment in total imports volume by 50.00% from 0.18 million MT in the 4<sup>th</sup> quarter of 2016 to 0.27 million MT in the 1<sup>st</sup> quarter of 2017. In spite of the increase in imports, the closing stocks of Malaysian palm products declined by 1.77% or 0.04 million MT, wherein the closing stocks of palm oil decreased by 6.59% quarter-on-quarter. The closing stocks of other products such as PK cake, PK and PK oil, however, have increased in volume by 20.83%, 8.33% and 4.35% respectively.

*(Source: Quarterly Report On Oil & Fats Issue 1, 2017, Malaysia Palm Oil Board)*

The agriculture sector is projected to expand by 3.5% per annum. Emphasis will be on increasing productivity through the modernisation of the sector, supported by greater innovation and research and development. The oil palm subsector is expected to expand by 2.8% per annum with an increasing number of matured plantations, particularly in Sabah and Sarawak.

*(Source: Eleventh Malaysia Plan 2016-2020, Economic Planning Unit)*

### **7.3 Prospects and future plans of the Lundu Oil Mill**

The Lundu Oil Mill is already in operations, with around 45% of its capacity being fulfilled by our Group's existing estates, namely Biawak estate and Lundu estate, and the Other Estates. Presently, the FFB from the said estates are sold to the Lundu Oil Mill as well as the oil mills owned by other parties. After completion of the Proposed Lundu Acquisition, our Group will be able to channel more of its own FFB to Lundu Oil Mill.

For the time being, RSB intends to optimise production of the Lundu Oil Mill by replacing the older machineries at the mill to improve the consistency and reliability in the processes and as well to achieve higher production output and efficiency.

In addition, our Group aims to achieve a sustainable and friendly environment by recovering and converting some of the mill waste from the Lundu Oil Mill into commercial products, such as organic fertilizer in the form of bunch ash and empty fruit bunches for mulching purpose in our oil palm estates.

Premised on the above, the prospects of the Lundu Oil Mill are expected to be positive.

### **7.4 Prospects and future plans of SHSB**

Presently, SHSB is loss-making as the oil palm planted on the Sastat Estate are immature with a weighted average age of less than 5 years. However, as these immature oil palm mature, their yields will start to increase rapidly. The typical lifecycle of an oil palm runs from 25 to 30 years with peak yields recorded during their prime stages from 11 to 20 years. As such, the medium-to-long term prospects of the Sastat Estate is favourable as our Group will stand to benefit from revenue and profit contribution from SHSB in the long term as and when the planted oil palm mature for FFB production.

In addition, the Sastat Estate is near to 2 of our Company's existing estates, namely Woodijaya Estate and Lumiera Estate. As such, the facilities and resources can be shared amongst these estates, which will help reduce administration cost through economies of scale.

The Sastat Estate has a remaining plantable area of approximately 69.39 ha out of the remaining unplanted area of 490.0 ha. Our Company intends to improve its operating efficiency and profitability through greater use of new planting materials for the remaining 69.39 ha. The use of new planting materials is critical to the future growth of our Group. As our Group expands and grows its plantations, our Group aims to concurrently increase its FFB yields and CPO and PK production, as well as improve its oil quality, to enhance our Group's presence and sustainability in the industry. Our Company also intends to increase overall FFB production and OER through the implementation of higher standards of plantation management and agronomic practices.

Premised on the above, the prospects of SHSB are expected to be positive in the medium to long term.

## **8. RISK FACTORS IN RELATION TO THE PROPOSALS**

Save as disclosed below which are by no means exhaustive, our Board does not foresee any other additional risks arising from the Proposals given that our Group is already involved in oil palm plantation and oil milling businesses.

### **8.1 Business risks of oil palm cultivation**

Our Company already owns oil palm plantations. Hence, our Company is not expected to be exposed to new risks associated with the oil palm plantation industry from the Proposed SHSB Acquisition. However, the exposure of our Company to the inherent risks in the oil palm plantation industry will increase upon completion of the Proposed SHSB Acquisition. These include, but is not limited to, fluctuations in demand and commodity prices, outbreaks of oil palm diseases, damage of oil palm from pests, fire or other natural disasters, adverse climate conditions, changes in law and tax regulations affecting oil palm plantations and palm oil, increases in labour and other production costs, potential native customary right claims and changes in general economic, business and credit conditions. There is no assurance our Company will be able to successfully mitigate the various risks in the oil palm plantation industry. If our Company is unable to do so, the business and/or future financial performance of our Group will be adversely affected.

### **8.2 Operational and business risks associated with palm oil milling**

Our Company already owns palm oil mills. Hence, our Company is not expected to be exposed to new risks associated with the palm oil milling industry from the acquisition of the Lundu Oil Mill. However, the exposure of our Company to the existing business and operational risks associated with palm oil mills will increase upon completion of the Proposed Lundu Acquisition. For example, any machinery downtime of the Lundu Oil Mill and/or the Plantation Assets will affect its CPO and PK production and revenue, which in turn, will affect the business and/or future financial performance of our Group. Decreases in the CPO price could also affect our results of operation and financial condition of our Group.

### **8.3 Completion risk**

The completion of the Proposals is subject to conditions which are beyond the control of our Company and/or RSB Lundu such as the approval of our shareholders for the Proposals as well as the relevant approvals from the regulatory authorities and other parties. In addition, the Proposed Lundu Acquisition and the Proposed SHSB Acquisition are conditional upon the Proposed Disposal. If the Proposed Disposal is not completed or is terminated for any reason whatsoever, the Proposed Lundu Acquisition and Proposed SHSB Acquisition will also not be completed and will be terminated accordingly notwithstanding that the other conditions precedent to such acquisitions have been fulfilled. However, if either the Proposed Lundu Acquisition and/or the Proposed SHSB Acquisition is terminated, the Proposed Disposal will still be able to proceed to completion.

There can be no assurance that the Proposed Disposal can be completed. In the event the Proposed Disposal is terminated, our Company will not be able to enjoy the benefits that we expect to reap following the completion of the Proposed Lundu Acquisition and the Proposed SHSB Acquisition as we will not be able to proceed with these acquisitions. Under such a circumstance, our Company may look for an alternative buyer for the Simunjan Estate which has limited remaining tenure.

In addition, in the event any of the respective conditions precedents is not fulfilled by the stipulated period and/or in the event an extension of time is not agreed upon between our Company/RSB Lundu and the respective acquirers/vendors, the relevant agreement(s) will be terminated. Under such a circumstance, the rationale and benefits expected from the Proposals will not materialise.

#### 8.4 Loss of FFB production

The Simunjan Estate has been incurring losses for 2 consecutive financial years. However, there will be a reduction in the overall FFB production of our Group after the Proposed Disposal which will lead to loss of income from the sale of FFB production.

Notwithstanding, as the licence holder of the LPF/0035, we are only allowed to undertake oil palm planting activities for the remaining tenure of the said licence of 12¼ years. As there is no certainty that an extension will be granted by the Director of Forests for the planting of oil palm after its expiry, our Company decided to dispose the Licence Rights which allows us to raise funds to fully finance the Proposed Lundu Acquisition and Proposed SHSB Acquisition.

#### 8.5 Compulsory land acquisition

The State Government of Sarawak is empowered under the Sarawak Land Code to compulsorily acquire any land in Sarawak. In the event that the State Government of Sarawak compulsorily acquires any of the land held by our Group (including the Lundu Land and the Sastat Estate), the risk to our Group may be mitigated by the compensation awarded by the State Government of Sarawak for such compulsory acquisition. Pursuant to the Sarawak Land Code, the market value of the land shall be taken into consideration in determining the amount of compensation to be awarded for any land resumed by the State Government of Sarawak. The risks of compulsory acquisition of the Lundu Land and the Sastat Estate are mitigated by the fact that presently, the Lundu Land and the Sastat Estate are not subject to any compulsory acquisition notifications issued under the Sarawak Land Code (Chapter 81).

### 9. EFFECTS OF THE PROPOSALS

#### 9.1 Share capital and substantial shareholders' shareholding

The Proposals will not have any effect on the share capital of our Company and the shareholdings of the substantial shareholders of our Company as the Proposals will be satisfied entirely in cash.

#### 9.2 NA per RSB Share and gearing

For illustrative purposes only, based on the audited consolidated statement of financial position of our Company as at 31 December 2016 and on the assumption that the Proposals had been effected on that date, the proforma effects of the Proposals on the consolidated NA and gearing of our Company are as follows:

	<b>Audited as at 31 December 2016</b>	<b>After the Proposed Disposal</b>	<b>After the Proposed Disposal and the Proposed Lundu Acquisition</b>	<b>After the Proposals</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Share capital	791,682	791,682	791,682	791,682
Reserves	(43,982)	<sup>(a)</sup> (52,859)	<sup>(b)</sup> (53,009)	<sup>(c)</sup> (53,159)
<b>NA attributable to equity holders of our Company</b>	<b>747,700</b>	<b>738,823</b>	<b>738,673</b>	<b>738,523</b>
Non-controlling interests	42,147	42,147	42,147	42,147
<b>Total equity</b>	<b>789,847</b>	<b>780,970</b>	<b>780,820</b>	<b>780,670</b>

	Audited as at 31 December 2016	After the Proposed Disposal	After the Proposed Disposal and the Proposed Lundu Acquisition	After the Proposals
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
No. of RSB Shares	1,418,487,551	1,418,487,551	1,418,487,551	1,418,487,551
NA per RSB Share (RM)	0.53	0.52	0.52	0.52
No. of irredeemable convertible preference shares	164,876,929	164,876,929	164,876,929	164,876,929
Total net borrowings <sup>(d)</sup>	583,593	<sup>(e)</sup> 445,193	<sup>(f)</sup> 479,593	<sup>(g)</sup> 497,223
Net gearing (times) <sup>(h)</sup>	0.74	0.57	0.62	0.64

**Notes:**

- <sup>(a)</sup> Due to gain on disposal arising from the Proposed Disposal of approximately RM2.73 million and estimated expenses relating to the Proposed Disposal of RM11.60 million.
- <sup>(b)</sup> After taking into consideration the estimated expenses relating to the Proposed Lundu Acquisition of RM150,000 which will not be capitalised.
- <sup>(c)</sup> After taking into consideration the estimated expenses relating to the Proposed SHSB Acquisition of RM150,000 which will not be capitalised.
- <sup>(d)</sup> Comprises short-term and long-term borrowings as well as cash and cash equivalents.
- <sup>(e)</sup> After receipt of the Disposal Consideration and payment of the estimated expenses relating to the Proposed Disposal of RM11.60 million.
- <sup>(f)</sup> After the payment of the Purchase Consideration of Lundu and estimated expenses relating to the Proposed Lundu Acquisition of RM700,000.
- <sup>(g)</sup> After the payment of the Purchase Consideration of SHSB and estimated expenses relating to the Proposed SHSB Acquisition of RM630,000.
- <sup>(h)</sup> Computed based on total net borrowings over total equity.

### 9.3 Earnings and earnings per RSB Share

Our Group recorded an audited loss after tax of approximately RM75.7 million for the FYE 31 December 2016. SHSB recorded a loss after tax of RM120,355 based on its latest audited financial statements for the FYE 31 August 2016. Nevertheless, the Proposed SHSB Acquisition is expected to contribute positively to the earnings of our Group in the medium-to-long term given that the FFB production from the Sastat Estate is expected to improve over time when its immature and young oil palm trees mature in the immediate term. Our Group will also benefit from lower administration cost due to economies of scale after the completion of the Proposed SHSB Acquisition.

Our Group will also gain potential earnings from the Lundu Oil Mill and stand to benefit from the potential synergies and cost savings in terms of mills management after the completion of the Proposed Lundu Acquisition.

Consequently, the earnings per RSB Share are expected to improve gradually over time.

## 10. APPROVALS REQUIRED FOR THE PROPOSALS

The Proposals are subject to the following being obtained:

- (i) approval of our shareholders at the forthcoming EGM;
- (ii) for the Proposed Disposal only, the approval of the Director of Forests and/or the Minister for the absolute assignment of the Licence Rights in favour of TMSB; and the endorsement of the Director of Forests of the Revised TPP; and

- (iii) where required, the approval, waiver and/or consent of any other relevant authority and/or party.

In relation to item (ii), our Company had on 13 March 2017 submitted the Revised TPP for the endorsement of the Forest Department Sarawak and also requested the approval of the Director of Forests for the absolute assignment of the Licence Rights in favour of TMSB. As at the LPD, the aforesaid endorsement and the approval for the said assignment are still pending.

The Proposed Lundu Acquisition and the Proposed SHSB Acquisition are conditional upon the completion of Proposed Disposal, but not vice versa. However, the Proposed Lundu Acquisition and the Proposed SHSB Acquisition are not inter-conditional.

The Proposals are not conditional upon any other corporate exercise/scheme of our Company.

## **11. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposals, there is no other corporate exercise or scheme which has been announced by our Company but pending completion as at the LPD.

## **12. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM**

### **12.1 Proposed Disposal**

Save as disclosed below, none of our directors and/or major shareholders as well as persons connected to them has any interest, direct or indirect, in the Proposed Disposal:

- (i) TTSH is a major shareholder of our Company and Subur Tiasa, the holding company of TMSB;
- (ii) TSL is a substantial shareholder of our Company by virtue of its direct holdings and indirect holdings via TTSE and a person connected to Tan Sri Tiong, by virtue of Tan Sri Tiong being a major shareholder of TSL;
- (iii) Tan Sri Tiong is an indirect major shareholder of our Company via his shareholdings in TSL, TTSH, TTSE and PAA and an indirect major shareholder of Subur Tiasa, the holding company of TMSB, by virtue of his shareholdings in TTSH, TTSE, TSL and Tiong Toh Siong & Sons Sdn Bhd;
- (iv) TTSE is a person connected to TSL, by virtue of TSL being a major shareholder of TTSE;
- (v) PAA is an indirect major shareholder of our Company and a person connected to Tan Sri Tiong, by virtue of Tan Sri Tiong being a major shareholder of PAA; and
- (vi) the following directors of our Company:
  - (a) Tan Sri Tiong, by virtue of him being interested in the Proposed Disposal;
  - (b) Tiong Kiong King, by virtue of him being a Director on the Board of Directors of Subur Tiasa and also the brother of Tan Sri Tiong;
  - (c) Tiong Ing Ming, by virtue of him being a Director on the Board of Directors of Subur Tiasa;
  - (d) Tiong Chiong Ong, by virtue of him being the son of Tan Sri Tiong and therefore, a person connected to Tan Sri Tiong; and
  - (e) Tiong Chiong Ie, by virtue of him being the nephew of both Tan Sri Tiong and Tiong Kiong King, and cousin of Tiong Chiong Ong, and therefore, a person connected to them.



The Interested Directors For The Proposed Disposal have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of our Company in relation to the Proposed Disposal.

The Interested Directors For The Proposed Disposal and Interested Major Shareholders will abstain from voting in respect of their direct and/or indirect shareholding, if any, in our Company on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM. In addition, the Interested Directors For The Proposed Disposal and Interested Major Shareholders have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholding, if any, in our Company on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

## **12.2 Proposed Lundu Acquisition**

Save as disclosed below, none of our directors and/or major shareholders as well as persons connected to them has any interest, direct or indirect, in the Proposed Lundu Acquisition:

- (i) TTSH is a major shareholder of our Company and R H Lundu;
- (ii) TSL is a substantial shareholder of our Company by virtue of its direct holdings and indirect holdings via TTSE and a major shareholder of R H Lundu;
- (iii) Tan Sri Tiong is an indirect major shareholder of our Company, via his shareholdings in TSL, TTSH, TTSE and PAA, and an indirect major shareholder of R H Lundu;
- (iv) TTSE is a person connected to TSL, by virtue of TSL being a major shareholder of TTSE, and a major shareholder of R H Lundu;
- (v) PAA is an indirect major shareholder of our Company and a person connected to Tan Sri Tiong by virtue of Tan Sri Tiong being a major shareholder of PAA; and
- (vi) the following directors of our Company:
  - (a) Tan Sri Tiong, by virtue of him being interested in the Proposed Lundu Acquisition;
  - (b) Tiong Kiong King, by virtue of him being the brother of Tan Sri Tiong and therefore, a person connected to Tan Sri Tiong;
  - (c) Tiong Chiong Ong, by virtue of him being the son of Tan Sri Tiong and therefore, a person connected to Tan Sri Tiong; and
  - (d) Tiong Chiong Ie, by virtue of him being the nephew of both Tan Sri Tiong and Tiong Kiong King, and cousin of Tiong Chiong Ong, and therefore, a person connected to them.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of our Company in relation to the Proposed Lundu Acquisition.

The Interested Directors and Interested Major Shareholders will abstain from voting in respect of their direct and/or indirect shareholding, if any, in our Company on the resolution pertaining to the Proposed Lundu Acquisition to be tabled at the forthcoming EGM. In addition, the Interested Directors and Interested Major Shareholders have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholding, if any, in our Company on the resolution pertaining to the Proposed Lundu Acquisition to be tabled at the forthcoming EGM.

## **12.3 Proposed SHSB Acquisition**

Save as disclosed below, none of our directors and/or major shareholders as well as persons connected to them has any interest, direct or indirect, in the Proposed SHSB Acquisition:

- (i) TSL is a substantial shareholder of our Company via, among others, its direct and indirect shareholdings in TTSE and one of the SHSB Vendors;

- (ii) PAA is an indirect major shareholder of our Company, person connected to Tan Sri Tiong, by virtue of Tan Sri Tiong being a major shareholder of PAA, and one of the SHSB Vendors;
- (iii) Tan Sri Tiong is an indirect major shareholder of our Company via his shareholdings in TSL, TTSH, TTSE and PAA, and one of the SHSB Vendors;
- (iv) TTSH is a major shareholder of our Company and person connected to Tan Sri Tiong by virtue of Tan Sri Tiong being a major shareholder of TTSH;
- (v) TTSE is a person connected to TSL by virtue of TSL being a major shareholder of TTSE; and
- (vi) the following directors of our Company:
  - (a) Tan Sri Tiong, by virtue of him being interested in the Proposed SHSB Acquisition;
  - (b) Tiong Kiong King, by virtue of him being the brother of Tan Sri Tiong and therefore, a person connected to Tan Sri Tiong;
  - (c) Tiong Chiong Ong, by virtue of him being the son of Tan Sri Tiong and therefore, a person connected to Tan Sri Tiong; and
  - (d) Tiong Chiong Ie, by virtue of him being the nephew of both Tan Sri Tiong and Tiong Kiong King, and cousin of Tiong Chiong Ong, and therefore, a person connected to them.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of our Company in relation to the Proposed SHSB Acquisition.

The Interested Directors and Interested Major Shareholders will abstain from voting in respect of their direct and/or indirect shareholding, if any, in our Company on the resolution pertaining to the Proposed SHSB Acquisition to be tabled at the forthcoming EGM. In addition, the Interested Directors and Interested Major Shareholders have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholding, if any, in our Company on the resolution pertaining to the Proposed SHSB Acquisition to be tabled at the forthcoming EGM.

The shareholdings of our interested directors, the Interested Major Shareholders and persons connected to them in our Company as at the LPD are as follows:

Name	Direct		Indirect	
	No. of RSB Shares	%	No. of RSB Shares	%
<b>Directors</b>				
Tan Sri Tiong	2,400,000	0.17	775,118,279	<sup>(a)</sup> 54.64
Tiong Kiong King	23,803,800	1.18	6,218,400	<sup>(b)</sup> 0.44
Tiong Ing Ming	200,000	0.01	-	-
Tiong Chiong Ong	7,031,608	0.50	329,214	<sup>(c)</sup> 0.02
Tiong Chiong Ie	1,600,000	0.11	3,872,000	<sup>(d)</sup> 0.27
<b>Interested Major Shareholders and persons connected</b>				
Tan Sri Tiong	2,400,000	0.17	759,122,079	<sup>(e)</sup> 53.52
TTSH	237,246,119	16.73	200,192,375	<sup>(f)</sup> 14.11
TSL	95,279,347	6.72	10,402,400	<sup>(g)</sup> 0.73
TTSE	10,402,400	0.73	113,086,638	<sup>(h)</sup> 7.97
PAA	87,228,800	6.15	119,271,200	<sup>(i)</sup> 8.41

**Notes:**

- (a) *Deemed interested by virtue of his interests in TTSH, TSL, TTSE, PAA, RH Southeast Asia, RH Sarawak, Kendaie Oil Palm, PJP, LHSB, Rejang Height, Multi Greenview and Subur Tiasa pursuant to Section 8 of the CA 2016, and the interests of his spouse and children in our Company pursuant to Section 59(11)(c) of the CA 2016.*
- (b) *Deemed interested by virtue of his interest in Biru-Hijau Enterprise Sdn Bhd pursuant to Section 8 of the CA 2016.*
- (c) *Deemed interested by virtue of the interest of his spouse and children in our Company pursuant to Section 59(11)(c) of the CA 2016.*
- (d) *Deemed interested by virtue of his interest in Priharta Development Sdn Bhd pursuant to Section 8 of the CA 2016.*
- (e) *Deemed interested by virtue of his interests in TTSH, TSL, TTSE, PAA, RH Southeast Asia, RH Sarawak, Kendaie Oil Palm, PJP, LHSB, Rejang Height, Multi Greenview and Subur Tiasa pursuant to Section 8 of the CA 2016.*
- (f) *Deemed interested by virtue of its interest in PJP, LHSB, Multi Greenview and Subur Tiasa pursuant to Section 8 of the CA 2016.*
- (g) *Deemed interested by virtue of its interest in TTSE pursuant to Section 8 of the CA 2016.*
- (h) *Deemed interested by virtue of its interest in RH Southeast Asia, Kendaie Oil Palm and Rejang Height pursuant to Section 8 of the CA 2016.*
- (i) *Deemed interested by virtue of its interest in RH Southeast Asia, RH Sarawak and Kendaie Oil Palm pursuant to Section 8 of the CA 2016.*

Save as disclosed above, none of our other directors of our Company, major shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposals.

### **13. TRANSACTION WITH RELATED PARTIES FOR THE PAST 12 MONTHS**

Save for the Proposals and the recurrent related party transactions set out in the circular to our shareholders dated 28 April 2017, our Company has not entered into any transaction with our interested directors and Interested Major Shareholders for the 12 months preceding the LPD.

### **14. DIRECTORS' RECOMMENDATION**

#### **14.1 Proposed Disposal**

Our Board (save for the Interested Directors For the Proposed Disposal), having considered, among others, the rationale and benefits of the Proposed Disposal, salient terms of the Simunjan Agreement and basis and justification for the Disposal Consideration, is of the opinion that the Proposed Disposal is in the best interest of our Company. Accordingly, our Board (save for the Interested Directors For the Proposed Disposal) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

#### **14.2 Proposed Lundu Acquisition**

Our Board (save for the Interested Directors), having considered, among others, the rationale and benefits of the Proposed Lundu Acquisition, salient terms of the Lundu Acquisition SPA and basis and justification for the Purchase Consideration of Lundu and effects of the Proposed Lundu Acquisition, is of the opinion that the Proposed Lundu Acquisition is in the best interest of our Company. Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Lundu Acquisition to be tabled at the forthcoming EGM.

#### **14.3 Proposed SHSB Acquisition**

Our Board (save for the Interested Directors), having considered, among others, the rationale and benefits of the Proposed SHSB Acquisition, salient terms of the SSA and basis and justification for the Purchase Consideration of SHSB and effects of the Proposed SHSB Acquisition, is of the opinion that the Proposed SHSB Acquisition is in the best interest of our Company. Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the ordinary resolution pertaining to the Proposed SHSB Acquisition to be tabled at the forthcoming EGM.

## 15. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of our Company (save for Tiong Kiong King who has abstained in relation to the Proposals and Tiong Ing Ming who has abstained in relation to the Proposal Disposal), after having considered all aspects of the Proposals, including but not limited to the rationale and benefits of the Proposals, salient terms of the agreements, basis and justification for the considerations of each transaction, effects of the Proposals and the advice of Mercury Securities, is of the view that the Proposals are:

- (a) in the best interest of our Company;
- (b) fair, reasonable and on normal commercial terms; and
- (c) not detrimental to the interest of our non-interested shareholders.

## 16. INDEPENDENT ADVISER

The Proposals are deemed to be related party transactions pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, Mercury Securities has been appointed to act as the Independent Adviser to undertake the following in relation to the Proposals:

- (a) comment as to whether the Proposals are:
  - (i) fair and reasonable so far as our non-interested shareholders are concerned; and
  - (ii) to the detriment of our non-interested shareholders,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (b) advise our non-interested directors and non-interested shareholders on the fairness and the reasonableness of the Proposals and whether the Proposals are detrimental to our non-interested shareholders; and
- (c) to advise our non-interested shareholders on whether they should vote in favour of the Proposals.

The Independent Advice Letter in relation to the Proposals is set out in Part B of this Circular.

You are advised to read and consider the contents of the Independent Advice Letter carefully before voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

## 17. TENTATIVE TIMETABLE

The tentative timetable in relation to the Proposals is as follows:

<b>Events</b>	<b>Date</b>
EGM	27 July 2017
Fulfilment of all the conditions precedent for the Simunjan Agreement and the SSA	End August 2017
Completion of the Proposed Disposal and the Proposed SHSB Acquisition	End October 2017
Fulfilment of all the conditions precedent for the Lundu Acquisition SPA	End February 2018
Completion of the Proposed Lundu Acquisition	End April 2018

**18. EGM**

The Proposals will be subject to the approval of our shareholders at the forthcoming EGM. The forthcoming EGM, the notice of which is enclosed in this Circular, will be held at Level 2, North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000, Sibul, Sarawak on Thursday, 27 July 2017 at 11.00 a.m. or any adjournment thereof for the purpose of considering through and if thought fit, passing with or without modification, the resolutions pertaining to the Proposals.

If you are unable to attend and vote in person at the forthcoming EGM, you may complete, sign and return the enclosed Form of Proxy in accordance with the instructions thereon and lodge the duly completed form at the Registered Office not less than 48 hours before the appointed time of the forthcoming EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the forthcoming EGM should you subsequently wish to do so.

**19. FURTHER INFORMATION**

You are advised to refer to the attached appendices for further information.

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

**Dato' Jin Kee Mou**  
Executive Director and Chief Executive Officer

**PART B**

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF RSB  
IN RELATION TO THE PROPOSALS**

## EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" are references to Mercury Securities, being the independent adviser for the Proposals.

**This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter to shareholders in Part A of the Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposals.**

**You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolutions to give effect to the Proposals to be tabled at the forthcoming EGM of the Company. If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.**

### 1. INTRODUCTION

On 22 February 2017, Maybank IB had, on behalf of the Board, announced that RSB proposed to undertake the Proposals. In view of the interests of certain Directors and/or major shareholders and/or person connected to them as set out in Section 12, Part A of the Circular, the Proposals are deemed as related party transactions and shall be subject to, amongst others, the approval of the non-interested shareholders of RSB.

Accordingly, pursuant to Paragraph 10.08(2)(c) of the Listing Requirements, Mercury Securities has been appointed as the independent adviser to advise the non-interested Directors and non-interested shareholders of RSB on the Proposals.

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 Proposals and whether the Proposals are detrimental to the non-interested shareholders of RSB together with our recommendation on whether the non-interested shareholders of RSB should vote in favour of the respective Proposals.

### 2. EVALUATION OF THE PROPOSALS

Consideration factors	Section in the IAL	Our evaluation
(i) Rationale and justification for the Proposals	5.1	<p>The rationale and justification for the Proposals are reasonable as the Proposals:-</p> <ul style="list-style-type: none"><li>(i) are in line and/or complementary with the Group's core business of oil palm cultivation;</li><li>(ii) facilitate the expansion of the RSB Group's oil palm cultivation and milling operations; and</li><li>(iii) are expected to contribute positively to the future earnings and growth of the RSB Group moving forward in view of, amongst others, the following:-<ul style="list-style-type: none"><li>(a) strategic locations of the Lundu Oil Mill and Sastat Estate; and</li><li>(b) the crop profile of Sastat Estate that are due to mature in the near term and thereafter achieve its peak yields during its prime stage.</li></ul></li></ul>

**EXECUTIVE SUMMARY (Cont'd)**

Consideration factors	Section in the IAL	Our evaluation
<p>(ii) Basis of arriving and justification for the:-</p> <p>a) Disposal Consideration</p> <p>b) Purchase Consideration of Lundu</p> <p>c) Purchase Consideration of SHSB</p>	<p>5.2</p>	<p>The disposal or purchase consideration pursuant to the Proposals were arrived at after taking into consideration amongst others, the following:-</p> <p>(i) the market value ascribed by the independent valuers for the Simunjan Estate, Lundu Properties and Sastat Estate (please refer to Section 5.2 of this IAL for details of the valuation); and</p> <p>(ii) other assets and liabilities of SHSB (the registered owner of the Sastat Estate) to arrive at the adjusted NA of SHSB.</p> <p>Our assessments are as follows:-</p> <p>(i) <u>Disposal Consideration</u></p> <p>The Disposal Consideration of RM150.0 million represents a <b>premium of 4.4%</b> to the market value of Simunjan Estate as ascribed by the independent valuer of RM143.7 million.</p> <p>(ii) <u>Purchase Consideration of Lundu</u></p> <p>The Purchase Consideration of Lundu of RM33.7 million <b>equals the market value of the Lundu Properties</b> as ascribed by the independent valuer.</p> <p>(iii) <u>Purchase Consideration of SHSB Shares</u></p> <p>The Purchase Consideration of SHSB Shares of RM17.0 million <b>represents a discount of 4.1% to the adjusted NA of SHSB of RM17.72 million.</b></p> <p>We noted that following completion of the Proposals, there will still be a balance of advances owing by SHSB to Tiong Toh Siong &amp; Sons Sdn Bhd, of which Tan Sri Tiong is a shareholder, amounting to approximately RM22.96 million (“<b>Advance</b>”). RSB undertakes to fully and unconditionally repay the Advance within a period of 12 months after the fulfilment of all Conditions in the SSA. Please refer to Section 5.3 (iii)(a) of this IAL for our commentaries on this clause.</p>
<p>(iii) Salient terms of the agreements in relation to the Proposals</p>	<p>5.3</p>	<p>The salient terms of the Simunjan Agreement, Lundu Acquisition SPA, Supplemental Lundu Acquisition SPA and the SSA are reasonable and are not detrimental to the non-interested shareholders of RSB.</p>

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## EXECUTIVE SUMMARY (Cont'd)

Consideration factors	Section in the IAL	Our evaluation
(iv) Effects of the Proposals on the RSB Group	5.4	<p>The overall effects of each of the Proposals are not detrimental to the interests of the non-interested shareholders of RSB.</p> <p>It should be noted that:-</p> <ul style="list-style-type: none"> <li>(i) The Proposals will not have any effect on the share capital as it does not involve issuance of new RSB Shares;</li> <li>(ii) The Proposals will result in less than 2% decrease in the NA of the RSB Group due to estimated expenses of RM13.0 million relating to the Proposals; and</li> <li>(iii) The net gearing level of RSB Group will reduce from 0.74 times to 0.64 times due to the increase in cash and cash equivalents of the Group arising from the Proposed Disposal, out of which RM58.0 million will be earmarked for repayment of borrowings while RM5.3 million will be earmarked for working capital purpose.</li> </ul> <p>Please refer to Section 5.4 of this IAL for our detailed evaluation of the effects of the Proposals.</p>
(v) Prospects of the Lundu Oil Mill and Sastat Estate	5.5	<p>The overall prospects of the Lundu Oil Mill and Sastat Estate appear favourable:-</p> <p><b><u>Lundu Oil Mill</u></b> The Lundu Oil Mill is expected to benefit from, amongst others, its strategic location near the Biawak Estate and Lundu Estate owned by RSB Group, and other estates owned by companies related to Tan Sri Tiong, which collectively utilises 45% of the Lundu Oil Mill capacity. Hence, the additional capacity can be used to process FFB sourced from other estates of RSB Group or even estates owned by third parties to ensure a sustainable supply of FFB for processing and generate additional revenue and profits.</p> <p><b><u>Sastat Estate</u></b> Given its immature crop profile of a weighted average age of less than 5 years, the Sastat Estate is expected to benefit from potential revenue and profit contribution as the oil palm trees mature and approach its prime age for FFB production.</p>
(vi) Risk factors in relation to the Proposals	5.6	<p>The risk factors pertaining to the Proposals are highlighted in Section 8, Part A of this Circular.</p> <p>In view that the RSB Group is principally involved in oil palm cultivation and milling operations, the business risk profile of the RSB Group will not change significantly upon the completion of the Proposals.</p>

### 3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposals. Based on our evaluation in Section 5 of this IAL, we are of the opinion that, on the basis of the information available to us, each of the Proposal is **fair and reasonable** and is **not detrimental** to the non-interested shareholders of RSB.

Accordingly, we recommend that you **vote in favour** of the ordinary resolutions to give effect to the Proposals to be tabled at the forthcoming EGM of the Company.

**Registered Office:**  
Ground, 1st, 2nd, 3rd Floor  
Wisma Umno  
Lorong Bagan Luar Dua  
12000 Butterworth  
Seberang Perai

10 July 2017

To: **The non-interested shareholders of Rimbulan Sawit Berhad**

Dear Sir / Madam,

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

**INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSALS**

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*This IAL is prepared for inclusion in the Circular to the shareholders of RSB. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” are references to Mercury Securities, being the independent adviser for the Proposals.*

**1. INTRODUCTION**

On 22 February 2017, Maybank IB had, on behalf of the Board, announced that RSB proposed to undertake the Proposals.

In view of the interests of certain Directors and/or major shareholders and/or person connected to them as set out in Section 12, Part A of the Circular, the Proposals are deemed as related party transactions and shall be subject to, amongst others, the approval of the non-interested shareholders of RSB.

Accordingly, pursuant to Paragraph 10.08(2)(c) of the Listing Requirements, Mercury Securities has been appointed as the independent adviser to advise the non-interested Directors and non-interested shareholders of RSB on the Proposals.

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 Proposals and whether the Proposals are detrimental to the non-interested shareholders of RSB together with our recommendation on whether the non-interested shareholders of RSB should vote in favour of the respective Proposals.

Nonetheless, the non-interested shareholders of RSB should rely on their own evaluation of the merits of the Proposals before making a decision on the course of action to be taken at the forthcoming EGM of the Company.

This IAL is prepared solely for the use of the non-interested shareholders of RSB to consider the Proposals and should not be used or relied upon by any other party for any other purposes whatsoever.

**Butterworth** - Ground, 1st, 2nd & 3rd Floor, Wisma UMNO, Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai. Tel: 04-3322123 Fax: 04-3231813 / 3312195 E-mail: mercury@mersec.com.my Website: www.mercurysecurities.com.my  
**Kuala Lumpur** - L-7-2, No. 2, Jalan Solaris, Solaris Mont' Kiara 50480 Kuala Lumpur. Tel: 03-62037227 Fax: 03-62037117 E-mail: mercurykl@mersec.com.my  
**Melaka** - No. 81, Ground Floor, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka. Tel: 06-2921898 Fax: 06-2926898  
**Penang** - 2nd Floor, Standard Chartered Bank Chambers, 2 Lebuhr Pantai, 10300 Penang. Tel: 04-2639118 Fax: 04-2612118  
**Johor Bahru** - Menara Pelangi, Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor. Tel: 07-3316992 Fax: 07-3322693

**YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER TO SHAREHOLDERS AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.**

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

## **2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSALS**

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposals. The terms of reference of our appointment as the independent adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to IALs ("**IAL Guide**") issued by Bursa Securities.

Our terms of reference as the independent adviser are limited to expressing an independent opinion on the fairness and reasonableness of the Proposals individually insofar as the non-interested shareholders are concerned based on information and documents made available to us as set out below:-

- (i) information contained in Part A of the Circular and the accompanying appendices;
- (ii) the Simunjan Agreement, Lundu Acquisition SPA, the Supplemental Lundu Acquisition SPA and SSA;
- (iii) the audited financial statements of SHSB for the FYE 31 August 2015 and 31 August 2016 and the unaudited financial statements for the FPE 31 December 2016;
- (iv) the annual reports of RSB for the FYE 31 December 2014, 31 December 2015 and 31 December 2016 and the unaudited interim financial statements for the 3-months period ended 31 March 2017;
- (v) the Simunjan Estate Valuation Report, Lundu Valuation Reports and Sastat Estate Valuation Report;
- (vi) other relevant information, documents, confirmations and representations furnished to us by the management and/or representatives of RSB; and
- (vii) other relevant publicly available information.

We have not conducted any form of independent investigation into the business, affairs, operations, financial position and/or prospects of the RSB Group, Simunjan Estate, Lundu Properties and SHSB. We have relied on RSB as well as its Directors, management and/or representatives to take due care in ensuring that all information, documents and representations provided to us to facilitate our evaluation and which had been used, referred to and/or relied upon in this IAL have been fully disclosed to us, are accurate, valid and complete in all material aspects.

The Board has confirmed in writing to us that:-

- (i) after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein inaccurate, incomplete or misleading in any respect;
- (ii) all material facts and information required for the purpose of our evaluation of the Proposals and preparation of this IAL have indeed been disclosed to Mercury Securities, and that there are no facts or information, the omission of which would make any information, confirmation and document supplied to us misleading, or would materially affect the evaluation, views and recommendation of Mercury Securities in this IAL; and
- (iii) they have seen, reviewed and accepted this IAL and they individually and collectively accept full responsibility for the accuracy and correctness of the information contained herein.

We are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation. After making all reasonable enquiries and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission. Notwithstanding that, Mercury Securities shall not be under any responsibility or liability for any misstatement of fact or from any omissions therein.

The scope of our responsibilities regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness and other implications of the Proposals individually and whether each of the Proposals is detrimental to the non-interested shareholders.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and of importance to an assessment of the implications of the respective Proposals and therefore are of general concern to the non-interested shareholders of RSB to consider and form their views thereon. Notwithstanding the foregoing, we:-

- (i) do not express any opinion on the commercial merits of the Proposals which remains the sole responsibility of the Board, and where comments or points of consideration are included on certain pertinent matters which may be commercially oriented, these are incidental to our overall evaluation and concern matters which we may deem material for disclosure;
- (ii) do not express an opinion on legal, accounting and taxation issues relating to the Proposals; and
- (iii) have not given consideration to the specific investment objectives, risk profiles, financial situations 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 / are in doubt as to the action to be taken or require advice in relation to the Proposals in the context of their investment objectives, risk profiles, financial situations and particular needs to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately. We will not be responsible for any damages or losses of any kind sustained or suffered by any individual non-interested shareholder or group of non-interested shareholders in reliance on the opinion stated herein for any purpose whatsoever.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the various parties are able to fulfil their respective obligations thereto in accordance with the terms and conditions of the proposals. In addition, it should be noted that our evaluation and opinion expressed in this IAL do not take into account the information, events or conditions arising after the LPD or such other period as specified herein, as the case may be.

The following are disclosure requirements made pursuant to the IAL Guide:-

- (i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the independent adviser for the Proposals;
- (ii) Save for the current appointment as the independent adviser for the Proposals, we do not have any professional relationship with RSB in the past two (2) years; and
- (iii) We are a holder of a Capital Markets Services Licence issued by the Securities Commission Malaysia as a Principal Adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. The corporate finance department of Mercury Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualifications and experience to provide, amongst others, independent advice and render opinion on the fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers.

Amongst others, our experience and credentials as independent adviser include the following:-

- a) independent adviser to the non-interested shareholders of UMW Oil & Gas Corporation Berhad ("**UMWOG**") in relation to the proposed exemption for Permodalan Nasional Berhad and persons acting in-concert with it to undertake a mandatory offer pursuant to UMWOG's proposed recapitalisation plan, whereby our appointment as Independent Adviser had been announced on 9 June 2017;
- b) independent adviser to the non-interested shareholders of ECM Financial Group Berhad ("**ECM**") in relation to the proposed acquisition by ECM from various related parties of selected Tune Hotels and other related companies/assets, whereby our appointment as Independent Adviser had been announced on 4 May 2017;
- c) independent adviser to the non-interested shareholders of EA Technique (M) Berhad ("**EAT**") in relation to the of proposed acquisition by EAT from MTC Engineering Sdn Bhd ("**MTCE**") of topside equipment installed on a vessel used in offshore oil and gas exploration, together with the novation by MTCE to EAT of a contract awarded to MTCE by a company under the PETRONAS group for the chartering of the Vessel with the topside equipment, for a total purchase consideration of USD24 million to be satisfied via cash and set-off of amount owing by MTCE to EAT, whereby our independent advice letter was issued on 3 March 2017;
- d) independent adviser to the entitled shareholders of Padiberas Nasional Berhad ("**Bernas**") in relation to the proposed selective capital reduction and repayment exercise of Bernas pursuant to Section 116 of the Act, whereby our independent advice letter was issued on 2 March 2017;

- e) independent adviser to the non-interested shareholders of Tecnic Group Berhad ("**Tecnic**") in relation to the unconditional mandatory take-over offer by Rohas-Euco Holdings Sdn Bhd, Tan Sri Nik Awang @ Wan Azmi Bin Wan Hamzah, Puan Sri Nik Anida Binti Nik Manshor, Sia Bun Chun and Chan Liew Hoon (collectively, the "**Tecnic Joint Offerors**") to acquire all the remaining ordinary shares in Tecnic not already owned by the Tecnic Joint Offerors, whereby our independent advice circular was issued on 13 February 2017;
- f) independent adviser to the non-interested shareholders of The Store Corporation Berhad ("**TSCB**") in relation to the unconditional mandatory take-over offer by TYS Consolidated Sdn Bhd ("**TYS**") to acquire all the remaining ordinary shares of RM1.00 each in TSCB not already owned by TYS, whereby our independent advice circular was issued on 29 December 2016;
- g) independent adviser to the non-interested shareholders of StemLife Berhad ("**StemLife**") in relation to the unconditional take-over offer by Cordlife Group Limited ("**CGL**") to acquire all the remaining ordinary shares of RM0.10 each in StemLife not already owned by CGL, whereby our independent advice circular was issued on 9 December 2016;
- h) independent adviser to the non-interested shareholders of Asiamet Education Group Berhad ("**AEGB**") in relation to (i) the of proposed acquisition by AEGB from SMRT Holdings Berhad of CUCMS Education Sdn Bhd, for a total purchase consideration of RM166 million to be satisfied via issuance of new ordinary shares and (ii) proposed exemption to the vendors and parties acting in-concert from the obligation to undertake a mandatory offer, whereby our appointment as Independent Adviser had been announced on 5 December 2016;
- i) independent adviser to the non-interested shareholders of Huat Lai Resources Berhad ("**HLRB**") in relation to the conditional voluntary take-over offer by Esprit Unity Sdn Bhd, Lim Yeow Her, Lim Yeow Kian and Datuk Lim Yeow Siong (collectively referred to as the "**Joint Offerors**") to acquire all the remaining ordinary shares of RM1.00 each in HLRB (excluding treasury shares) not already held by the Joint Offerors, whereby our independent advice circular was issued on 24 November 2016;
- j) independent adviser to the non-interested shareholders of HCK Capital Group Berhad ("**HCK**") in relation to the proposed acquisitions by HCK Properties Sdn Bhd (*a wholly-owned subsidiary of HCK*) of three (3) property-holding companies from Tan Sri Clement Hii Chii Kok and other related parties for a total purchase consideration of RM13.87 million as well as the proposed assumption of advances owing to directors of the said property companies totalling RM59.55 million, all to be satisfied via the issuance of 28.79 million new ordinary shares of RM1.00 each in HCK ("**HCK Shares**") at an issue price of RM2.55 per HCK Share and cash of RM2, whereby our independent advice letter was issued on 18 November 2016;
- k) independent adviser to the non-interested shareholders of Pasukhas Group Berhad ("**PGB**") in relation to the proposed acquisition by PGB of 70% equity interest in Pasukan Khas Construction Sdn Bhd from Dato Seri Teng Ah Kiong, Wee Hiang Chyn and Ong Mei Lee for a purchase consideration of RM17.22 million to be satisfied via the issuance of 45.61 million new ordinary shares of RM0.10 each in PGB ("**PGB Shares**") at an issue price of RM0.205 per PGB Share and cash of RM7.87 million, whereby our independent advice letter was issued on 16 November 2016;

- l) independent adviser to the non-interested shareholders of Malaysia Packaging Industry Berhad ("**Maypak**") in relation to the unconditional mandatory take-over offer by Taisei Lamick Co., Ltd ("**TLC**") to acquire all the remaining ordinary shares of RM1.00 each in Maypak ("**Maypak Shares**") not already owned by TLC, whereby our independent advice circular and supplemental independent advice circular were issued on 17 October 2016 and 7 November 2016 respectively;
- m) independent adviser to the non-interested shareholders of Aluminium Company of Malaysia Berhad ("**Alcom**") in relation to the unconditional mandatory take-over offer by Towerpack Sdn Bhd ("**Towerpack**") to acquire all the remaining ordinary shares of RM1.00 each in Alcom ("**Alcom Shares**") not already owned by Towerpack and persons acting in concert with it, whereby our independent advice circular was issued on 17 October 2016; and
- n) independent adviser to the non-interested shareholders of Rex Industry Berhad ("**Rex**") for the proposed disposal by Rex of the entire equity interest in Jie Yang Rex Foods Co Ltd, an indirect wholly-owned subsidiary of Rex, to Mr. Lee Chai Seng for a disposal consideration of RM21 million to be satisfied entirely via cash, whereby our independent advice letter was issued on 4 October 2016.

### **3. DETAILS OF THE PROPOSALS**

The details of the Proposals are set out in Sections 2 to 4, Part A of the Circular and should be read in their entirety by the non-interested shareholders of RSB.

### **4. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

The interests of certain Directors and/or major shareholders and/or person connected to them as set out in Section 12, Part A of the Circular.

### **5. EVALUATION OF THE PROPOSALS**

In our evaluation of the Proposals, we have considered the following factors:-

- (i) Rationale and justification for the Proposals;
- (ii) Basis of arriving and justification for the Disposal Consideration, Purchase Consideration of Lundu and Purchase Consideration of SHSB;
- (iii) Salient terms of the Simunjan Agreement, Lundu Acquisition SPA, Supplemental Lundu Acquisition SPA and SSA;
- (iv) Effects of the Proposals on the RSB Group;
- (v) Prospects of the Lundu Properties and SHSB; and
- (vi) Risk factors in relation to the Proposals.

## 5.1 Rationale and justification for the Proposals

The rationale and justification for the Proposals as extracted from Section 6, Part A of the Circular and our commentaries are as follows:-

Rationale and justification for the Proposals	Our commentaries
<p>The Proposals are in line with our Company's long term strategy to focus on cultivation of oil palm and palm oil milling.</p> <p>Under the terms of LPF/0035, the licence holder is allowed to undertake oil palm activities for a maximum period of 25 years such that upon expiry, the Simunjan Estate shall be planted with trees other than oil palm. In other words, there is no certainty that an extension will be granted by the Director of Forests for planting of oil palm after the said expiry. Since our Group's core business is in the cultivation of oil palm and it does not have any intention to diversify into other businesses (such as timber extraction and reforestation operations) in the medium-to-long term, our Company decided to dispose the Licence Rights which allows our Company to raise funds to fully finance the Proposed Lundu Acquisition and Proposed SHSB Acquisition. The proceeds from the Proposed Disposal will also be used to fully repay the Simunjan Facilities to reduce the total borrowings and gearing of our Group. Please refer to note (b) of Section 2.4 of Part A of this Circular for further details on the interest savings per annum.</p> <p>Presently, the FFB harvested from 2 estates owned by our Group, namely the Biawak estate and Lundu estate, as well as the other estates owned by companies related to Tan Sri Tiong ("<b>Other Estates</b>"), are sent for processing at the Lundu Oil Mill. The Proposed Lundu Acquisition will allow our Group to have direct management control over the Lundu Oil Mill's operations. As the oil palm from the Other Estates mature over the next few years, there will be additional supply of FFB for the Lundu Oil Mill. The Proposed Lundu Acquisition will also reduce the number and quantum of recurrent related party transactions with R H Lundu when seeking annual shareholders' approval.</p>	<p><b>Our commentaries</b></p> <p><b>Simunjan Estate</b> We note that the Licence Rights to undertake oil palm activities in the Simunjan Estate is expiring on 21 March 2029, leaving the licence holder with a remaining license period of only twelve (12) years left to continue with oil palm activities. Given that the Group's core business is oil palm activities and it does not intend to diversify into other businesses such as timber extraction and reforestation operations, the Proposed Disposal is therefore reasonable. Oil palm typically has an economic lifespan of approximately twenty-five (25) years. In the absence of a complete life cycle, the Group will not be able to reap the full economically viable volumes of FFB. Even if the Group were to seek for the extension from the Forest Department Sarawak to extend the license period for oil palm planting, there will be no certainties that such approval will be granted. In view thereof, the disposal of the Simunjan Estate is timely as it allows RSB to realise its investment at a premium which may not be obtainable if RSB were to dispose of the said estate in later years as the expiry of the License Rights approaches. Furthermore, the Proposed Disposal will result in a gain on disposal of RM2.73 million and the Disposal Consideration represents a premium of 4.4% compared to the market value of the Simunjan Estate.</p> <p>We also note that RM58.0 million of the disposal proceeds will be utilised to pare down borrowings of the Group. This will result in interest savings of RM3.0 million per annum <i>(based on weighted average interest rate of 5.0%)</i> and reduce the gearing level of the Group.</p> <p><b>Lundu Properties</b> To increase its competitiveness in the industry, it is imperative for the Group to migrate along the supply chain to be involved in other downstream activities in order to be an integrated oil palm player. Presently, the Lundu Oil Mill processes the FFB from two (2) estates owned by the Group, namely Biawak estate and Lundu Estate as well as other estates owned by companies related to Tan Sri Tiong. As the oil palms from these estates mature with higher FFB yield and production, it will provide sustainable supply of FFB for processing to Lundu Oil Mill. By having a direct control over the Lundu Oil Mill, the Group will have better control over milling process which is expected to yield higher OER. It will also reduce the Group's dependency on external millers, who could potentially price the Group's FFB based on a lower OER than what is achievable by the Group if it were to operate the Lundu Oil Mill.</p> <p><b>SHSB</b> SHSB is principally engaged in the cultivation of oil palm. The major asset owned by SHSB is the Sasat Estate, a piece of provisional lease of state land measuring 1,504 ha, out of which 67% representing 1,013.8 ha has been planted with oil palm. Based on the audited balance sheet of SHSB as at 31 August 2016, we note that the assets held by SHSB are mainly oil palm-related assets in the form of plantation development expenditure.</p>



Rationale and justification for the Proposals	Our commentaries
<p>As at 31 December 2016, our Group's oil palm planted area stood at approximately 55,110 ha, representing 59.7% of our Group's total land bank of 92,312 ha. The Sasstat Estate has a young crop profile with a weighted average age of less than 5 years. Also, the provisional lease over the Sasstat Estate will only expire in 5 August 2068, thus leaving a remaining period of about 51 years, which allows SHSB the opportunity to replant its oil palm trees and thus ensure continuity of income. Hence, the acquisition of the Sasstat Estate via SHSB is also expected to provide steady revenue and earnings to our Group in the medium to long term.</p> <p>The Sasstat Estate is also contiguous with our Group's existing estates, namely the Woodjijaya estate and Lumiera estate. As such, it is expected that there would be operational synergy, reduced average operational cost, higher productivity and enhanced management of these estates in the future.</p>	<p>Based on the above, the Proposals are therefore in line and/or related to the Group's core business of oil palm cultivation.</p> <p><b>Strategic locations of the Lundu Oil Mill and Sasstat Estate.</b> We note that the Lundu Oil Mill is strategically located within close proximity to the Group's plantation estates, namely Biawak Estate and Lundu Estate (and other estates owned by companies related to Tan Sri Tiong) which currently supply FFB to the Lundu Oil Mill for processing. Given that the FFB has to be processed within 48 hours from harvesting, the acquisition of the Lundu Properties will benefit the Group in terms of accessibility so that FFB can be processed quickly to minimise the built-up of free fatty acids which will affect the quality of CPO and OER. In relation to the Sasstat Estate, we note that the location of Sasstat Estate is contiguous with the RSB Group's existing plantation estates, namely Lumiera estate and Woodjijaya estate. As such, the acquisition of SHSB will enable ease of management of estates. Upon full integration of Sasstat Estate into the Group's existing operations, operational synergies can be derived from sharing of resources and technical knowledge as well as cost savings from economies of scale.</p> <p><b>Expansion of the RSB Group's oil palm business.</b> The Lundu Oil Mill currently has a processing capacity of up to 270,000 MT of FFB per annum which exceeds the FFB supplied from Biawak and Lundu estates. As such, the additional capacity can be utilised to process FFB from other plantation estates owned by third parties to generate additional revenue streams and profits to the Group.</p> <p><b>Young crop profile of Sasstat Estate.</b> Sasstat Estate has a young crop profile of less than five (5) years. The acquisition of SHSB is viewed timely as the total planted area of 1,013.8 ha can supplement the approximate 4,280.0 ha or 7.8% of the oil palm trees of the Group that have reached or passed through their peak yielding years. The acquisition of Sasstat Estate is therefore part of the management plan to supplement old oil palms with higher yielding trees on an ongoing basis. The acquisition of SHSB will accelerate the Group's plantation programme as the estate's immature and young trees are approaching maturity and as the oil palm trees approaches its prime age for FFB production, the Group will benefit from higher FFB yield and production and thus improve revenue and profitability to the Group.</p> <p><b>Facilitating the growth of the oil palm business of the RSB Group moving forward.</b> Given the prospects of the Lundu Properties and Sasstat Estate as set out in Section 5.5 of this IAL as well as the outlook of the oil palm industry in Malaysia, the acquisitions of the Lundu Properties and SHSB are expected to contribute positively to the future earnings and growth of the RSB Group moving forward.</p> <p><b>Opportunity to acquire oil palm assets without having to utilise existing cash balances or incur additional borrowings.</b> As the consideration amounts for the acquisitions of the Lundu Properties and SHSB will entirely be satisfied via the Disposal Consideration, RSB does not need to expend significant cash or incur additional borrowings for the Proposals. This allows the RSB Group to acquire oil palm assets with favourable prospects to spur revenue and earnings growth of the Group, without having to increase its gearing level or utilise its cash reserves which can be retained for working capital purposes. Other alternative acquisition targets were not selected as the Company had identified the Lundu Oil Mill and Sasstat Estate as a good strategic fit of which the benefits as stated in the above points may be reaped immediately upon completion of the acquisitions.</p>

Based on the above, we are of the view that the rationale for the Proposals is reasonable.

## 5.2 Basis of arriving and justification for the Simunjan Estate Disposal Consideration, Lundu Properties Purchase Consideration and SHSB Purchase Consideration

We have considered the market value as appraised by the independent valuer. The summary of the valuation and purchase consideration is presented below:

	Market Value <sup>(1)</sup> (RM'm)	Fair Value (RM'm)	Purchase/ Disposal consideration (RM'm)	Premium / Discount
Simunjan Estate	143.7	143.7	150.0 (disposal consideration)	Disposed at 4.4% premium to fair value
Lundu Properties	33.7 <sup>(2)</sup>	33.7 <sup>(2)</sup>	33.7 (purchase consideration)	Purchased at fair value
SHSB Shares	40.0 <sup>(3)</sup>	17.72 <sup>(4)</sup>	17.0 (purchase consideration)	Purchased at 4.1% discount to fair value

### Notes:-

- (1) Based on the independent valuer's opinion of the market value in its valuation certificates issued in February 2017.
- (2) Based on the aggregate of Lundu Oil Mill and Plantation Assets' fair value of RM28.7 million and Lundu Land (together with workers' quarters) fair value of RM5.0 million.
- (3) This refers to the market value of Sastat Estate owned by SHSB.
- (4) The market value of RM40.0 million represents a revaluation surplus of RM17.79 million (refer to the schedule set out in Section 4.5 of Part A of this Circular).

For the Oil Palm Estates, i.e. the Simunjan Estate and Sastat Estate, we note that the independent valuer has adopted the comparison method and discounted cash flow ("DCF") method of valuation as follows:-

- (i) The DCF method entails the following to derive its indicative market value:-
  - (A) The estimated annual gross sale income derived from the FFB on an ex-mill basis for the planted areas of the estates. The cash outflows including amongst others, general charges, maintenance and manuring costs, harvesting & transportation costs are then deducted from the annual gross sale income. The net annual income is discounted at an appropriate rate of return to arrive at its indicative market value; and
  - (B) The basic land value to which the planted land reverts at the end of the economic life of the oil palms. The basic land value is derived by aggregating the unimproved land value with the clearing and infrastructure costs on the estate and discounted at an appropriate rate of discount.
- (ii) 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. In comparing the properties, due consideration is given to factors such as location, accessibility, size, tenure, tile restrictions, land use zoning and other relevant factors to arrive at the independent valuer's opinion of value.

In relation to the valuation of Lundu Properties, we note that the independent valuer has applied the comparison method and depreciation replacement cost method as follows:-

- (i) The comparison method is adopted in formulating the independent valuer's opinion on the land value. Please refer to Section 5.2 (i) above for further details on the comparison method.
- (ii) The depreciated replacement cost method is used to value the building as well as plant and machinery. The value of the building and other improvements are derived from prevailing building costs less appropriate adjustments for depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation.

For plant and machinery, the gross current replacement cost of the machines is established by reference to the publicly quoted market comparables and adjustment is made after taking into consideration the remaining economic lifespan of the plant and machinery, current replacement prices, current state of technology and physical condition of the plant machinery.

Based on the independent valuers' valuation reports:-

- (i) we are of the view that the valuation methodologies adopted by the independent valuer are reasonable and consistent with generally applied valuation methodologies; and
- (ii) we are satisfied with the justifications and key assumptions adopted by the independent valuer in deriving the market value of the above assets.

Please refer to Sections 5.2.1 and 5.2.2 of this IAL for the commentaries on the valuation methodologies and details of the key assumptions.

### 5.2.1 Oil Palm Estates

In arriving at the value of the Simunjan Estate and Sastat Estate, the DCF method is adopted as a primary valuation method while the comparison method is used as a cross-check. We are of the view that the adoption of DCF method is the most appropriate as the said estates are income-generating and it takes into consideration of various factors such as date of planting, stand per hectare, yield per hectare, cost of productions which are unique to each state. As it is extremely difficult to find a comparable which shares the exact same characteristics as the said estates, adopting the comparable method would require various adjustments to be made to the comparable value which is often subjective and less reliable. Therefore, the comparison method is merely used as a guide.

Based on the above and the key bases and assumptions set out in the ensuing pages, the independent valuers have arrived at the market values of the Oil Palm Estates as follows:-

	Simunjan Estate	Sastat Estate
<b>Market value (RM million)</b>	143.7	40.0

The key bases and assumptions adopted in the valuation of Simunjan Estate and Sastat Estate based on the DCF method and our commentaries are set out below:-

No.	Key bases and assumptions	Our Commentaries																																				
1.	<p><b>Life span of oil palm trees</b></p> <p><u>Simunjan Estate and Sastat Estate</u> 25 years (3 years to maturity with cropping life of 22 years). It is assumed that the plantation estates will not be replanted with oil palm trees at the end of 25 years</p>	<p>Oil palm trees generally produce viable volumes of FFB over a lifespan of 25 to 30 years. Although the oil palm trees may still be productive after 25 years, the economics of harvesting FFB from oil palms are significantly reduced given the low yields coupled with higher cost of harvesting as the trees would have grown very high. Therefore, we are of the view that assuming a 25-year cycle is reasonable.</p> <p>In relation to the absence of replanting programme at the end of 25 years, the License Rights for Simunjan Estate to plant oil palms is only for a maximum period of 25 years only. For Sastat Estate, this is due to the difficulty in estimating the timing of replanting as well as the associated costs due to various works that may be carried out for planting of new oil palms. Even if the estate is assumed to be planted with oil palms until perpetuity, the valuation of Sastat Estate will likely be higher. In addition, the basic land value assuming a vacant plantation land at the end of 25 years has also been taken into account in the valuation. Please see 6 below for further details on the derivation of the basic land value</p> <p>Furthermore, for Simunjan Estate, we note that 5,370.4 ha of plantable reserve is assumed not to be planted with any oil palm trees during the remaining years of the LPF license period. Typically, oil palm trees achieve its peak crop yields from the age of 11 to 20 years. Assuming it takes two (2) years for land clearing and/or other developments necessary for planting and another three (3) years for the trees to reach maturity, the cropping life of the trees will be approximately seven (7) years only, yield of which may not be attractive to commensurate with the initial development costs. For Sastat Estate, the land area available for new planting is approximately 69.4 ha, which is negligible.</p>																																				
2.	<p><b>FFB, CPO and palm kernel price</b></p> <table border="1" data-bbox="233 1323 794 1518"> <thead> <tr> <th></th> <th>FFB (RM per MT)</th> <th>CPO (RM per MT)</th> <th>PK (RM per MT)</th> </tr> </thead> <tbody> <tr> <td>Simunjan Estate</td> <td>490.0</td> <td>2,600.0</td> <td>1,695.5</td> </tr> <tr> <td>Sastat Estate</td> <td>490.0</td> <td>2,600.0</td> <td>1,695.5</td> </tr> </tbody> </table>		FFB (RM per MT)	CPO (RM per MT)	PK (RM per MT)	Simunjan Estate	490.0	2,600.0	1,695.5	Sastat Estate	490.0	2,600.0	1,695.5	<p>We note that the adoption of the FFB, CPO and PK price in the valuation of the Oil Palm Estates are largely in line with the 10-year historical average price and within the range of the ten (10)-year historical prices sourced from Malaysian Palm Oil Board as shown below. The assumptions are therefore reasonable.</p> <table border="1" data-bbox="831 1458 1433 1715"> <thead> <tr> <th></th> <th>FFB</th> <th>CPO</th> <th>PK</th> </tr> </thead> <tbody> <tr> <td>MPOB 10-year Average Price</td> <td>518.6</td> <td>2,579.7</td> <td>1,682.3</td> </tr> <tr> <td>MPOB 10-year price range (Grade B)</td> <td>409.3 to 676.6</td> <td>2,153.0 to 3,219.0</td> <td>1,070.0 to 2,611.0</td> </tr> <tr> <td colspan="4">Premium/ (discount) to MPOB Average Rate:</td> </tr> <tr> <td>Simunjan Estate</td> <td>(5.5%)</td> <td>0.8%</td> <td>0.8%</td> </tr> <tr> <td>Sastat Estate</td> <td>(1.7%)</td> <td>0.8%</td> <td>0.8%</td> </tr> </tbody> </table>		FFB	CPO	PK	MPOB 10-year Average Price	518.6	2,579.7	1,682.3	MPOB 10-year price range (Grade B)	409.3 to 676.6	2,153.0 to 3,219.0	1,070.0 to 2,611.0	Premium/ (discount) to MPOB Average Rate:				Simunjan Estate	(5.5%)	0.8%	0.8%	Sastat Estate	(1.7%)	0.8%	0.8%
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4.	<p><b>FFB yield</b></p> <p><u>Simunjan Estate</u> 0 to 26.0 tonne per ha during the life span of the oil palms</p> <p><u>Sastat Estate</u> 4.0 to 24.0 tonne per ha during the life span of the oil palms</p>	<p>We are of the view that comparing the projected FFB yields with actual FFB yields achieved in the past may not be meaningful as certain areas of the Oil Palm Estates have been neglected, flooded or subject to flooding due to lack of maintenance. As such, the FFB yields which were achieved in the past may not be reflective of the future yields since the estates are undergoing rehabilitation programme which is expected to improve the yields.</p> <p>In view thereof, we have compared the projected yields adopted in the valuation of Simunjan Estate and Sastat Estate to the oil palm yield profile in Sarawak based on information sourced from MPOB. We note that the projected yields adopted are between the low to medium range achieved in the industry.</p> <p>Premised on the above, we view the projected yield assumptions as fair and reasonable.</p>																											
5.	<p><b>Basic land value</b></p> <p>The basic land value is derived by aggregating the unimproved land value (<i>based on comparison method</i>) with clearing and infrastructure costs.</p> <table border="1" data-bbox="233 1317 786 1541"> <thead> <tr> <th></th> <th>Simunjan Estate (RM per ha)</th> <th>Sastat Estate (RM per ha)</th> </tr> </thead> <tbody> <tr> <td>Unimproved land value</td> <td>1,500</td> <td>9,785.2</td> </tr> <tr> <td>Other costs</td> <td>6,500</td> <td>6,983.0</td> </tr> <tr> <td><b>Basic land value</b></td> <td><b>8,000</b></td> <td><b>16,768.2</b></td> </tr> </tbody> </table>		Simunjan Estate (RM per ha)	Sastat Estate (RM per ha)	Unimproved land value	1,500	9,785.2	Other costs	6,500	6,983.0	<b>Basic land value</b>	<b>8,000</b>	<b>16,768.2</b>	<p>We have reviewed the comparables and are of the view that these comparables adopted by the independent valuer to derive the unimproved land value is reasonable based on the following:</p> <p><u>Simunjan Estate</u> The comparable adopted for Simunjan Estate is a vacant land under the LPF status with 12 years remaining for oil palm activities, which was assigned for a value of RM1,764.3 per ha after making adjustments for amongst others, time, location and land size. In view that it is not economical to plant oil palm for a period of 12 years only, the independent valuer has applied a discount of 17.6% to arrive at RM1,500 per ha for the unimproved land value.</p> <p><u>Sastat Estate</u></p> <p>(i) The comparable adopted for the Oil Palm Estates is the most recent transaction among the available comparables; and</p> <p>(ii) The value adopted is the lowest among the comparable transactions.</p>															
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5.	Refer to above.	The unimproved land value derived above is then aggregated with infrastructure and site clearing costs based on actual costs incurred and/or informal inquiries with plantation developers or consultants.																					
6.	<p><b>Discount rate</b></p> <p><u>Simunjan Estate and Sastat Estate</u>  11.0% is used to discount the pre-tax cash flows generated during the life span of oil palm while 8.0% is used to discount the basic land value of the plantation estate at the end of 25 years.</p>	<p>In evaluating the discount rates, we have considered the discount rates adopted in precedent transactions announced on Bursa Securities in the past five (5) years involving the acquisition of plantation estates undertaken by major oil palm companies listed on the Main Market of Bursa Securities as follows:-</p> <table border="1" data-bbox="826 548 1460 1796"> <thead> <tr> <th data-bbox="834 555 1023 607">Details</th> <th data-bbox="1023 555 1193 607">Valuation Date</th> <th data-bbox="1193 555 1460 607">Discount rate</th> </tr> </thead> <tbody> <tr> <td data-bbox="834 607 1023 801">Transaction 1<sup>(1)</sup></td> <td data-bbox="1023 607 1193 801">March 2016</td> <td data-bbox="1193 607 1460 801">Discount rate for cash flows : 9.0% - 9.75%  Discount rate for basic land value : 4.5%</td> </tr> <tr> <td data-bbox="834 801 1023 996">Transaction 2<sup>(2)</sup></td> <td data-bbox="1023 801 1193 996">June 2015</td> <td data-bbox="1193 801 1460 996">Discount rate for cash flows : 7.25% - 9.0%  Discount rate for basic land value : 2.5% to 3.5%</td> </tr> <tr> <td data-bbox="834 996 1023 1191">Transaction 3<sup>(3)</sup></td> <td data-bbox="1023 996 1193 1191">August 2012</td> <td data-bbox="1193 996 1460 1191">Discount rate for cash flows : 9.5% - 10.5%  Discount rate for basic land value : 5.0%</td> </tr> <tr> <td data-bbox="834 1191 1023 1386">Transaction 4<sup>(4)</sup></td> <td data-bbox="1023 1191 1193 1386">June 2012</td> <td data-bbox="1193 1191 1460 1386">Discount rate for cash flows : 10.0% - 10.75%  Discount rate for basic land value : 5.0%</td> </tr> <tr> <td data-bbox="834 1386 1023 1581">Transaction 5<sup>(5)</sup></td> <td data-bbox="1023 1386 1193 1581">June 2012</td> <td data-bbox="1193 1386 1460 1581">Discount rate for cash flows : 10.0% - 10.5%  Discount rate for basic land value : 5.0%</td> </tr> <tr> <td colspan="2" data-bbox="834 1581 1193 1796">Range</td> <td data-bbox="1193 1581 1460 1796">Discount rate for cash flows : 7.25% - 10.75%  Discount rate for basic land value : 2.5% to 5.0%</td> </tr> </tbody> </table>	Details	Valuation Date	Discount rate	Transaction 1 <sup>(1)</sup>	March 2016	Discount rate for cash flows : 9.0% - 9.75%  Discount rate for basic land value : 4.5%	Transaction 2 <sup>(2)</sup>	June 2015	Discount rate for cash flows : 7.25% - 9.0%  Discount rate for basic land value : 2.5% to 3.5%	Transaction 3 <sup>(3)</sup>	August 2012	Discount rate for cash flows : 9.5% - 10.5%  Discount rate for basic land value : 5.0%	Transaction 4 <sup>(4)</sup>	June 2012	Discount rate for cash flows : 10.0% - 10.75%  Discount rate for basic land value : 5.0%	Transaction 5 <sup>(5)</sup>	June 2012	Discount rate for cash flows : 10.0% - 10.5%  Discount rate for basic land value : 5.0%	Range		Discount rate for cash flows : 7.25% - 10.75%  Discount rate for basic land value : 2.5% to 5.0%
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Transaction 4 <sup>(4)</sup>	June 2012	Discount rate for cash flows : 10.0% - 10.75%  Discount rate for basic land value : 5.0%																					
Transaction 5 <sup>(5)</sup>	June 2012	Discount rate for cash flows : 10.0% - 10.5%  Discount rate for basic land value : 5.0%																					
Range		Discount rate for cash flows : 7.25% - 10.75%  Discount rate for basic land value : 2.5% to 5.0%																					

No.	Key bases and assumptions	Our Commentaries
7.	Refer to above.	<p><u>Notes:</u></p> <p>(1) <i>Proposed acquisitions by Sarawak Oil Palms Berhad of 100% equity interest of Shin Yang Oil Palm (Sarawak) Sdn Bhd from Shin Yang Holding Sdn Bhd</i></p> <p>(2) <i>Proposed disposal by Golden Land Berhad of 100% equity interest in Yapidmas Plantation Sdn Bhd, Ladang Kluang Sdn Bhd and Tanah Emas Oil Palm Processing Sdn Bhd</i></p> <p>(3) <i>Proposed disposal by Weida (M) Berhad to TH Plantations Berhad of 51.43% interest in Bumi Suria Ventures Sdn Bhd and 100% equity interest in Maju Warisanmas Sdn Bhd to TH Plantations Berhad</i></p> <p>(4) <i>Proposed acquisition by TH Plantations Berhad of the entire equity interest in TH Ladang (Sabah &amp; Sarawak) Sdn Bhd and 70% Equity interest in TH Bakti Sdn Bhd</i></p> <p>(5) <i>Proposed acquisition of 40% and 35% equity interest in SOP Plantations (Beluru) Sdn Bhd and SOP Plantations (Kemena) Sdn Bhd respectively from Shin Yang Holding Sdn Bhd</i></p> <p>We note that the discount rate for cash flows of 11.0% adopted in the valuation of Oil Palm Estates is slightly higher than 10.75% while the discount rate for basic land value of 8% is not within the range of precedent transactions.</p> <p>For Simunjan Estate, the higher discount rate of 8% is adopted as the said estate is under the LPF status via assignment of Licence Rights, which is riskier as opposed to a titled land. For Sastat Estate, the higher discount rate of 8% is adopted after taking into consideration, amongst others, the location and development potential in view that the said estate is presently not accessible by road.</p> <p>For analysis purpose, we have done a simulation to assess the impact to the valuation of the Oil Palm Estates if the discount rate for reversionary value is reduced to 5% as per majority of the precedent transactions above.</p> <p>Based on our simulation, we note that the market value of Simunjan Estate will increase by 0.1% to RM150.1 million which is not material while the market value for Sastat Estate will increase by 7.7% to RM43.1 million, which is higher than the purchase consideration of RM40.0 million.</p> <p>Premised on the above, we are of the view that the discount rates are reasonable.</p>

## 5.2.2 Lundu Properties

The (i) Lundu Oil Mill and Plantation Assets and (ii) Lundu Land and workers' quarters are valued at RM28.7 million and RM5.0 million respectively by the independent valuer. We are of the view that the depreciated replacement cost method applied to the valuation of Lundu Oil Mill is appropriate as there are no direct sale comparables of similar capacity, age or location to provide exact indications of value. The summary of Lundu Oil Mill and Lundu Land valuation together with our commentaries are set out below.

Description	Valuation methodology	Market Value (RM million)	Our commentaries
Land	Comparison method	2.5	We note that there were not any vacant plantation lands transacted in Sarawak in recent years and the latest available transactions were transacted from year 2009 to 2011. Based on the available comparable transactions coupled with adjustments made due to differences in, amongst others, time factor, land purpose, land condition and type of soil, we note that the valuation range of the comparables is between RM32,000 to RM37,000 per ha. The independent valuer has adopted the land value at RM37,000 per ha as it is the most recent and least adjusted comparable.
Building	Depreciated replacement cost method	2.5	The value of the building is derived by aggregating the value of different types of building, including bungalow, semi-detached house and terrace house based on the Construction Cost Handbook Malaysia 2016 ("Handbook"). We note that the construction costs adopted to derive the value of the building are largely in line with the handbook.
Plant and Machinery and 4 specific motor vehicles	Depreciated replacement cost method	28.7 <sup>(1)</sup>	We note that the oil mill is valued at RM27.9 million ( <i>inclusive of upgrade works of RM1.1 million</i> ), representing 93% of the total valuation of the Lundu Oil Mill while the remaining 7% is relating to mobile equipment, motor vehicles and office furniture equipment. Based on the market comparables, we note that the average cost per processing capacity used in deriving the Gross Current Replacement Cost ("GCRC") of the oil mill is approximately RM1.1 million per MT per hour. The independent valuer has adopted RM1.0 million per MT per hour to derive the GCRC of Lundu Oil Mill. As the GCRC is derived based on the construction costs of similar-sized palm oil mill constructed in the past five (5) years, we are of the view that RM1.0 million is reasonable. Based on 45 tons processing capacity, the GCRC of the oil mill is approximately RM47.0 million with adjustments made for depreciation to reflect remaining life span of 14.25 years ( <i>total life span of 25 years</i> ).
<b>Lundu Properties</b>		<b>33.7</b>	

Note:-

(1) Includes RM26.8 million for oil mill, RM1.1 million for upgrade works and RM0.8 million for other plant and machinery.

Premised on the above, we are of the opinion that market value ascribed by the independent valuer for the Lundu Properties is fair and reasonable.



### 5.3 Salient terms of the sale and purchase agreements

Our commentaries on the salient terms of the Simunjan Agreement, Lundu Acquisition SPA, the Supplementary Lundu Acquisition SPA and SSA as set out in Appendix I of the Circular are as follows:-

#### (i) Proposed Disposal of Simunjan Estate (a) Salient terms of the Simunjan Agreement

Reference in Part A of the Circular	Salient terms of the Simunjan Agreement	Our commentaries
Appendix I	<p><b>Disposal consideration</b></p> <p>The Disposal Consideration shall be satisfied by TMSB in the following manner:</p> <p>(1) RM15.0 million as deposit ("<b>Simunjan Deposit</b>"), to be paid to RSB within 7 business days upon the signing of the Simunjan Agreement and of which TMSB's solicitors shall retain RM4.5 million from the Simunjan Deposit for the purpose of RPGT ("<b>RPGT Amount</b>"); and</p> <p>(2) RM135.0 million ("<b>Balance Sum</b>") to be paid within 2 months after the date upon which all of the Conditions Precedent are fulfilled or waived, as the case may be ("<b>Completion Period</b>") in the following manner:</p> <p>(i) to fully settle the redemption sum payable to Hong Leong in accordance with the redemption statement cum letter of undertaking obtained from Hong Leong addressed to the financier of TMSB within the Completion Period to procure the discharge and release of the following securities within the Completion Period:</p> <p>(aa) the debenture created over the movable and immovable properties and assets to the Licence Rights over the Simunjan Estate to and in favour of Hong Leong; and</p> <p>(bb) the corporate guarantee given by RSB to and in favour of Hong Leong; and,</p> <p>(ii) thereafter, the remaining Balance Sum to be paid over to RSB directly on or before the Completion Date.</p>	<p><b>Reasonable.</b> This clause is a normal commercial term typical to transactions of such nature.</p>

Reference in Part A of the Circular	Salient terms of the Simunjan Agreement	Our commentaries
Appendix I	<p data-bbox="165 1285 193 1541"><b>Conditions precedent</b></p> <p data-bbox="225 680 304 1541">The Proposed Disposal is subject to the following conditions being fulfilled within 6 months from the date of the Simunjan Agreement or such extended period as may be mutually agreed by the parties ("<b>Stipulated Period</b>"):</p> <ol data-bbox="331 680 1193 1541" style="list-style-type: none"> <li data-bbox="331 680 384 1541">(1) RSB obtaining the approval of its shareholders in a general meeting for the Proposed Disposal;</li> <li data-bbox="416 680 528 1541">(2) Subur Tiasa obtaining the approval of its shareholders in a general meeting for TMSB to acquire the Licence Rights including the development costs, biological assets, commercial rights and all fixture and fittings relating thereto;</li> <li data-bbox="560 680 799 1541">(3) RSB obtaining, at its own cost and expense, (i) the approval of the Director of Forests of the Forest Department, Sarawak ("<b>Director</b>") and/or the Minister of Planning and Resource Management Sarawak ("<b>Minister</b>") for the absolute assignment of the Licence Rights in favour of TMSB and to the form and content of the deed of assignment to be executed between RSB and TMSB for such assignment of the Licence Rights ("<b>Assignment</b>"); and (ii) the endorsement of the Director of a revised tree planting plan to the tree planting plan that has been approved by the Director;</li> <li data-bbox="831 680 943 1541">(4) TMSB being satisfied with the results of a financial and legal due diligence review on the Licence Rights, and all other matters relating to the Licence Rights deemed necessary by TMSB in its sole and absolute discretion to be satisfactory;</li> <li data-bbox="975 680 1027 1541">(5) RSB shall settle all existing liabilities owing to trade creditors for the development of the Simunjan Estate;</li> <li data-bbox="1059 680 1193 1541">(6) RSB procuring a redemption statement cum letter of undertaking from Hong Leong Bank Berhad ("<b>Hong Leong</b>") addressed to the financier of TMSB on the redemption sum payable to settle the credit facilities granted by it, among others for the development of the Simunjan Estate; and</li> </ol>	<p data-bbox="165 208 304 658"><b>Reasonable.</b> These terms set out the approvals / procedures which are customary to facilitate the completion of the Proposed Disposal of Simunjan Estate.</p> <p data-bbox="331 208 759 658">As for the condition of (3) (ii), i.e. the endorsement of the Forest Department Sarawak of a revised tree planting plan, we understand that the revision will not result in any change in the market value of the Simunjan Estate pursuant to RSB's Letter of Undertaking dated 22 February 2017 which undertakes that the revised tree planting plan to be approved will be consistent with the bases and assumptions used in arriving at the market value as ascribed by the independent valuer.</p>

Reference in Part A of the Circular	Salient terms of the Simunjan Agreement	Our commentaries
Appendix I	<p>(7) all other approvals, consents or permissions from any regulatory authority or third party required by RSB for the Proposed Disposal, collectively referred to as “<b>Conditions Precedent</b>”). The Conditions Precedent may be waived by TMSB in whole or in part with or without terms or conditions in so far as the same is permitted by law.</p> <p>If the Conditions Precedent are not fulfilled within the Stipulated Period or deemed not to be fulfilled due to certain conditions imposed by the regulatory authorities, then within 7 business days from the next day following the expiry of the Stipulated Period or the earlier determination of the Simunjan Agreement:</p> <p>(1) RSB shall refund any monies paid by TMSB to RSB towards the Disposal Consideration, free of interest save for the amount for the RPGT which shall be released and returned to TMSB; and</p> <p>(2) in exchange, TMSB shall return to RSB, all documents and things forwarded to TMSB by RSB,</p> <p>and thereafter, the Simunjan Agreement shall be deemed terminated and neither RSB nor TMSB shall have any claim for costs, damages or compensation against each other except where such costs or damages were incurred arising from any breach of the Simunjan Agreement prior to such termination.</p> <p>The relevant party shall, within thirty (30) days from the date of the Simunjan Agreement or such other time frame as may be practicable in the circumstances, apply to the relevant regulatory authorities. RSB and TMSB covenant and undertake with each other to provide all information that shall be required by the relevant regulatory authorities.</p>	Same as above.

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Reference in Part A of the Circular	Salient terms of the Simunjan Agreement	Our commentaries
Appendix I	<p><b>Outstanding litigation</b></p> <p>(1) RSB will use its best endeavours to cause and procure the existing litigation case affecting the plantation area under the Licence Rights to be settled or resolved culminating in a discontinuance or withdrawal before the trial court before the Completion Date.</p> <p>(2) If the existing litigation case affecting the plantation area under the Licence Rights cannot be settled or resolved by the Completion Date, but a declaration or decision is made by the trial court judge to the effect that the plantation area under the Licence Rights or any part thereof is subject to native customary rights and the aggrieved parties to the said existing litigation case have exhausted all rights of appeal against such declaration or decision made by the trial court judge, RSB shall compensate TMSB in respect of such part of the plantation area under the Licence Rights so affected by the declaration or decision of the trial court judge with cash consideration computed based on the valuation per hectare provided in the valuation report by the valuer appointed by TMSB for the Proposed Disposal.</p>	<p><b>Reasonable.</b></p> <p>As set out under "Material Litigation" in Paragraph 5 of Appendix VII, Part A of this Circular, there is an ongoing litigation relating to native customary rights claim against certain portions of the Simunjan Estate land.</p> <p>We view the terms set out to protect the interest of TMSB in the event the court rules in favour of the natives, as reasonable. This is because in such an instance where the court rules in favour of the natives' customary claims, the compensation to TMSB will be in respect of such part of the Simunjan Estate so affected by the declaration or decision of the court and computed based on the valuation per ha provided in the valuation report by the independent valuer of TMSB for the purpose of the Simunjan Agreement.</p>

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Reference in Part A of the Circular	Salient terms of the Simunjan Agreement	Our commentaries
Appendix I	<p><b>Completion</b></p> <p>The Simunjan Agreement shall be completed on a date falling within the Completion Period or Extended Completion Period (as defined herein) when the Balance Sum has been paid in full by TMSB to RSB ("Completion Date"), whereupon RSB shall:</p> <ol style="list-style-type: none"> <li>(1) deliver the original LPF/0035 and the original assignment executed by RSB with the endorsement of consent or written consent by the Director and/or the Minister, to TMSB;</li> <li>(2) hand over such documents or records relating to the development costs for the development of the Simunjan Estate to TMSB; and</li> <li>(3) hand over and/or relinquish its rights to and over the biological assets, commercial rights and all the fixture and fittings at in or to the Simunjan Estate to TMSB.</li> </ol> <p>For purposes of this paragraph, "Extended Completion Date" refers to a situation where if the time for payment of the Disposal Consideration or part thereof is extended by RSB at the written request of TMSB, the Completion Period shall be extended for the same period of such extended time for payment.</p>	<p><b>Reasonable.</b> This clause is a normal commercial term which sets out the timeframe for completion of the Proposed Disposal.</p>
Appendix I	<p><b>Default</b></p> <p>If any party before the Completion Date:</p> <ol style="list-style-type: none"> <li>(1) neglect or by wilful default fail or refuse or be unable to perform any of its obligation under the Simunjan Agreement; or</li> <li>(2) neglect or by wilful default fail or refuse or be unable to complete this transaction in accordance with the provisions in the Simunjan Agreement; or</li> <li>(3) materially breach any of the provisions of the Simunjan Agreement;</li> </ol>	<p><b>Reasonable.</b> This clause is a normal commercial term which governs the rights of the non-defaulting party should there be any breaches of the Simunjan Agreement by the defaulting party.</p>

Reference in Part A of the Circular	Salient terms of the Simunjan Agreement	Our commentaries
Appendix I	<p>the party not in breach ("Non-Defaulting Party") shall be entitled to elect as follows;</p> <p>(i) If RSB is the Non-Defaulting Party, RSB shall be entitled to elect not to proceed with the Simunjan Agreement, and terminate the Simunjan Agreement by giving written notice to TMSB, which termination shall take effect from such date stipulated in said notice. RSB shall then be entitled to claim or forfeit the Simunjan Deposit paid by TMSB (of which the RPGT Amount shall be released to RSB by TMSB's solicitors) as pre-estimated liquidated damages and refund to TMSB the Balance Sum or such part thereof paid by TMSB free of interest. All documents and things in relation to the Simunjan Agreement shall be returned to RSB. Thereafter, the Simunjan Agreement shall be null and void, and neither RSB nor TMSB shall have any further claims against each other, except where such claims were incurred arising from any breach of the Simunjan Agreement prior to such termination;</p> <p>(ii) If TMSB is the Non-Defaulting Party, TMSB shall be entitled to elect not to proceed with the Simunjan Agreement and terminate the Simunjan Agreement by giving a written notice to RSB, which termination shall take effect from such date stipulated in said notice. All the monies paid by TMSB shall then be refunded to TMSB free of interest together with a sum equivalent to the Simunjan Deposit (excluding the RPGT Amount which shall be released to TMSB by TMSB's solicitors) as pre-estimated liquidated damages. All documents and things in relation to the Simunjan Agreement shall be returned to RSB. Thereafter, the Simunjan Agreement shall be null and void and neither RSB nor TMSB shall have any further claims against each other, except where such claims were incurred arising from any breach of the Simunjan Agreement prior to such termination;</p> <p>(iii) or alternatively, to complete the Simunjan Agreement in which case the remedy of specific performance of the Simunjan Agreement under the Specific Relief Act, 1950 shall be available to the Non-Defaulting Party without any prejudice to the Non-Defaulting Party's right to claim against the party in default for any damages, losses, costs, expenses or outgoings whatsoever arising from or in connection with the events of sub-clause (i) and/or sub-clause (ii) above.</p>	Same as above.

(ii) Proposed Lundu Acquisition

(a) Salient terms of the Lundu Acquisition SPA

Reference in Part A of the Circular	Salient terms of the Lundu Acquisition SPA and Supplementary Lundu Acquisition SPA	Our commentaries
Appendix I	<p data-bbox="312 1155 336 1538"><b>Purchase Consideration of Lundu</b></p> <p data-bbox="363 674 448 1538">(1) The Purchase Consideration of Lundu shall be paid by RSB Lundu to R H Lundu by way of cash or such other manner as mutually to be agreed upon, in the following manner:</p> <ul data-bbox="475 674 727 1447" style="list-style-type: none"><li data-bbox="475 674 587 1447">(i) RM3.37 million, representing 10% of the Purchase Consideration of Lundu ("Deposit"), as deposit, within 7 business days after the execution of the Lundu Acquisition SPA; and</li><li data-bbox="614 674 727 1447">(ii) RM30.33 million, representing 90% of the Purchase Consideration of Lundu ("<b>Balance Sum</b>"), within 3 days upon registration of the transfer of the Lundu Land to RSB Lundu being accepted by the Kuching land registry office.</li></ul> <p data-bbox="754 674 919 1538">(2) RSB Lundu shall retain RM0.15 million, representing 3% of the Purchase Consideration of Lundu, to pay the Inland Revenue Board of Malaysia ("<b>IRB</b>") for contingent RPTG arising from the disposal of the Lundu Land by R H Lundu. Such payment to IRB shall be deemed to be payment towards the Purchase Consideration of Lundu by RSB Lundu to R H Lundu.</p> <p data-bbox="946 674 1096 1538">(3) For the avoidance of doubt, the Purchase Consideration of Lundu is inclusive of the consideration sum for the Plantation Assets and the 4 specific motor vehicles owned and used by R H Lundu for the purpose of or in connection with the operations of the Lundu Oil Mill but exclusive of Goods and Services Tax.</p>	<p data-bbox="312 215 397 674"><b>Reasonable.</b> This clause is a normal commercial term typical to transactions of such nature.</p>

Reference in Part A of the Circular	Salient terms of the Lundu Acquisition SPA and Supplementary Lundu Acquisition SPA	Our commentaries
Appendix I	<p><b>Conditions precedent</b></p> <p>(1) The Lundu Acquisition SPA is subject to the following conditions being fulfilled:</p> <ul style="list-style-type: none"> <li>(i) the completion of a legal due diligence review to be conducted on, among others, the Lundu Land, the Lundu Oil Mill and the Plantation Assets to the satisfaction of RSB Lundu;</li> <li>(ii) the completion of the subdivision of the Parent Lot 248 culminating in the issuance of a separate document of title to the Lundu Land with a term of lease of 60 years from the date of registration of the provisional lease of the Parent Lot 248 by the Lands and Surveys Kuching Division;</li> <li>(iii) the Director of Lands and Surveys Kuching Division's consent for the transfer of the Lundu Land to RSB Lundu;</li> <li>(iv) the Superintendent of Lands and Surveys' consent in writing for the transfer of the Lundu Land to RSB Lundu in accordance with Section 31 of the Sarawak Land Code;</li> <li>(v) the completion of the Proposed Disposal;</li> <li>(vi) the approvals of the Board of Directors and the shareholders of R H Lundu for the disposal of the Lundu Land, Lundu Oil Mill and Plantation Assets;</li> <li>(vii) the approval of the Board of Directors of RSB Lundu for the Proposed Lundu Acquisition;</li> <li>(viii) the approval of the shareholders of RSB in a general meeting for the Proposed Lundu Acquisition; and</li> <li>(ix) all such other approvals, consents or authorisations from the relevant authorities or parties.</li> </ul> <p>(collectively referred to as the "Conditions Precedent")</p> <p>(2) The Conditions Precedent shall be fulfilled within 12 months from the date of the Lundu Acquisition SPA, or such other extended period as the parties hereto may mutually agree upon in writing.</p>	<p><b>Reasonable.</b> These terms set out the approvals / procedures which are customary to facilitate the completion of the Proposed Acquisition of the Lundu Properties.</p> <p>The completion of the Proposed Disposal stated in 1(v) is part of the Conditions Precedent given that the purchase consideration of Proposed Lundu Acquisition will be satisfied via the Disposal Consideration.</p>



Reference in Part A of the Circular	Salient terms of the Lundu Acquisition SPA and Supplementary Lundu Acquisition SPA	Our commentaries
Appendix I	<p><b>Completion</b></p> <p>Delivery of vacant possession and completion</p> <p>(1) Upon the full payment of the Purchase Consideration of Lundu, R H Lundu will deliver vacant possession of the Lundu Land and also the legal and vacant possession of the workers' quarters and hand over all activities (business or otherwise), operations and management of the Lundu Oil Mill to RSB Lundu and all risks to the Lundu Land shall pass to RSB Lundu, as well as the 4 specific motor vehicles including its original endorsement certificates.</p> <p>(2) At any time within 2 months from the date of fulfilment of the last Conditions Precedent:</p> <p>(i) R H Lundu shall handover all existing licences, consents, permits, authorisations and/or approvals from authorities (public and private) with respect to the operations of the Lundu Oil Mill and where any of such licences, consent, permits, authorisations and/or approvals are issued in the name of R H Lundu, R H Lundu shall procure for the same to be renewed and issued in the name of RSB Lundu;</p> <p>(ii) R H Lundu shall procure the legal ownership of all Plantation Assets owned, leased or hired by R H Lundu in connection with the operations of the Lundu Oil Mill, to be transferred or leased to RSB Lundu and handover ownership of the same to RSB Lundu and update the relevant records in its assets register;</p> <p>(iii) RSB Lundu shall decide whether to retain any employees of R H Lundu and R H Lundu shall be responsible for those employees not retained by RSB Lundu including making any pay-offs or redundancy payments to such employees at its own cost and expense; and</p> <p>(iv) R H Lundu and RSB Lundu shall mutually discuss and agree on the consideration sum to be paid by RSB Lundu to R H Lundu for the individual sale and transfer of any other motor vehicles owned by R H Lundu in connection with the operations of the Lundu Oil Mill.</p>	<p><b>Reasonable.</b> This clause is a normal commercial term which sets out the timeframe for completion of the Lundu Acquisition SPA.</p>

Reference in Part A of the Circular	Salient terms of the Lundu Acquisition SPA and Supplementary Lundu Acquisition SPA	Our commentaries
	<p>(3) The Lundu Acquisition will be completed on the date of the registration of the Memorandum of Transfer affecting the Lundu Land at the Kuching land registry office and the payment of the Balance Sum by RSB Lundu to R H Lundu ("Completion Date")</p>	
Appendix I	<p><b>Breach / Termination</b></p> <p><u>Termination by RSB Lundu</u></p> <p>(1) RSB Lundu is entitled to terminate the Lundu Acquisition SPA by way of a written notice to R H Lundu ("<b>RSB Termination Notice</b>") on or before the Completion Date, such termination to be effective from the date of the RSB Termination Notice, if any of the following occur after the execution of the Lundu Acquisition SPA but before the Completion Date:</p> <ul style="list-style-type: none"> <li>(i) R H Lundu refuses or is unable to complete the sale and transfer of the Lundu Land and the Plantation Assets through no fault of RSB Lundu;</li> <li>(ii) R H Lundu fails to execute and deliver to RSB Lundu the Memorandum of Transfer and such other documents as are necessary to register the transfer of the Lundu Land to RSB Lundu;</li> <li>(iii) there is a breach of the warranties given of R H Lundu, which cannot be remedied to the satisfaction of RSB Lundu within 20 business days or any other period as otherwise agreed by RSB Lundu;</li> <li>(iv) there is a material breach of any terms or conditions of the Lundu Acquisition SPA or a failure to perform or observe any undertaking or obligation in the Lundu Acquisition SPA by R H Lundu, which R H Lundu has refused or is unable to remedy within 14 business days from the date of receipt of the notice of the breach by R H Lundu from RSB Lundu; or</li> </ul>	<p><b>Reasonable.</b> This clause is a normal commercial term which governs the rights of the non-defaulting party should there be any breaches of the Lundu Acquisition SPA.</p>

Reference in Part A of the Circular	Salient terms of the Lundu Acquisition SPA and Supplementary Lundu Acquisition SPA	Our commentaries
Appendix I	<p>(v) there is an order made or resolution passed or analogous proceeding taken for the winding up or dissolution of R H Lundu or if R H Lundu is deemed unable to pay its debts under Section 466(1) of the Companies Act, 2016 or has a receiver and manager appointed over all or a substantial part of its undertakings and assets.</p> <p>(2) Termination takes effect from such date stated in the RSB Termination Notice where:</p> <p>(i) R H Lundu shall refund to RSB Lundu all monies paid by RSB Lundu;</p> <p>(ii) R H Lundu shall pay RSB Lundu a sum equivalent to the Deposit as agreed pre-estimated liquidated damages;</p> <p>(iii) RSB Lundu shall return all documents pertaining to the Lundu Land and the Plantation Assets to R H Lundu for cancellation;</p> <p>(iv) RSB Lundu shall withdraw the caveat lodged against the Parent Lot 248 or any part thereof,</p> <p>and thereafter, neither party shall have any claims against the other party.</p>	Same as above.
	<p><u>Termination by R H Lundu</u></p> <p>(1) if after the execution of the Lundu Acquisition SPA but before RSB Lundu fails, refuses or is unwilling to pay the Purchase Consideration of Lundu or any part thereof or is unable to complete the Proposed Lundu Acquisition through no fault of R H Lundu, R H Lundu is entitled to terminate the Lundu Acquisition SPA by way of a written notice to RSB Lundu ("<b>R H Lundu Termination Notice</b>") on or before the Completion Date.</p> <p>(2) Termination takes effect from such date stated in the R H Lundu Termination Notice where:</p> <p>(a) the Deposit shall be forfeited to R H Lundu as agreed pre-estimated liquidated damages;</p>	

Reference in Part A of the Circular	Salient terms of the Lundu Acquisition SPA and Supplementary Lundu Acquisition SPA	Our commentaries
Appendix I	<p>(b) all other monies received by R H Lundu as part of the Purchase Consideration of Lundu (except for Deposit) shall be returned free of interest to RSB Lundu;</p> <p>(c) RSB Lundu shall return all documents pertaining to the Lundu Land and the Plantation Assets to R H Lundu for cancellation;</p> <p>(d) RSB Lundu shall withdraw the caveat lodged against the Parent Lot 248 or any part thereof at RSB Lundu's cost and expenses,</p> <p>and thereafter, neither party shall have any claims against the other party.</p> <p><u>Mutual termination</u> R H Lundu and RSB Lundu may mutually agree to terminate the Lundu Acquisition SPA before the Completion Date at the election of either R H Lundu or RSB Lundu where:</p> <p>(1) R H Lundu shall refund to RSB Lundu all monies which may have been paid by RSB Lundu to R H Lundu under the Lundu Acquisition SPA, if any;</p> <p>(2) RSB Lundu shall return all documents pertaining to the Lundu Land and the Plantation Assets to R H Lundu for cancellation;</p> <p>(3) RSB Lundu shall withdraw the caveat lodged against the Parent Lot 248 or any part thereof,</p> <p>and thereafter, neither party shall have any claims against the other party.</p>	Same as above.

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(iii) Proposed Acquisition of SHSB

(a) Salient terms of the SSA

Reference in Part A of the Circular	Salient terms of the SSA	Our commentaries
Appendix I	<p><b>Purchase Consideration of SHSB</b></p> <p>(1) The Purchase Consideration of SHSB shall be paid in cash in the following manners:</p> <p>(i) RM1.7 million, representing 10% of the Purchase Consideration of SHSB, as the deposit, within 7 business days from the date of the SSA ("SSA Deposit"); and</p> <p>(ii) RM15.3 million, representing 90% of the Purchase Consideration of SHSB ("Balance Purchase Consideration"), subject to Adjustments (as defined herein), on the completion date (i.e. being the date to be agreed between RSB and the SHSB Vendors or, in the absence of such date, the last day of the period of 60 days from the date where last Condition is met or such later date as mutually agreed by the parties ("Completion Date")).</p> <p>(2) RSB's solicitors shall pay a sum equivalent to 3% of the Purchase Consideration of SHSB, on behalf of the SHSB Vendors, to the Director General of the IRB within 60 days from the date of the SSA, in compliance with the Real Property Gains Tax Act, 1976. This amount shall form part of the SSA Deposit.</p> <p>(3) If the NA of SHSB as per the 2016 Audited Accounts is lower than the NA as per the 2016 Unaudited Accounts by more than RM100,000.00 ("NA Shortfall"), the Purchase Consideration of SHSB shall be reduced by such amount equivalent to the NA Shortfall.</p> <p>(4) No adjustment will be made to the Purchase Consideration of SHSB if the NA Shortfall is RM100,000.00 or less. The NA Shortfall shall be deducted from the Balance Purchase Consideration accordingly.</p>	<p><b>Reasonable.</b> This clause is a normal commercial term typical to transactions of such nature.</p>

Reference in Part A of the Circular	Salient terms of the SSA	Our commentaries
	<p>(5) If any adjustments to the market value as ascribed by the registered valuer which results in the final market value on the land owned by SHSB being lower than the initial market value obtained by RSB prior to the date of SSA, by more than 5% ("MV Shortfall"), the Purchase Consideration of SHSB shall be reduced by such amount equivalent to the MV Shortfall.</p> <p>(6) No adjustment will be made to the Purchase Consideration of SHSB if the MV Shortfall is within a variance of 5% of the initial market value. The MV Shortfall shall be paid together with the payment of the Balance Purchase Consideration or be deducted therefrom accordingly.</p>	
Appendix I	<p><b>Conditions</b></p> <p>(1) The SSA is conditional upon the following being met by the last day of the period of 6 months from the date of the SSA, with an extension of a further 6 months if any of the Conditions is not fulfilled by the expiry of the first 6 months:</p> <ul style="list-style-type: none"> <li>(i) a resolution of the Directors and shareholders of RSB and the SHSB Vendors approving the SSA;</li> <li>(ii) RSB being satisfied with the results of due diligence reviews and any other inquiries and investigations of SHSB;</li> <li>(iii) all the approvals, consents or authorisations from relevant authorities or parties, of SHSB for the transaction and matters contemplated by the SSA being obtained;</li> <li>(iv) upon the completion of the Proposed Disposal; and</li> <li>(v) upon receipt of the audited financial statements of SHSB for the FYE 31 August 2016 ("2016 Audited Account").</li> </ul> <p>(collectively referred to as "Conditions")</p>	<p><b>Reasonable.</b> These terms set out the approvals / procedures which are customary to facilitate the completion of the Proposed Acquisition of SHSB.</p> <p>The completion of the Proposed Disposal stated in 1(iv) is part of the Conditions Precedent given that the purchase consideration of Proposed Acquisition of SHSB will be satisfied via the Disposal Consideration.</p>

Reference in Part A of the Circular	Salient terms of the SSA	Our commentaries
Appendix I	<p><b>Completion</b></p> <p><u>Completion</u> Subject to all Conditions above being fulfilled, the completion of the sale and purchase of the SHSB Shares shall take place on the Completion Date.</p> <p><u>Post-completion obligations of RSB</u> The SHSB Vendors represent that as at 31 January 2017, a sum of RM22,958,386.30 has been advanced to SHSB by Tiong Toh Siong &amp; Sons Sdn Bhd ("TTSS"), of which Tan Sri Tiong is a shareholder, on an interest-free basis ("Advance"). RSB undertakes to fully and unconditionally repay the Advance within a period of 12 months after the fulfillment of all Conditions. The SHSB Vendors agree that prior to such date, RSB or SHSB shall not be required to make repayment of the Advance and no demand shall be made by TTSS for such repayment.</p>	<p><b>Reasonable.</b> This clause is a normal commercial term which sets out the timeframe for completion of the SSA.</p> <p><b>Fair.</b> This amount of advances of RM22,958,386.30 has been taken into consideration in the valuation of SHSB Shares.</p> <p>In the event the Advance is not repaid in full after 12 months post-fulfilment of all Conditions, we understand the parties may negotiate in good faith to complete the obligations of RSB based on a mutually agreed extended timeframe as set out in Section 4.7, Part A of this Circular, which we view as reasonable.</p>
Appendix I	<p><b>Termination / specific performance</b></p> <p>(1) The SSA may be terminated prior to completion in any of the following events:</p> <ul style="list-style-type: none"> <li>(i) termination by either party, if any of the Conditions is not satisfied; or</li> <li>(ii) termination by the party not in breach, if RSB or any of the SHSB Vendors breaches all or any of the material terms of the SSA or any of the warranties; or</li> <li>(iii) termination by the party which is not the party that has become insolvent; or</li> <li>(iv) termination by RSB, if RSB is unable to complete the purchase of the all the SHSB Shares; or</li> <li>(v) termination by the party not in breach, if any of the warranties is or has become materially inaccurate or misleading.</li> </ul>	<p><b>Reasonable.</b> This clause is a normal commercial term which governs the rights of the non-defaulting party should there be any breaches of the SSA.</p>

Reference in Part A of the Circular	Salient terms of the SSA	Our commentaries
(2)	<p>If the SSA is terminated on grounds other than a breach on the part of RSB or the SHSB Vendors, all sums paid by RSB to the SHSB Vendors towards settlement of the Purchase Consideration of SHSB shall be refunded to RSB in full without interest within 14 days from the date of termination. Upon such refund, neither party shall have any claim against the other howsoever arising under the SSA.</p>	
(3)	<p>If the SSA is terminated on grounds of any material breach on the part of RSB, the SSA Deposit paid by RSB to the SHSB Vendors shall be forfeited by the SHSB Vendors. Upon and subject to such forfeiture neither party shall have any claim against the other howsoever arising under the SSA.</p>	
(4)	<p>If the SSA is terminated on grounds of any breach on the part of the SHSB Vendors, all sums paid by RSB to the SHSB Vendors towards settlement of the Purchase Consideration of SHSB shall be refunded to RSB in full without interest within 14 days from the date of termination and the SHSB Vendors shall pay to RSB liquidated damages in the sum equivalent to the SSA Deposit simultaneous with such refund. Upon such refund, neither party shall have any claim against the other howsoever arising under the SSA.</p>	
(5)	<p>Either party shall be entitled to enforce the SSA by way of specific performance.</p>	

Based on the above, we are of the view that the salient terms of the Simunjan Agreement, Lundu Acquisition SPA, Supplementary Lundu Acquisition SPA and SSA are reasonable.

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## **5.4 Effects of the Proposals on the RSB Group**

We noted the following effects of the Proposals from Section 9, Part A of the Circular:-

### **5.4.1 Share capital**

The Proposals will not have any effect on the share capital of the Company and the shareholdings of the substantial shareholders of the Company as the Proposals will be satisfied entirely in cash.

### **5.4.2 Earnings and EPS**

We note that SHSB recorded a loss after tax of RM120,355 based on its latest audited financial statements for the FYE 31 August 2016.

Notwithstanding that, the Proposed Acquisitions are expected to contribute positively to the future earnings of the RSB Group in the medium to long term given the followings:-

- (i) better control over the Lundu Oil Mill is expected to improve the OER of oil palm,
- (ii) the yield of the oil palm trees in Sastat is expected to improve gradually as the trees approaches the peak yielding years from 11 to 20 years; and
- (iii) the potential synergies and cost savings in terms of sharing of resources and technical knowledge upon the full integration of Lundu Oil Mill and Sastat Estate.

Further details of our evaluation on the Lundu Properties and Sastat Estate are set out in Section 5.1 and Section 5.5 of this IAL.

### **5.4.3 NA and Gearing**

We noted from Section 9.2, Part A of the Circular that the Proposals will result in a decrease in the pro forma consolidated NA per RSB Share by RM0.01 from RM0.53 as at 31 December 2016 to RM0.52 upon completion of the Proposals, mainly attributable to the estimated expenses of RM13.0 million relating to the Proposals.

Upon the completion of the Proposals, the net gearing ratio of RSB Group will decrease from 0.74 times to 0.64 times, mainly attributable to the increase in cash and cash equivalents of the Group arising from the Proposed Disposal, of which RM58.0 million and RM5.3 million will be utilised for the repayment of bank borrowings and working capital of the Group respectively.

In view of the following:-

- (i) the Proposed Acquisitions are expected to be earnings accretive (*please see 5.4.2 above for further details*);
- (ii) the decrease in NA is not material and the Disposal Consideration represents a premium of 4.4% to the market value ascribed by the independent valuer; and
- (ii) the decrease in the net gearing level of the Group from 0.74 times to 0.64 times,

we are of the view that the overall effects of the Proposals are not detrimental to the interests of the non-interested shareholders of RSB.

## **5.5 Prospects of the Lundu Oil Mill, Sastat Estate as well as the enlarged RSB Group**

We note the overview and outlook of Malaysian economy, outlook of the palm oil industry as well as the prospects of Lundu Oil Mill and Sastat Estate, as set out in Section 7, Part A of the Circular.

The Proposed Acquisitions represent a strategic opportunity for the Group to expand its oil palm cultivation business as well as to have greater control of the entire palm oil value chain. Given the Group's established track record in estate management practices, the Proposed Acquisitions are expected to provide synergistic effects to the Group's existing plantation business via greater operational efficiency and economies of scale arising from the consolidation of operations and optimisation of resource utilisation. Furthermore, the Proposed Acquisitions will allow the Group to remain competitive in view of challenging market conditions by enhancing the revenue and profitability of the Group as follows:

### **(i) Lundu Oil Mill**

We note that approximately 45% of the Lundu Oil Mill's capacity is being fulfilled by estates owned the RSB Group, namely Biawak Estate and Lundu Estate as well as other estates owned by companies related to Tan Sri Tiong. With a continued growth of FFB harvested from these estates as the oil palm trees mature, it will provide a steady supply of FFB for processing to Lundu Oil Mill. Additionally, the remaining capacity which is underutilised can be used to process FFB sourced from other estates of RSB Group or even neighbouring estates owned by third parties to generate additional revenue and profits to the Group.

### **(ii) Sastat Estate**

SHSB is presently loss-making as the oil palms planted on the Sastat Estate are immature with a weighted average age of less than 5 years. Typically, oil palms reach its peak yielding years from 11 to 20 years. As such, the yields of the oil palm trees in Sastat Estate is expected to increase rapidly as they approach their prime age in the medium to long term. With higher FFB yields, SHSB is expected to enhance the future revenue and earnings of RSB Group as the Group will be able to fully consolidate the earnings of SHSB upon the completion of the Proposed Acquisition of SHSB.

In addition, upon full integration of SHSB into the Group, there will be operational synergies such as sharing of knowledge or expertise which will potentially increase the production and yields of Sastat Estate as well as cost efficiency.

Premised on the above, we are of the view that the future prospects of Lundu Oil Mill and Sastat Estate as well as the enlarged Group's oil palm business appear to remain positive, after taking into consideration, amongst others, the prospects of Lundu Oil Mill and Sastat Estate, the potential synergies to be realised, the sustained growth in the Malaysian economy as well as the prospects of the palm oil industry.

## 5.6 Risk factors in relation to the Proposals

In considering the Proposals, the non-interested shareholders of RSB are advised to give careful consideration to the risk factors as set out in Section 8, Part A of this Circular.

We wish to highlight that although measures may already be in place to limit and manage the risks associated with the Proposals and that certain risks are beyond the control of RSB, no assurance can be given that such risk factors will not crystallise and give rise to material and adverse impact on the financial performance, position or prospects of the RSB Group.

Nonetheless, in view that the RSB Group is already principally involved in oil palm plantation and oil milling businesses, the business risk profile of the RSB Group will not change significantly upon the completion of the Proposals.

With regard to the disposal of the Licence Rights pursuant to the Proposed Disposal, this may entail a decrease in the Group's FFB production per se. However, it is expected to contribute positively to the earnings of the Group as the Simunjan Estate had been incurring losses for the past 2 FYEs as set out in Section 5.4, Part A of this Circular. In addition, under the terms of the Licence Rights, the licence holder is allowed to undertake oil palm activities for a remaining period of only 12 years before expiry in 2029. As such, since the Group's core business is in the cultivation of oil palm and it does not have any intention to diversify into other businesses (such as timber extraction and reforestation operations) in the medium-to-long term, the disposal of the Licence Rights is timely and will allow the Group to raise funds to fully finance the Proposed Lundu Acquisition and Proposed SHSB Acquisition.

## 6. CONCLUSION AND RECOMMENDATION

Before arriving at the decision to vote on the ordinary resolutions to give effect to the Proposals at the forthcoming EGM of the Company, it is imperative that the non-interested shareholders of the Company consider all relevant issues and implications raised in this IAL carefully, as well as those highlighted by the Board in its letter to shareholders in relation to the Proposals, as set out in Part A of the Circular.

**After taking into consideration the pertinent factors highlighted in the preceding sections of this IAL, we are of the opinion that, on the basis of the information available to us, each of the Proposals is fair and reasonable and is not detrimental to the non-interested shareholders of RSB.**

**Accordingly, we recommend that the non-interested shareholders of RSB vote in favour of the ordinary resolutions to give effect to the Proposals to be tabled at the forthcoming EGM of the Company.**

Yours faithfully,

For and on behalf of  
**MERCURY SECURITIES SDN BHD**

**CHEW SING GUAN**  
Managing Director

**DENIS LIM**  
Director / Head of Corporate Finance

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**APPENDIX I - OTHER SALIENT TERMS OF THE SIMUNJAN AGREEMENT, LUNDU ACQUISITION SPA, SUPPLEMENTAL LUNDU ACQUISITION SPA AND SSA**

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**1. SIMUNJAN AGREEMENT**

The other salient terms of the Simunjan Agreement are as follows:

1. Conditions Precedent

The Conditions Precedent may be waived by TMSB in whole or in part with or without terms or conditions in so far as the same is permitted by law.

If the Conditions Precedent are not fulfilled within 6 months from the date of the Simunjan Agreement or such extended period as may be mutually agreed by the parties in writing ("**Stipulated Period**") or deemed not to be fulfilled due to certain conditions imposed by the regulatory authorities, then within 7 business days from the next day following the expiry of the Stipulated Period or the earlier determination of the Simunjan Agreement:

- (1) RSB shall refund any monies paid by TMSB to RSB towards the Disposal Consideration, free of interest save for the RM4.5 million retained from the Simunjan Deposit (as defined in Section 2.2 of Part A of this Circular) for the purpose of RPGT ("**RPGT Amount**") which shall be released and returned to TMSB; and
- (2) in exchange, TMSB shall return to RSB, all documents and things forwarded to TMSB by RSB,

and thereafter, the Simunjan Agreement shall be deemed terminated and neither RSB nor TMSB shall have any claim for costs, damages or compensation against each other except where such costs or damages were incurred arising from any breach of the Simunjan Agreement prior to such termination.

2. Upon the fulfilment of the Conditions Precedent, RSB and TMSB shall perform their respective obligations including executing the assignment of the Licence Rights to complete the Proposed Disposal within the Completion Period (as defined in Section 2.2 of Part A of this Circular).

If pursuant to a written request by TMSB, the time for payment of the Disposal Consideration or part thereof is extended by RSB, then the Completion Period shall be extended for the same period of such extended time for payment which shall be referred to as the "**Extended Completion Period**".

3. Completion of the Simunjan Agreement

The Simunjan Agreement shall be completed on a date falling within the Completion Period or Extended Completion Period ("**Completion Date**") after the full payment of the Balance Sum (as defined in Section 2.2 of Part A of this Circular) by TMSB to RSB, whereupon RSB shall:

- (1) deliver the original LPF/0035 and the original assignment of the Licence Rights executed by RSB with the endorsement of consent or written consent by the Director of Forests and/or the Minister, to TMSB;
- (2) hand over such documents or records relating to the development costs of the Simunjan Estate to TMSB; and
- (3) hand over and/or relinquish its rights to and over the biological assets, commercial rights and all the fixture and fittings at in or to the Simunjan Estate to TMSB.

**APPENDIX I - OTHER SALIENT TERMS OF THE SIMUNJAN AGREEMENT, LUNDU ACQUISITION SPA, SUPPLEMENTAL LUNDU ACQUISITION SPA AND SSA (cont'd)**

4. Outstanding litigation

- (1) RSB will use its best endeavours to cause and procure the existing litigation case affecting the Simunjan Estate to be settled or resolved culminating in a discontinuance or withdrawal before the trial court before the Completion Date.
- (2) If the existing litigation case affecting the plantation area under the Licence Rights cannot be settled or resolved by the Completion Date, but a declaration or decision is made by the trial court judge to the effect that the Simunjan Estate or any part thereof is subject to native customary rights and the aggrieved parties to the said existing litigation case have exhausted all rights of appeal against such declaration or decision made by the trial court judge, RSB shall compensate TMSB in respect of such part of the Simunjan Estate so affected by the declaration or decision of the trial court judge with cash consideration computed based on the valuation per hectare provided in the valuation report by the valuer appointed by TMSB for the Proposed Disposal.

5. Default

If any party before the Completion Date:

- (1) neglects or by wilful default fails or refuses or be unable to perform any of its obligation under the Simunjan Agreement; or
- (2) neglects or by wilful default fails or refuses or be unable to complete this transaction in accordance with the Simunjan Agreement; or
- (3) materially breaches any of the provisions of the Simunjan Agreement;

the party not in breach ("**Non-Defaulting Party**") shall be entitled to elect as follows;

- (i) If RSB is the Non-Defaulting Party, RSB shall be entitled to elect not to proceed with the Simunjan Agreement, and terminate the Simunjan Agreement by giving written notice to TMSB, which termination shall take effect from such date stipulated in said notice. RSB shall then be entitled to claim or forfeit the Simunjan Deposit paid by TMSB (of which the RPGT Amount shall be released to RSB by TMSB's solicitors) as pre-estimated liquidated damages and refund to TMSB the Balance Sum or such part thereof paid by TMSB free of interest. All documents and things in relation to the Simunjan Agreement shall be returned to RSB. Thereafter, the Simunjan Agreement shall be null and void, and neither RSB nor TMSB shall have any further claims against each other, except where such claims were incurred arising from any breach of the Simunjan Agreement prior to such termination;
- (ii) If TMSB is the Non-Defaulting Party, TMSB shall be entitled to elect not to proceed with the Simunjan Agreement and terminate the Simunjan Agreement by giving a written notice to RSB, which termination shall take effect from such date stipulated in said notice. All the monies paid by TMSB shall then be refunded to TMSB free of interest together with a sum equivalent to the Simunjan Deposit (excluding the RPGT Amount which shall be released to TMSB by TMSB's solicitors) as pre-estimated liquidated damages. All documents and things in relation to the Simunjan Agreement shall be returned to RSB. Thereafter, the Simunjan Agreement shall be null and void and neither RSB nor TMSB shall have any further claims against each other, except where such claims were incurred arising from any breach of the Simunjan Agreement prior to such termination;

**APPENDIX I - OTHER SALIENT TERMS OF THE SIMUNJAN AGREEMENT, LUNDU ACQUISITION SPA, SUPPLEMENTAL LUNDU ACQUISITION SPA AND SSA (cont'd)**

- (iii) or alternatively, to complete the Simunjan Agreement in which case the remedy of specific performance of the Simunjan Agreement under the Specific Relief Act, 1950 shall be available to the Non-Defaulting Party without any prejudice to the Non-Defaulting Party's right to claim against the party in default for any damages, losses, costs, expenses or outgoings whatsoever arising from or in connection with the events of sub-clause (i) and/or sub-clause (ii) above.

**2. LUNDU ACQUISITION SPA AND THE SUPPLEMENTAL LUNDU ACQUISITION SPA**

The other salient terms of the Lundu Acquisition SPA are as follows:

1. Delivery of vacant possession and completion

- (1) The Lundu Acquisition will be completed on the date of the registration of the Memorandum of Transfer affecting the Lundu Land at the Kuching land registry office and the payment of RM30.33 million, representing the remaining 90% of the Purchase Consideration of Lundu, by RSB Lundu to R H Lundu ("**Completion Date**").
- (2) On the Completion Date, R H Lundu will deliver vacant possession of the Lundu Land and also the legal and vacant possession of the workers' quarters and hand over all activities (business or otherwise), operations and management of the Lundu Oil Mill to RSB Lundu and all risks to the Lundu Land shall pass to RSB Lundu, as well as the 4 specific motor vehicles and its original endorsement certificates.
- (3) At any time within 2 months from the date of fulfilment of the last conditions precedent:
  - (i) R H Lundu shall handover all existing licences, consents, permits, authorisations and/or approvals from authorities (public and private) with respect to the operations of the Lundu Oil Mill and where any of such licences, consent, permits, authorisations and/or approvals are issued in the name of R H Lundu, R H Lundu shall procure for the same to be renewed and issued in the name of RSB Lundu;
  - (ii) R H Lundu shall procure the legal ownership of all Plantation Assets owned, leased or hired by R H Lundu in connection with the operations of the Lundu Oil Mill, to be transferred or leased to RSB Lundu and handover ownership of the same to RSB Lundu and update the relevant records in its assets register;
  - (iii) RSB Lundu shall decide whether to retain any employees of R H Lundu and R H Lundu shall be responsible for those employees not retained by RSB Lundu including making any pay-offs or redundancy payments to such employees at its own cost and expense; and
  - (iv) R H Lundu and RSB Lundu shall mutually discuss and agree on the consideration sum to be paid by RSB Lundu to R H Lundu for the individual sale and transfer of any other motor vehicles owned by R H Lundu in connection with the operations of the Lundu Oil Mill.

**APPENDIX I - OTHER SALIENT TERMS OF THE SIMUNJAN AGREEMENT, LUNDU ACQUISITION SPA, SUPPLEMENTAL LUNDU ACQUISITION SPA AND SSA (cont'd)**

2. Termination by RSB Lundu

- (1) RSB Lundu is entitled to terminate the Lundu Acquisition SPA by giving written notice to R H Lundu ("**RSB Termination Notice**") on or before the Completion Date, such termination to be effective from the date of the RSB Termination Notice, if after the execution of the Lundu Acquisition SPA but before the Completion Date:
- (i) R H Lundu refuses or is unable to complete the sale and transfer of the Lundu Land and the Plantation Assets through no fault of RSB Lundu; or
  - (ii) R H Lundu fails to execute and deliver to RSB Lundu the Memorandum of Transfer and such other documents as are necessary to register the transfer of the Lundu Land to RSB Lundu; or
  - (iii) there is a breach of the warranties given of R H Lundu, which cannot be remedied to the satisfaction of RSB Lundu within 20 business days or any other period as otherwise agreed by RSB Lundu; or
  - (iv) there is a material breach of any terms or conditions of the Lundu Acquisition SPA or a failure to perform or observe any undertaking or obligation in the Lundu Acquisition SPA by R H Lundu, which R H Lundu has refused or is unable to remedy within 14 business days from the date of receipt of the notice of the breach by R H Lundu from RSB Lundu; or
  - (v) there is an order made or resolution passed or analogous proceeding taken for the winding up or dissolution of R H Lundu or if R H Lundu is deemed unable to pay its debts under Section 466(1) of the CA 2016 or has a receiver and manager appointed over all or a substantial part of its undertakings and assets.
- (2) Termination takes effect from such date stated in the RSB Termination Notice where:
- (i) R H Lundu shall refund to RSB Lundu all monies paid by RSB Lundu;
  - (ii) R H Lundu shall pay RSB Lundu a sum equivalent to the Lundu Deposit (as defined in Section 3.2 of Part A of this Circular) as agreed pre-estimated liquidated damages;
  - (iii) RSB Lundu shall return all documents pertaining to the Lundu Land and the Plantation Assets to R H Lundu for cancellation;
  - (iv) RSB Lundu shall withdraw the caveat lodged against the Parent Lot 248 or any part thereof,

and thereafter, neither R H Lundu nor RSB Lundu shall have any claims against each other.

3. Termination by R H Lundu

- (1) If after the execution of the Lundu Acquisition SPA but before the Completion Date, RSB Lundu fails, refuses or is unwilling to pay the Purchase Consideration of Lundu or any part thereof or is unable to complete the Proposed Lundu Acquisition through no fault of R H Lundu, R H Lundu is entitled to terminate the Lundu Acquisition SPA by giving written notice to RSB Lundu ("**R H Lundu Termination Notice**") on or before the Completion Date.

**APPENDIX I - OTHER SALIENT TERMS OF THE SIMUNJAN AGREEMENT, LUNDU ACQUISITION SPA, SUPPLEMENTAL LUNDU ACQUISITION SPA AND SSA (cont'd)**

- (2) Termination takes effect from such date stated in the R H Lundu Termination Notice where:
- (i) the Lundu Deposit shall be forfeited to R H Lundu as agreed pre-estimated liquidated damages;
  - (ii) all other monies received by R H Lundu as part of the Purchase Consideration of Lundu (except for Lundu Deposit) shall be returned free of interest to RSB Lundu;
  - (iii) RSB Lundu shall return all documents pertaining to the Lundu Land and the Plantation Assets to R H Lundu for cancellation;
  - (iv) RSB Lundu shall withdraw the caveat lodged against the Parent Lot 248 or any part thereof at RSB Lundu's cost and expenses,

and thereafter, neither R H Lundu nor RSB Lundu shall have any claims against each other.

**4. Mutual termination**

R H Lundu and RSB Lundu may mutually agree to terminate the Lundu Acquisition SPA before the Completion Date at the election of either R H Lundu or RSB Lundu where:

- (1) R H Lundu shall refund to RSB Lundu all monies which may have been paid by RSB Lundu to R H Lundu under the Lundu Acquisition SPA, if any;
- (2) RSB Lundu shall return all documents pertaining to the Lundu Land and the Plantation Assets to R H Lundu for cancellation;
- (3) RSB Lundu shall withdraw the caveat lodged against the Parent Lot 248 or any part thereof,

and thereafter, neither R H Lundu nor RSB Lundu shall any claims against each other.

**3. SSA**

The other salient terms of the SSA are as follows:

**1. Completion**

If all Conditions (as defined in Section 4.2 of Part A of this Circular) are fulfilled, the completion of the sale and purchase of the SHSB Shares shall take place on the last day of the period of 60 days from the date where last Condition is met or such later date as mutually agreed by the parties.

**2. Post-completion obligations of RSB**

The SHSB Vendors represent that as at 31 January 2017, the Advance was made to SHSB. RSB undertakes to fully and unconditionally repay the Advance within a period of 12 months after the fulfilment of all Conditions. The SHSB Vendors agree that prior to such date, RSB or SHSB shall not be required to make repayment of the Advance and no demand shall be made by TTSS for such repayment.

**3. Termination / specific performance**

- (1) The SSA may be terminated prior to completion in any of the following events:
  - (i) termination by either party, if any of the Conditions is not satisfied; or



**APPENDIX I - OTHER SALIENT TERMS OF THE SIMUNJAN AGREEMENT, LUNDU ACQUISITION SPA, SUPPLEMENTAL LUNDU ACQUISITION SPA AND SSA (cont'd)**

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- (ii) termination by the party not in breach; or
  - (iii) termination by the party which is not the party that has become insolvent; or
  - (iii) termination by RSB, if RSB is unable to complete the purchase of the all the SHSB Shares; or
  - (iv) termination by the party not in breach, if any of the warranties is or has become materially inaccurate or misleading.
- (2) If the SSA is terminated on grounds other than a breach on the part of RSB or the SHSB Vendors, all sums paid by RSB to the SHSB Vendors towards the settlement of the Purchase Consideration of SHSB shall be refunded to RSB in full without interest within 14 days from the date of termination. Upon such refund, neither party shall have any claim against the other howsoever arising under the SSA.
- (3) If the SSA is terminated on grounds of any material breach on the part of RSB, the SSA Deposit (as defined in Section 4.2 of Part A of this Circular) paid by RSB to the SHSB Vendors shall be forfeited by the SHSB Vendors. Upon such forfeiture neither party shall have any claim against the other howsoever arising under the SSA.
- (4) If the SSA is terminated on grounds of any breach on the part of the SHSB Vendors, all sums paid by RSB to the SHSB Vendors towards settlement of the Purchase Consideration of SHSB shall be refunded to RSB in full without interest within 14 days from the date of termination and the SHSB Vendors shall pay to RSB liquidated damages in the sum equivalent to the SSA Deposit simultaneous with such refund. Upon such refund, neither party shall have any claim against the other howsoever arising under the SSA.
- (5) Either party shall be entitled to enforce the SSA by way of specific performance.

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## APPENDIX II - INFORMATION ON SHSB

### 1. PLACE AND DATE OF INCORPORATION

SHSB was incorporated in Malaysia under the CA 1965 on 23 July 2007 and registered under the CA 2016.

### 2. HISTORY AND BUSINESS

SHSB is principally involved in the cultivation of oil palm since its incorporation, specifically in the planting of oil palm trees in the Sastat Estate, for harvesting of FFB which SHSB will then send for processing at nearby oil mills.

### 3. SHARE CAPITAL

As at the LPD, the share capital of SHSB is RM100,000 comprising 100,000 SHSB Shares.

### 4. SUBSIDIARY AND ASSOCIATED COMPANY

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

### 5. DIRECTORS

As at the LPD, the directors of SHSB and their respective shareholdings in SHSB are as follows:

Name	Nationality	Direct		Indirect	
		No. of SHSB Shares	%	No. of SHSB Shares	%
Tan Sri Tiong	Malaysian	1,000	1.0	<sup>(a)</sup> 99,000	<sup>(a)</sup> 99
Tiong Chiong Ong	Malaysian	-	-	-	-
Tiong Choon	Malaysian	-	-	-	-

**Note:**

<sup>(a)</sup> Deemed interested by virtue of its shareholdings in PAA and TSL pursuant to Section 8 of the CA 2016.

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## APPENDIX II - INFORMATION ON SHSB (cont'd)

### 6. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of SHSB and their respective shareholdings in SHSB are as follows:

Name	Nationality/ Country of incorporation	Direct		Indirect	
		No. of SHSB Shares	%	No. of SHSB Shares	%
Tan Sri Tiong	Malaysian	1,000	1	<sup>(a)</sup> 99,000	<sup>(a)</sup> 99
PAA	Malaysia	49,500	49.5	-	-
TSL	Malaysia	49,500	49.5	-	-

**Note:**

<sup>(a)</sup> Deemed interested by virtue of its shareholdings in PAA and TSL pursuant to Section 8 of the CA 2016.

### 7. SUMMARY OF FINANCIAL INFORMATION

The summary of the financial information of SHSB based on the audited financial statements of SHSB for the past 3 FYEs 31 August 2014 to 2016 are as follows:

	FYE 31 August 2014	FYE 31 August 2015	FYE 31 August 2016
	RM	RM	RM
Revenue	-	93,428	594,692
Pre-tax profit/(loss)	(3,220)	47,471	(107,101)
After-tax profit/(loss)	(3,220)	6,517	(120,355)
NA <sup>(a)</sup>	42,154	48,671	(71,684)
Number of SHSB Shares in issue ('000)	100	100	100
NA per SHSB Share (RM)	0.42	0.49	<sup>(b)</sup> -
Shareholders' funds	42,154	48,671	(71,684)
Total borrowings	-	-	-
Current ratio (times)	-	-	0.02
Gearing ratio (times)	-	-	-
Gross earnings/(loss) per SHSB Share	-	0.51	(0.99)
Net earnings/(loss) per SHSB Share	(0.03)	0.07	(1.20)

**Notes:**

<sup>(a)</sup> Sum of previous year's NA and current year's after-tax profit/loss.

<sup>(b)</sup> Not available as SHSB had net liabilities of about RM71,684 as at 31 August 2016.

**Commentaries:**

**FYE 31 August 2014 vs. FYE 31 August 2013**

SHSB did not record any revenue for the FYEs 31 August 2013 and 31 August 2014 as there was no FFB production from the Sastat Estate during those years.

After-tax loss reduced from RM3,475 for the FYE 31 August 2013 to RM3,220 for the FYE 31 August 2014, representing a decrease of 7.34% due to lower administrative expenses incurred.

**FYE 31 August 2015 vs. FYE 31 August 2014**

SHSB recorded a revenue of RM93,428 for the FYE 31 August 2015 due to the production of 346 MT of FFB from the Sastat Estate. SHSB registered a pre-tax profit of RM47,471 after taking into account the operating expenses of approximately RM42,017, and an after-tax profit of RM6,517 which was due to the underprovision of deferred tax of RM40,954 relating to plantation and development expenditure from the FYE 31 August 2014.

**FYE 31 August 2016 vs. FYE 31 August 2015**

Revenue increased from RM93,428 for the FYE 31 August 2015 to RM594,692 for the FYE 31 August 2016, representing a 536.52% increase, mainly due to elevation in FFB production from the Sastat Estate from 346 MT to 1,854 MT.

SHSB registered a pre-tax loss of RM107,101 due to an increase in operating expenses from RM42,017 for the FYE 31 August 2015 to RM694,095 for the FYE 31 August 2016. The increase in the operating expenses was mainly due to the amortisation of biological asset for matured areas, rental of wharf for the transportation of FFB to oil mill, harvesting of FFB and weeding for planted areas.

There were no exceptional and/or extraordinary items reported in the audited financial statements of SHSB for the past 3 FYEs 31 August 2014 to 2016. There have been no peculiar accounting policies adopted by SHSB and there have been no audit qualifications reported in the audited financial statements of SHSB for the past 3 FYEs 31 August 2014 to 2016.

**8. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the LPD, the directors of SHSB are not aware of any material commitments and contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have an impact on the profits or NA of SHSB.

**9. MATERIAL CONTRACTS**

SHSB has not entered into any material contract (not being contracts entered into in the ordinary course of its business) within the past 2 years immediately preceding the date of this Circular.

**10. MATERIAL LITIGATION**

As at the LPD, SHSB is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of SHSB and, to the best of the knowledge and belief of the management of SHSB, they are not aware of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position or business of SHSB.



**HENRY BUTCHER MALAYSIA**

International Asset Consultants

28 February 2017

The Board of Directors  
**Rimbunan Sawit Berhad**  
North Wing  
Menara Rimbunan Hijau  
101, Pusat Suria Permata,  
Jalan Upper Lanang,  
96000 Sibul, Sarawak, Malaysia.

Dear Sir,

**CERTIFICATE OF VALUATION OF AN OIL PALM PLANTATION WITH AN AREA OF 15,017 HECTARES ("HA") HELD UNDER LICENCE FOR PLANTED FOREST NO. LPF/0035 ("LPF/0035"), LOCATED WITHIN THE SAMARAHAN AND SRI AMAN DIVISIONS, SARAWAK ("SIMUNJAN ESTATE").**

We refer to your instruction to determine the Market Value of the Simunjan Estate for submission to the Bursa Malaysia Securities Berhad in conjunction with the proposed disposal of all rights, titles and interests in relation to the Simunjan Estate via an absolute assignment, development costs, biological assets, commercial rights and all the fixtures and fittings relating thereto by Rimbunan Sawit Berhad ("RSB") to Tiasa Mesra Sdn. Bhd., a wholly-owned subsidiary of Subur Tiasa Holdings Berhad ("TMSB") ("Proposed Disposal").

We have prepared this Valuation Certificate for inclusion in the circular to shareholders of RSB in conjunction with the Proposed Disposal.

We confirm that we have valued the Simunjan Estate in compliance with the Malaysian Valuation Standards ("MVS") issued by the Board of Valuers, Appraisers and Estate Agents Malaysia and the Asset Valuation Guidelines issued by the Securities Commission Malaysia.

The Simunjan Estate was inspected on 11 January 2017. The material date of valuation is on 11 January 2017.

The basis of the valuation is the **MARKET VALUE** which is defined by the MVS to be "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In assessing the Market Value of the Simunjan Estate, we have adopted the **Income Approach-Discounted Cash Flow ("DCF") Method** and the **Comparison Approach**.

**HENRY BUTCHER MALAYSIA (Sarawak) Sdn Bhd** (236250X)

L4 14 & 15, DUBS Commercial / Office Centre, Lot 376, Section 54 KTLD, Jalan Petanak, 93100 Kuching, Sarawak.

t • +6082-423 300, 231 037, 231 032, 237 541 f • +6082-231 036 e • hbswak@gmail.com / hbswak@streamyx.com / hbsarawak@gmail.com

w • [www.henrybutcherswk.com](http://www.henrybutcherswk.com) / [www.henrybutcher.com.my](http://www.henrybutcher.com.my)

Valuation | Real Estate Agency | Investment Advisory | International Marketing | Market Research | Development Consultancy  
Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



VE (1) 0079/3

**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

Brief details of the Simunjan Estate as extracted from the valuation report are as follows:

Asset Identification	<p><b>DETAILS OF TITLE</b></p> <p>Simunjan Estate is situated at Samarahan and Sri Aman Divisions, Sarawak and held under LPF/0035 by Rejang Height Sdn. Bhd. ("<b>Rejang Height</b>") assigned to RSB.</p> <p><b>LICENCE PARTICULAR</b></p> <p>LPF/0035</p> <p><b>LAND AREA (Ha)</b></p> <p>15,017.0</p> <p><b>LOCATION/ADDRESS</b></p> <p>The Simunjan Estate is located 12 km to the southeast of Simunjan Town, between the Latitudes 1° 14.0' and 1° 26.5', Longitudes 110° 50.0'E and 110° 56.5'E.</p> <p><b>ACCESSIBILITY</b></p> <p>The Simunjan Estate entrance is accessible from Simunjan Road through a tar-sealed access and thereafter onto a 2.5 km gravel access to the plantation site office. The Simunjan Road is easily accessible from Kuching city centre via Jalan Kuching-Serian, Jalan Serian-Sri Aman and thereafter onto Simunjan Road. Kuching city centre is approximately 110 km due northwest from the Simunjan Estate while Simunjan Town is approximately 30 km from the tar-sealed access due northwest.</p> <p><b>TENURE</b></p> <p>Licence term of 60 years expiring on 21 March 2064, with unexpired term of about 47 and ¼ years remaining. Under the terms of the Tree Planting Plan ("<b>TPP</b>"), oil palm planting was allowed for 25 years, expiring on 21 March 2029. As per original TPP, after the 25 year cycle, commercial trees except oil palms are to be planted. The choice of species of commercial trees for future plantation on the Simunjan Estate are namely Brown Salwood, Yemane, Kayu Macis, Eucalypts, Rubber, Sentang and Binuang.</p> <p><b>SALIENT CLAUSES OF THE LICENCE FOR PLANTED FOREST LPF/0035:</b></p> <p>(a) Clause 4(1): The species of trees to be planted under the Licence must be approved by the Director and specified in the TPP</p> <p>(b) Clause 5B: The Licensee shall submit to the Natural Resources and Environment Board, Sarawak, and Environmental Impact Assessment ("<b>EIA</b>")</p> <p>(c) Clause 16(1): The Licence is not transferrable</p> <p>(d) Clause 16(3): The Director<sup>1</sup> may with the approval of the Minister, authorize in writing the transfer of the Licence</p> <p>(e) Clause 22(1): Nothing in the Licence shall be deemed to affect rights which any native has, prior to the issue of the Licence, lawfully acquired over the said land under the land code or the ordinance.</p> <p>(f) Clause 22(2): It shall be duty of the Licensee, at his own costs and expenses, to comply with the provisions of the Rules<sup>2</sup> relating to the establishment of planted forests over lands subject to native customary rights claim.</p> <p>1. Director of Forests, Sarawak. 2. Sarawak Forests (Planted Forests) Rules 1997</p>
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**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

General Description of Asset	<p><b>DESCRIPTION</b></p> <p>The Simunjan Estate is held under LPF/0035 for oil palm plantation purposes for 25 years which will expire on March 2029. Upon the expiration of the 25 years period, the Simunjan Estate is to be cleared and replanted with timber species.</p> <p>Simunjan Estate is situated about 12 km to the southeast of Simunjan town, with total land area of 15,017.0 Ha more or less.</p> <p>The Simunjan Estate is planted between years 2008 to 2015. It is developed in four divisions and administratively divided into blocks i.e. Block 1 to 66 for easy plantation management purposes. Presently, the total net planted area is 5,775.44 Ha with another 181.09 Ha for building site, nursery, roads and drains reserve; 5,370.39 Ha for plantable reserve and the remaining area of 3,690.08 Ha as unplanted area (shifting agriculture and green belt).</p> <p>The topography of the Simunjan Estate is predominantly low-lying peat swamps with intrusions of low hills at its central and south-eastern fringes. The hills have elevations of less than 100 metres above mean sea level with fairly gentle slope. The peat swamps are topographically quite flat, with the water table found mostly at the surface or within 10-20cm of the ground surface. The roads within the estate are generally sand/earth-gravelled roads.</p> <p><b>BUILDINGS</b></p> <p>There are various support and service buildings and amenities within the Simunjan Estate. Generally it has its own guard house, staff quarters, labour quarters (including offices), store, generator set, fertilizer store and a surau/chapel. We also noted a 10m X 10m helipad under Ichi-Ban Construction. There are also other temporary buildings on the Simunjan Estate.</p> <p><b>AREA STATEMENT</b></p> <p>The area statement of the Simunjan Estate are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Item</th> <th colspan="2">Year</th> <th rowspan="2">Stand per Ha ("SPH")</th> <th rowspan="2">Planted area (Ha)</th> </tr> <tr> <th>Year of planting</th> <th>Age @ 2017</th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>MATURED PLANTING</b></td> </tr> <tr> <td colspan="5"><b>Harvested</b></td> </tr> <tr> <td>1.</td> <td>2008</td> <td>9</td> <td>145</td> <td>246.80</td> </tr> <tr> <td>2.</td> <td>2009</td> <td>8</td> <td>148</td> <td>778.51</td> </tr> <tr> <td>3.</td> <td>2010</td> <td>7</td> <td>148</td> <td>364.95</td> </tr> <tr> <td>4.</td> <td>2011</td> <td>6</td> <td>149</td> <td>507.22</td> </tr> <tr> <td>5.</td> <td>2012</td> <td>5</td> <td>150</td> <td>3.00</td> </tr> <tr> <td>6.</td> <td>2013</td> <td>4</td> <td>150</td> <td>360.61</td> </tr> <tr> <td colspan="4" style="text-align: right;"><b>Subtotal</b></td> <td><b>2,261.09</b></td> </tr> <tr> <td colspan="5"><b>Lack of maintenance</b></td> </tr> <tr> <td>1.</td> <td>2010</td> <td>7</td> <td>147</td> <td>89.20</td> </tr> <tr> <td>2.</td> <td>2011</td> <td>6</td> <td>145</td> <td>413.90</td> </tr> <tr> <td>3.</td> <td>2012</td> <td>5</td> <td>150</td> <td>1,509.21</td> </tr> <tr> <td>4.</td> <td>2013</td> <td>4</td> <td>150</td> <td>511.58</td> </tr> <tr> <td colspan="4" style="text-align: right;"><b>Subtotal</b></td> <td><b>2,523.89</b></td> </tr> <tr> <td colspan="5"><b>Flooded</b></td> </tr> <tr> <td>1.</td> <td>2009</td> <td>8</td> <td>148</td> <td>112.63</td> </tr> <tr> <td>2.</td> <td>2010</td> <td>7</td> <td>150</td> <td>475.58</td> </tr> <tr> <td>3.</td> <td>2011</td> <td>6</td> <td>148</td> <td>232.38</td> </tr> <tr> <td>4.</td> <td>2012</td> <td>5</td> <td>146</td> <td>57.98</td> </tr> <tr> <td colspan="4" style="text-align: right;"><b>Subtotal</b></td> <td><b>878.57</b></td> </tr> <tr> <td colspan="4"><b>Total Matured Area</b></td> <td><b>5,663.55</b></td> </tr> <tr> <td colspan="5"><b>IMMATURE PLANTING</b></td> </tr> </tbody> </table>	Item	Year		Stand per Ha ("SPH")	Planted area (Ha)	Year of planting	Age @ 2017	<b>MATURED PLANTING</b>					<b>Harvested</b>					1.	2008	9	145	246.80	2.	2009	8	148	778.51	3.	2010	7	148	364.95	4.	2011	6	149	507.22	5.	2012	5	150	3.00	6.	2013	4	150	360.61	<b>Subtotal</b>				<b>2,261.09</b>	<b>Lack of maintenance</b>					1.	2010	7	147	89.20	2.	2011	6	145	413.90	3.	2012	5	150	1,509.21	4.	2013	4	150	511.58	<b>Subtotal</b>				<b>2,523.89</b>	<b>Flooded</b>					1.	2009	8	148	112.63	2.	2010	7	150	475.58	3.	2011	6	148	232.38	4.	2012	5	146	57.98	<b>Subtotal</b>				<b>878.57</b>	<b>Total Matured Area</b>				<b>5,663.55</b>	<b>IMMATURE PLANTING</b>				
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**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

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General Description of Asset	<p><b>CROP YIELDS</b></p> <p>The first batch of planting started in the year of 2008 and continued subsequently up to the year 2015. The current and projected yield per Ha by RSB is attached as below:</p> <table border="1"> <thead> <tr> <th rowspan="2">Year of Planting</th> <th colspan="7">YIELD PER HA</th> </tr> <tr> <th>2013 Actual</th> <th>2014 Actual</th> <th>2015 Actual</th> <th>2016 Actual</th> <th>2017 Projection</th> <th>2018 Projection</th> <th>2019 Projection</th> </tr> </thead> <tbody> <tr> <td colspan="8"><b>MATURED PLANTING</b></td> </tr> <tr> <td colspan="8"><b>Harvested</b></td> </tr> <tr> <td>2008</td> <td>13.02</td> <td>16.57</td> <td>18.03</td> <td>17.38</td> <td>21.00</td> <td>24.00</td> <td>26.00</td> </tr> <tr> <td>2009</td> <td>9.17</td> <td>12.99</td> <td>13.99</td> <td>13.84</td> <td>16.00</td> <td>20.00</td> <td>24.00</td> </tr> <tr> <td>2010</td> <td>5.78</td> <td>8.87</td> <td>11.19</td> <td>12.25</td> <td>16.00</td> <td>20.00</td> <td>24.00</td> </tr> <tr> <td>2011</td> <td>0.66</td> <td>6.33</td> <td>8.55</td> <td>10.20</td> <td>13.00</td> <td>17.00</td> <td>21.00</td> </tr> <tr> <td>2012</td> <td></td> <td></td> <td>11.52</td> <td>12.34</td> <td>16.00</td> <td>20.00</td> <td>24.00</td> </tr> <tr> <td>2013</td> <td></td> <td></td> <td></td> <td>0.45</td> <td>4.00</td> <td>8.00</td> <td>12.00</td> </tr> <tr> <td colspan="8"><b>Rehabilitation - Lack of maintenance</b></td> </tr> <tr> <td>2010</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>3.00</td> <td>5.00</td> <td>10.00</td> </tr> <tr> <td>2011</td> <td>-</td> <td>-</td> <td>3.58</td> <td>4.42</td> <td>5.00</td> <td>8.00</td> <td>12.00</td> </tr> <tr> <td>2012</td> <td>-</td> <td>-</td> <td>0.32</td> <td>1.29</td> <td>3.50</td> <td>5.50</td> <td>10.00</td> </tr> <tr> <td>2013</td> <td></td> <td></td> <td></td> <td>0.03</td> <td>2.50</td> <td>4.50</td> <td>8.00</td> </tr> <tr> <td colspan="8"><b>Rehabilitation - Flooded</b></td> </tr> <tr> <td>2009</td> <td>7.32</td> <td>10.44</td> <td>6.28</td> <td>3.67</td> <td>3.70</td> <td>5.00</td> <td>8.00</td> </tr> <tr> <td>2010</td> <td>3.44</td> <td>4.64</td> <td>3.27</td> <td>3.17</td> <td>4.00</td> <td>5.00</td> <td>8.00</td> </tr> <tr> <td>2011</td> <td>1.50</td> <td>2.13</td> <td>2.41</td> <td>2.94</td> <td>4.00</td> <td>5.00</td> <td>8.00</td> </tr> <tr> <td>2012</td> <td></td> <td></td> <td></td> <td></td> <td>2.00</td> <td>4.00</td> <td>6.00</td> </tr> </tbody> </table> <p>Source: RSB</p>	Year of Planting	YIELD PER HA							2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Projection	2018 Projection	2019 Projection	<b>MATURED PLANTING</b>								<b>Harvested</b>								2008	13.02	16.57	18.03	17.38	21.00	24.00	26.00	2009	9.17	12.99	13.99	13.84	16.00	20.00	24.00	2010	5.78	8.87	11.19	12.25	16.00	20.00	24.00	2011	0.66	6.33	8.55	10.20	13.00	17.00	21.00	2012			11.52	12.34	16.00	20.00	24.00	2013				0.45	4.00	8.00	12.00	<b>Rehabilitation - Lack of maintenance</b>								2010	-	-	-	-	3.00	5.00	10.00	2011	-	-	3.58	4.42	5.00	8.00	12.00	2012	-	-	0.32	1.29	3.50	5.50	10.00	2013				0.03	2.50	4.50	8.00	<b>Rehabilitation - Flooded</b>								2009	7.32	10.44	6.28	3.67	3.70	5.00	8.00	2010	3.44	4.64	3.27	3.17	4.00	5.00	8.00	2011	1.50	2.13	2.41	2.94	4.00	5.00	8.00	2012					2.00	4.00	6.00
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General Description of Asset	<p><b>PALM OIL MILL FACILITIES</b></p> <p>The milling facilities, OER and KER are as follows:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Mill</th> <th>Distance (KM)</th> <th>OER (%)</th> <th>KER (%)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Masranti Palm Oil Mill</td> <td>About 50.00</td> <td>18.25</td> <td>3.50</td> </tr> </tbody> </table>	Item	Mill	Distance (KM)	OER (%)	KER (%)	1.	Masranti Palm Oil Mill	About 50.00	18.25	3.50																																																																																																																																																					
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**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

2.	Tetangga Palm Oil Mill	About 57.44	18.50	3.45
3.	RHL Palm Oil Mill	About 182.92	19.00	3.50

Source: RSB

**UPKEEP AND MAINTENANCE**

The actual estate production costs as provided by RSB are as follows:

PARTICULARS	UNIT	ACTUAL		
		2014	2015*	2016*
<b>General charges</b>	RM/Ha	541.27	539.28	411.77
<b>Upkeep &amp; maintenance</b>				
1. Manuring	RM/Ha	384.84	392.21	469.31
2. Weeding	RM/Ha	216.51	161.63	55.08
3. Census & thinning	RM/Ha	26.00	19.62	3.38
4. Pruning & sanitation	RM/Ha	81.05	27.60	3.80
5. Pest & disease	RM/Ha	8.00	33.54	15.94
6. Drains	RM/Ha			
7. Roads, bridges & culverts	RM/Ha	101.41	102.89	63.32
		817.79	737.49	610.82
<b>Harvesting &amp; transportation</b>	RM/MT	102.75	85.31	100.64

\*- It is noted that the cost for 2015 & 2016 is at its minimum as part of the estate is neglected due to labour shortage, flooding (especially during monsoon season), poor management and dispute with the Native/villagers

Source: RSB

**REHABILITATION COSTS**

As certain portion of the estate require rehabilitation due to lack of maintenance and flooding (especially during monsoon season), the management of RSB projected the following rehabilitation costs:

Mature/ Immature- Rehabilitation Costs

Particulars	Mode	Unit
Road Maintenance	By machinery	RM 150/Ha
Drain Desilting	By machinery	RM 650/Ha
Mechanized Weeding	By machinery	RM 300/Ha
Compaction	By machinery	RM 600/Ha
Re-stacking	By machinery	RM 100/Ha
Pruning & Sanitation	By workers	RM 100/Ha
Spraying (6 rounds)	By workers	RM 300/Ha
<b>Total</b>		<b>RM2,200/Ha</b>

Source: RSB

General Description of Asset

**CLAIM SUIT NO. KCH-21NCvC-3/3-2016 (HC 3)**

The Kampung Entangor villagers ("Plaintiff") filed a claim on 3 March 2016 over Native Customary Rights affecting the northern area of the Simunjan Estate (Division 3 and 4). We were informed by RSB that it covers a total land area of 2,886.86 Ha, where 1,830.25 Ha were planted.

**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

	<p>We were informed by RSB that the parties are in the midst of exchanging documents, preparing case summary and also witness statements for the purpose of the trial. These documents are to be filed to Court a month before the trial dates.</p> <p>As of date of valuation, since the trial has not commenced and no evidence has been adduced by the Plaintiff, the Board of Directors of RSB is not in a position to assess the merits of the Plaintiff's claim and the amount of compensation (if any) which is to be assessed by the Court in the event that the Plaintiff succeeds in the claim suit, is unknown at this juncture. Therefore, we are not able to take into account any impact from the claim suit on the valuation of the Simunjan Estate. In the event that the claim suit is successful and that all rights of appeal have been exhausted by the aggrieved defendants and consequently the valuation of the Simunjan Estate is affected, RSB has agreed to compensate the purchaser accordingly for the area so affected by the decision of the Court pursuant to the claim suit based on Clause 9.2 of the sale and purchase agreement for the Proposed Disposal ("<b>Simunjan Agreement</b>").</p>
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**MARKET VALUE**

**METHOD OF VALUATION**

In arriving at the market value of the Simunjan Estate, we have adopted the Income Approach - Discounted Cash Flow (DCF) Method as the primary method and the Comparison Approach of Valuation as check method.

The DCF method is used for planted areas of the Simunjan Estate.

The Comparison Method is the market approach of comparing the Simunjan Estate with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, size, building differences, amenities, time element, topography, soil condition, cultivations and other relevant factors to arrive at our opinion of value.

The DCF approach is an income based method of valuation and it involves, firstly, the assessment of the cash inflow from the annual gross sale income of the fresh fruit bunches ("**FFB**"). As the FFB are sold on an ex-mill basis, this can be derived directly with no further deductions made for other logistical costs of sales.

Secondly, the cash outflow, such as the total production costs (including general charges, maintenance and manuring costs, harvesting and transportation costs etc.) are deducted to arrive at the net cash flow (i.e. net income). Thirdly, the net cash flow (i.e. net income) is discounted at an appropriate rate of return to reflect the investor/entrepreneur's rate of return taking into consideration the risks involved to earn the income (i.e. profit), opportunity costs of his capital and other factors.

The DCF method is the most suitable valuation method as licence for planted forest ("**LPF**") rights are generally not for sale and therefore, there are no good comparables in the market that can be adopted and considered for the Comparison Method in valuing a LPF. Furthermore, as the Simunjan Estate is a plantation licence which involves yearly cash input and output, the DCF method is the most suitable valuation method as the nature of DCF involves cash inflows and outflows in deriving market value. The only difference between a LPF and other titled plantation estates is its limit in planting cycle (only 1 cycle allowed for the LPF/0035) whereas titled plantation estates have no limits on planting cycle (the number of years to plant is not restricted by governing authority or limits).

**PARAMETERS OF DISCOUNTED CASH FLOW METHOD**

**(A) Yield Of FFB From The Fields & Economic Life Span of Palms**

FFB yield from the fields, among others, is related to the age of the oil palms, climatic conditions, maintenance and manuring programs undertaken by the management and a host of other factors. For yield projections, we have assumed that normal and standard agriculture practices shall be adopted (taking into consideration the historical background of the oil palms). The yield projections are also based on the information and statistics published by Malaysia Palm Oil Board ("MPOB"). In addition, they are reconciled with yields records provided by the management of RSB.

The economic life cycle for the oil palms is taken to be 25 years. Although FFB yields may still be obtained after this age, the economics of harvesting FFB from these oil palms are considerably reduced because of the low yield then and the difficulty of harvesting; as the oil palms would have grown very high. However, if the price of FFB/CPO is very high and is sufficiently attractive, these oil palms can still be maintained for a few more years.

Hypothetically, as the oil palms reach the end of their economic life span, replanting would take place and from thereon FFB production could be taken as a long term yield achievable within the plantation, i.e. taken as a going- concern. For the purpose of the DCF, as the replanting involves extra cost, we have therefore adopted the discounting of the cash flow based on one complete life cycle of the existing oil palms. Computations beyond one life cycle are not practical due to the discounting formula's inherent calculation where the present value factor figures are too low.

Moreover, in this case, the LPF/0035 is permitted to plant oil palm for a maximum period of 25 years. For the purpose of this valuation, we will only project the cash flow ending the 1<sup>st</sup> quarter of 2029.

**(B) Sale Price of FFBS Ex-mill Per MT for Sarawak**

The annual average prices of FFB in RM/MT from 2007 up to to-date figure, based on the published statistics of the MPOB, are as follows:

Year	Grade A		Grade B		Grade C	
	OER	RM/MT	OER	RM/MT	OER	RM/MT
2007	21.00%	491.42	20.00%	467.75	19.00%	444.00
2008	21.00%	580.83	20.00%	553.25	19.00%	525.58
2009	21.00%	429.75	20.00%	409.33	19.00%	389.00
2010	21.00%	559.50	20.00%	533.75	19.00%	508.00
2011	22.00%	706.83	21.00%	676.58	20.00%	646.25
2012	22.00%	600.58	21.00%	574.25	20.00%	548.00
2013	22.00%	488.00	21.00%	466.25	20.00%	444.58
2014	22.00%	507.17	21.00%	484.92	20.00%	463.08
2015	22.00%	449.00	21.00%	429.42	20.00%	409.83
2016	22.00%	587.00	21.00%	562.17	20.00%	538.00

Source: MPOB

**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

An analysis of this above table indicates that the price trend has been fluctuating throughout the last 10 years. However, we noted the average price trend analysis can be summarised as follows:

Year	Grade A (RM/MT)	Grade B(RM/MT)	Grade C (RM/MT)
2 years average	518.00	495.79	473.92
3 years average	514.39	492.17	470.31
4 years average	507.79	485.69	463.88
5 years average	526.35	503.40	480.70
6 years average	556.43	532.26	508.29
7 years average	556.87	532.48	508.25
8 years average	540.98	517.08	493.34
9 years average	545.41	521.10	496.93
10 years average	540.01	515.77	491.63

Taking into consideration the FFB reference price, the local CPO prices, future trend and projection, the average FFB price as below is adopted:

Year	Average FFB Price Obtainable (Ex-Mill) RM/MT <sup>1</sup>
2017 onwards (Average Long Term Sustainable Price)	RM 490 <sup>2</sup>

1 Average FFB Price Obtainable (Ex-Mill) RM/MT is based on the 20.0% OER rate (Sarawak Average OER is about 20.02% in 2016).

2 The average local FFB price over the last 5 years is about RM526.35 per MT (Grade A - with OER of 22%), RM503.40 per MT (Grade B - with OER 21%) and RM480.70 per MT (Grade C - with OER 20%). 10 years average is about is about RM540.01 per MT, RM515.77 per MT and RM491.63 per MT, for Grade A, B and C, respectively. Based on market sentiments and historical information, we have taken RM490 per MT (CPO at RM2,600 per MT and with OER in the region of 20.0%) to be the average price on a long-term sustainable price (local delivery, ex-mill). A price discount is taken into account for FFB at Year 1 of harvesting (Age 4) as smaller bunches produce lower oil extraction rates. (FFB at RM430 per MT with OER at 18%).

**(C) Historical FFB Price and OER For Simunjan Estate**

Following the average local FFB price analysis, we have reconciled it with the Simunjan Estate's past 3 years' actual FFB price:

Year	OER (%)	FFB price (RM)
2014	18.24	389.01
2015	18.24	336.30
2016	18.35	463.17
Adopt	20.00	490.00*

Source: RSB and valuer's analysis

\*We consider Average Long Term Sustainable Price:

We have adopted 20% for the OER in the valuation of the Simunjan Estate due to the age profile and maturity of oil palms in the Simunjan Estate. Additionally, the OER of 20% is used despite an average of 18.28% in OER for the Simunjan Estate in the past 3 years as there were poor management and shortage of labour in the Simunjan Estate. As such, we assume that with better harvesting controls and after rehabilitation works take place, the OER will be expected to increase to the average OER of Sarawak oil palms.

**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

Simultaneously, the FFB price of the Simunjan Estate is expected to increase from its existing price as rehabilitation works are being put into place. Once the rehabilitation works start to show improvement in sizes of FFB of the Simunjan Estate, market FFB prices of the Simunjan Estate is expected to increase accordingly. Additionally, we have considered RM430 per MT in the projected FFB price of the Simunjan Estate in Year 1 of harvesting (Age 4) as rehabilitation works are still being put in place and FFB sizes are still picking up. RM490 per MT is adopted to Year 2 (Age 5) and its subsequent years.

**(D) Production Cost**

In estimating the production costs for the subject plantation, we have analysed the historical costs, reconciled with the projected costs provided by the management of RSB (taking into consideration better harvesting controls, improved management and incorporating rehabilitation undertaken to improve poor performing yields) and the estimated production costs of the industry as a whole and thus adopted the following:-

PARTICULARS	UNIT	PROJECTION			ADOPTED
		2017	2018	2019	
<b>General charges</b>	RM/Ha	900.00	900.00	900.00	1,000.00
<b>Upkeep &amp; maintenance</b>					
1. Manuring	RM/Ha	1,456.51	1,916.61	1,918.50	1,980.00
2. Weeding	RM/Ha	160.00	150.00	150.00	150.00
3. Census & thinning	RM/Ha	30.00	25.00	25.00	25.00
4. Pruning & sanitation	RM/Ha	50.00	40.00	40.00	40.00
5. Pest & disease	RM/Ha	34.20	34.20	34.20	34.00
6. Drains	RM/Ha	25.00	20.00	20.00	20.00
7. Roads, bridges & culverts	RM/Ha	150.00	150.00	150.00	150.00
		1,905.71	2,335.81	2,337.70	2,499.00
<b>Harvesting &amp; transportation</b>	RM/MT	90.00	90.00	90.00	90.00

Source: RSB & Henry Butcher Malaysia (Sarawak)

**(E) Discount Rate used in DCF Computation**

The cash flow adopted for market value assessment is a consideration before interest payment and tax. The net cash flow is discounted at an appropriate rate of return (an "all risks yield" is used) to reflect the investor/entrepreneur's rate of return (also known as cost of capital), taking into consideration the risks involve to earn the income (profit), opportunity costs of this capital and other factors. The derivation of all risk yields would take into consideration the following factors:

- Risk free yield in Malaysia
- +
- Premium over (1) above to reflect risks for such investment

The starting point, in determining the risk free yield is always the yield as obtained from a risk free instrument and the benchmark adopted is the 10-year government bond/security.

In Malaysia, we noted that the Malaysian Government Securities (conventional) indicative yield to maturity (YTM) rate for 10 years with maturity date on November 2026, was traded (as at 23 January 2017) at 4.14%. The present Base Lending Rate (BLR) for Maybank is 6.65% p.a. (effective 15 July 2016) which results in general borrowing interest rate of around 7.65% to 8.65% p.a.

Generally, it must also be noted that a discount of about 5% is applied to FFB/CPO product prices in Sarawak compared to Peninsular Malaysia prices and this should also be reflected in the DCF discount rate.

**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

Additionally, the valuation industry standard for discount rates that has been adopted in Sarawak is in the range of 9% to 11%. We have adopted 11% in this instance as we opine that this is a fair and suitable rate for the valuation of Simunjan Estate that holds a LPF status. We have also considered the government bonds of 4.14% in adopting the discount rate at 11%. As there are much greater risk factors in the running and investment in an oil palm plantation as compared with the investment in government bonds the rate is therefore again considered fair and suitable.

Taking into consideration of the above, we thus adopt a discount rate of 11.0% for mature oil palm cultivation and 12% for immature and flooded area cultivation, reflecting that a 6.86% and 7.86% margin spread, i.e. 11.0% minus 4.14% and 12.0% minus 4.14%, above the long term risk free yield rate is sufficient to remunerate industry and entrepreneur return on investment and 8% for reversionary value.

\* Source: Bank Negara Malaysia.

**Parameters used**

Discount rate of 11% for mature field is adopted as this is a LPF. We are of the view that the Simunjan Estate being held under the LPF is of higher risk compared to normal plantation estates with land titles issued.

Further adjustments are also made in the discount rates for poor performing yields, i.e. discount rate of 12% to reflect higher risks involved in poor performing fields' yields compared to normal fields. Poor production of FFB from poor performing fields results in poor OER and translates into poorer performance in terms of profit compared to other normal fields of the Simunjan Estate.

Higher costs are also incorporated into poor performing fields, i.e. the inclusion of rehabilitation cost into the production costs to reflect the differences in valuing normal and poor performing fields. Finally, lower yield is also projected for poor performing fields to reflect the differences in performance between normal and poor performing fields.

**(F) Basic Land Value**

This is the scrub value or value to which the planted land reverts at the end of the economic life of the oil palms and includes the infrastructure on the Simunjan Estate and cost savings in clearing.

Unimproved land value is the open market value of the land in an unimproved state, i.e. under secondary jungle and is assessed by the Comparison Method. This entails comparing the Simunjan Estate with similar properties in the locality that were recently sold with adjustments made for location, size, shape, topography, amenities, infrastructure, soil, tenure, title restrictions, if any, and other relevant characteristics to arrive at the market value of the Simunjan Estate.

With unimproved land value we add back a portion of clearing cost and the whole of infrastructure cost, to derive the basic land value.

Summary of the basic land value for the Simunjan Estate

Estate	Description		Basic land value (RM/Ha)
	Vacant/Unimproved land value (RM/Ha)**	Cost savings in clearing and infrastructure (RM/Ha)*	
Simunjan Estate	1,500.00	6,500.00	8,000.00

\* The cost savings in clearing and infrastructure is based on the total cost of infrastructure provided by RSB at RM54,385,176.31 over replanting area of 5,956.53 Ha (planting area, building, road reserve and nursery) with a depreciation of 30% amounting to a round up figure of RM6,500.00 per Ha.

**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

\*\*The derivation of unimproved land value is as follows:-

**Vacant Land (Unimproved Land Value)**

There are various transactions of vacant plantation lands in Sarawak. The following transactions were recorded by respective the Jabatan Penilaian Dan Perkhidmatan Harta ("JPPH"), Sarawak and the General Announcement from Bursa Malaysia Securities Berhad.

Items	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Title particulars	LPF/0006	LPF/0006	Lot 1210 Puyut Land District	Lots 1226, 1227 & 1238 to 1243 Sedilu-Gedong Land District	Lot 81 Block 5 Balingian Land District
Name	Lana Plantation	Lana Plantation	Magna Wide Sdn Bhd Land	Hydroflow Sdn Bhd Land	Saradu Plantation Sdn Bhd Land
Locality	Between Sungai Merit and Sungai Bah, Belaga	Between Sungai Merit and Sungai Bah, Belaga	Sungai Karap, Marudi, Baram	Between Batang Sadong and Sungai Simunjan & Between Lubuk Teba and Sungai Sentok, Sedilu-Gedong	Coastal Road Rizah, Mukah
Type of soil	Mineral	Mineral	Peat	Peat	Peat
Terrain	Undulating	Undulating	Flat	Flat	Flat
Land area (ha)	9,300.0	40,684.0	5,003.00	2,850.4 (being 70% of 4,072.0)	4,000.0
Tenure	60 years lease term expiring on 7/12/2058	60 years lease term expiring on 7/12/2058	60 years lease term expiring on 23/09/2068	60 years lease term expiring on 13/09/2064 (for Lots 1226 & 1227) and 09/09/2067 (for Lots 1238-1241)	60 years lease term expiring on 11/10/2064
Purpose of land	Tree planting with approval for oil palm planting for a maximum period of 25 years	Tree planting	To be used only for agricultural purposes & purposes incidental to the production & processing of crops thereon.		
Land condition	Vacant	Vacant	Vacant	Vacant	Vacant
Transaction date	2/6/2003	23/10/2007	22/11/2010	11/11/2011	16/01/2012
Transaction amount	RM11,490,150.00	RM32,230,000.00 (The transaction amount comprises of cash and cost for NCR compensation)	RM7,887,622.00 (16.79% share)	RM39,130,000.00 (Please refer to Remarks)	RM29,652,000.00
Base value (RM/Ha)	1,235.50	792.20	9,390.03	13,727.90	7,413.00
Vendor	Samling Reforestation (Bintulu) Sdn Bhd	Timor Enterprises Sdn Bhd	Magna Wide Sdn Bhd	Sawit Green Plantation Sdn Bhd	Saradu Plantation Sdn Bhd
Purchaser	Glenealy Plantation (Malaya) Berhad	Samling Reforestation (Bintulu) Sdn Bhd	Sarawak Oil Palms Berhad	TH Plantation Berhad	Jobenar Raya Sdn Bhd
Transaction structure	Transfer of Lana Plantation	Sub-licence of Lana Plantation	Sale of Magna Wide Sdn Bhd Land	Sale of Sawit Green's 70% equity interest in Hydroflow Sdn Bhd	Sale of Saradu Plantation Sdn Bhd Land

**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

**Vacant Land (Unimproved Land Value)**

Items	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5																												
Adjustment factor	Factors considered include timing of transaction, location, LPF status, soil, size and tenure (where applicable)																																
Adjusted value (RM/ Ha)	1,764.29	1,503.60	3,173.83	3,603.57	1,945.91																												
Sources	Glenealy Plantations (Malaya) Berhad – Circular dated 2 June 2003	Glenealy Plantations (Malaya) Berhad – Circular dated 23 October 2007	JPPH, Miri	General Announcement (Ref. No. TP-111111-64464) dated 11 November 2011	JPPH, Mukah																												
Remarks	Vacant	Vacant	Vacant	<table border="1"> <thead> <tr> <th>Description</th> <th>Land area (ha)</th> <th>%</th> <th>Value (RM' million)</th> </tr> </thead> <tbody> <tr> <td>Acquired by state</td> <td>40.9</td> <td>0.7</td> <td>-</td> </tr> <tr> <td>2 – 5 years of planting</td> <td>483.1</td> <td>10.4</td> <td>34.0</td> </tr> <tr> <td>In the course of planting</td> <td>906.0</td> <td>16.2</td> <td>15.1</td> </tr> <tr> <td>Greenfield area</td> <td>4,072.0</td> <td>72.7</td> <td>55.9</td> </tr> <tr> <td>Total</td> <td>5,602.0</td> <td>100.0</td> <td>105.0</td> </tr> <tr> <td colspan="4">Therefore, 70% of Greenfield area (2,850.4 ha) has a total value of RM39,130,000.00</td> </tr> </tbody> </table>		Description	Land area (ha)	%	Value (RM' million)	Acquired by state	40.9	0.7	-	2 – 5 years of planting	483.1	10.4	34.0	In the course of planting	906.0	16.2	15.1	Greenfield area	4,072.0	72.7	55.9	Total	5,602.0	100.0	105.0	Therefore, 70% of Greenfield area (2,850.4 ha) has a total value of RM39,130,000.00			
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Inspection notes	We are unable to obtain permission to internally inspect the comparables. Pictures of these comparables are therefore only general view taken externally from the plantation (i.e entrance of the comparables). Nevertheless, we are able to analyse the comparables as we have reviewed the location and topography maps, and Environmental Impact Assessment reports (where relevant) of the comparables. We have also visited the surrounding estates in our past experience and therefore, are familiar with the surrounding estates.																																

Based on the above transactions, we note that the vacant lands in Sarawak were transacted at RM792.20 to RM13,727.90 per Ha from June 2003 to January 2012. The huge gap of price range is due to location, land size, soil type, transaction dates, LPF status vs titled land and tenure.

Taking into consideration the evidence of value, coupled with the location, cultivation, LPF status, we have estimated a fair market value of the Simunjan Estate to be around RM1,500.00 per Ha. LPF with 12 ¼ years oil palm remaining is valued at RM1,764.29 per Ha. In view that it is not economical to plant oil palm for 12 ¼ years only, we thus conclude that the fair Market Value of remaining land is RM1,500.00 per Ha, which is in line with Comparable 2. Comparable 2 is adopted as it has the most similar nature compared to the Simunjan Estate. Upward adjustments are allocated to time, locality, soil, terrain and size while there is no downward adjustment allocated. This unimproved land value is therefore aggregated with the infrastructure costs and infrastructure land estimated at RM6,500.00 per Ha to form the basic land value of RM8,000.00 per Ha.



**VALUATION METHOD - Discounted Cashflow Method**

DCF approach is an income based method of valuation. The market value to be derived arises from the benefits of the sales of the oil palms planted thereon. These interest and rights involve the rights to sell off the fresh fruit bunches harvested from the plantation.

In the DCF method, we have considered the following parameters:

Long term FFB price	: RM490 per MT
Yield	: 0 MT to 26 MT per annum
Field maintenance	: Up to RM2,200.00 per Ha per annum
General Charges	: RM1000 per Ha per annum
Harvesting and Transportation	: RM90 per MT
Discount rate	: 11% to matured and rehabilitation (lack of maintenance) area; 12% to immature and flooded area
Discount period	: From year 2017 to year 2029
Basic Land Value	: RM8,000.0 per Ha

*Note :*

- Long term FFB price* - Based on the average local FFB price over 20 years, a RM490 per MT (CPO at RM2,600 per MT) is adopted to be the average price on a long-term sustainable price.
- Yield* - Based on RSB's projection, the MPOB data and valuer's estimate
- Field maintenance, General Charges, Harvesting and Collection & Transportation to mill* - Based on the past three (3) years historical cost of production, three (3) years RSB's projection and valuer's estimate
- Discount rate* - The adopted discount rate of 11% and 12% for oil palm cultivation reflecting risk and return on investment over the long term risk free yield which is derived from Malaysian Government Securities and also the present base lending rate. Discount rate of 11% for mature field is adopted due to the LPF. We are of the view that the Simunjan Estate being held under the LPF is of higher risk compared to normal plantation estates with land titles issued. Further adjustments are also made in the discount rates for poor performing fields, i.e. discount rate of 12% to reflect higher risks involved in poor performing fields' yields compared to normal fields. Poor production of FFB from poor performing fields results in poor OER and translates into poorer performance in terms of profit compared to other normal fields of the Simunjan Estate. Higher costs are also incorporated into poor performing fields, i.e. the inclusion of rehabilitation cost into the production costs to reflect the differences in valuing normal and poor performing fields. Finally, lower yield is also projected for poor performing fields to reflect the differences in performance between normal and poor performing fields.
- Discount period* - The LPF/0035's permitted period.
- Basic Land Value* - The basic land value is adopted after taking into consideration the building cost, infrastructure cost analysed over planted area.

Market Value using DCF Method is RM143,700,000.00 (Ringgit Malaysia:- One Hundred and Forty Three Million and Seven Hundred Thousand Only).

**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

**VALUATION METHOD - Comparison Method**

Our findings from various JPPH, Miri and Mukah Divisions, Sarawak, revealed that there are other transactions of agricultural land planted with oil palms and are as follows:

Item	Comparable 1	Comparable 2	Comparable 3
Title particulars	Provisional Lease Lot 56 Sawai Land District	Lot 1037 Bijat Land District & 16 other titles	Lots 17 & 19 Block 2 Stungkor Land District
Name	Selangor Plantation	Tranvale Plantation	Agrogreen Plantation
Locality	Sungai Luai and Sungai Bawah, Niah, Miri	Tisak, Skrang, Sri Aman	Sampadi, Lundu
Type of soil	Mineral	Peat	Mineral
Terrain	Hilly	Flat	Hilly
Land area	4,857.0 Ha	8,803.845 Ha	5,279.8 Ha
Tenure	21/02/2054	01/12/2107	Lot 17 – 4/4/2070 Lot 19 – 16/10/2071
Purpose of land	To be used only for agricultural purposes & purposes incidental to the production & processing of crops thereon		
Planting status of oil palms	14-16 years old. 3,433.12 Ha planted, 941.11 Ha unplanted & 300 Ha unplanted land.	1-4 years old. Fully planted.	1-5 years old. 96% planted; 4% unplanted
SPH	120	150	131
Transaction date	11/08/2011	23/01/2015	24/10/2016
Transaction Amount	RM118,000,000.00	RM506,853,904.00	RM211,142,952.00
Base Value (RM/Ha)	24,294.83	57,571.88	39,990.71
Vendor	Sheba Resources Sdn Bhd	Tranvale Plantation Sdn Bhd	Pekan Semangat Sdn Bhd, Signature Palms Sdn Bhd and Tuan Haji Mohamad Sabry Bin Othman
Purchaser	R.H Plantation Sdn Bhd	TH Estates (Holdings) Sdn Bhd	Ta Ann Holdings Berhad
Transaction structure	Sale of Selangor Plantation Land	Sale of Tranvale Plantation Land	Sale of Agrogreen Ventures Sdn Bhd shares
Adjustment factor	<u>Factors considered include timing of transaction, location, soil/terrain, cultivation (i.e. developed area and SPH), LPF status/tenure and size (where applicable)</u>		
Adjusted value (RM/Ha)	8,947.79	19,574.44	9,597.77
Sources	JPPH, Miri	JPPH, Miri	General announcement (Ref: GA1-24102016-00062) 24 October 2016
Inspection notes	We are unable to obtain permission to internally inspect the comparables. Pictures of these comparables are therefore only general view taken externally from the plantation (i.e entrance of the comparables). Nevertheless, we are able to analyse the comparables as we have reviewed the location and topography maps, and Environmental Impact Assessment reports (where relevant) of the comparables. We have also visited the surrounding estates in our past experience and therefore, are familiar with the surrounding estates.		

**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

Based on the above transactions, we note that the cultivated plantation lands in Sarawak were transacted at RM24,294.83 to RM57,571.88 per Ha from August 2011 to October 2016. The huge gap of price range is due to time, locality, soil, terrain, cultivation, LPF status, tenure and size. Comparable 3 is adopted as it is the most recent transaction. Downward adjustments are allocated to locality, soil, terrain, cultivation, LPF status, tenure and size while there is no upward adjustment allocated.

Taking into consideration the evidence of value, coupled with the location, facilities/amenities available in the estate, topography, age of palms, LPF status and tenure, we have estimated a fair market value of the Simunjan Estate to be around RM9,600.00 per Ha, totalling to RM144,000,000.00 based on the land area of 15,017.0 Ha.

**MARKET VALUE**

**RECONCILIATION OF VALUE – Opinion of Value**

We have adopted both the DCF Approach and the Comparison Approach to estimate the Market Value of the Simunjan Estate:

<b>Income Approach – DCF Method</b>	<b>Comparison Method</b>
RM143,700,000.00	RM144,000,000.00

As furnished by RSB and according to the TPP, only 20% of Rejang Height's LPF areas are to be allocated to perennial crops like oil palm, and the Simunjan Estate, being one of the smaller project areas, was chosen for oil palm plantation. We were informed that the 7 LPF areas under Rejang Height cumulatively adds up a total of 277,728 Ha, with only 33,547 Ha currently planted with oil palm. This is below the limit imposed by the authorities of 20% of its total licenced areas as at 8 May 2012. From our inquiry with RSB, they have issued a letter to Sarawak Forestry Department for their latest figure that it is within the limit. RSB owns only one of the 7 LPFs and has no control over the other 6 LPFs and thus as per the Clause 10.1 (d) of the Simunjan Agreement, prior to completion of the Proposed Disposal, RSB will procure a letter of undertaking from Rejang Height that Rejang Height will continue to uphold that oil palm plantation shall not exceed 20% of the total licence area managed by Rejang Height to facilitate the area within the LPF/0035 to be planted with oil palm. The aforementioned matter has been taken into consideration while valuing the Simunjan Estate and does not affect its valuation.

In arriving at the final value of the Simunjan Estate, we have adopted DCF Method over Comparison Method due to the complexity of the planted oil palm estate, such as different year of planting, SPH, different yield pattern, cost of production, etc., that is unique to each of the plantation estate. DCF Method requires consideration on all the above to derive the market value, which is more actual, realistic and certain. On the other hand, it is impossible to find a perfect comparable sale for a plantation and a lot of adjustments is needed in order to derive the market value. As such, the Comparison Method should only be used as a guide or check method. It is therefore our considered opinion that the Market Value of the Simunjan Estate under LPF/0035, located within the Samarahan and Sri Aman Divisions, free from all encumbrances is **RM143,700,000.00 (Ringgit Malaysia:- One Hundred and Forty Three Million and Seven Hundred Thousand Only).**

**APPENDIX III - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK ON THE SIMUNJAN ESTATE (cont'd)**

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**The above valuation is subject to the following assumptions:-**

- (A) IT IS FREE FROM ALL ENCUMBRANCES;
- (B) THE CLAIM SUITE NO. KCH-21NCVC-3/3-2016(HC3), IF ANY, WILL BE SETTLED BY RSB;
- (C) THE DIRECTOR AND / OR THE MINISTER WILL GRANT APPROVAL FOR THE ABSOLUTE ASSIGNMENT OF THE LPF/0035 TO AND IN FAVOUR OF THE TMSB;
- (D) RSB WILL OBTAIN THE ENDORSEMENT FROM THE DIRECTOR OF SARAWAK FORESTRY DEPARTMENT OF THE REVISED AND APPROVED TREE PLANTING PLAN BASED ON THE EXISTING LICENCE'S TERMS AND CONDITIONS.

**IT IS TO BE NOTED THAT THE VALUATION WHICH IS BASED ON THE ABOVE ASSUMPTIONS IS ASSUMED TO BE VALID AND CORRECT. WE RESERVE THE RIGHTS TO MAKE AMENDMENTS (INCLUDING THE MARKET VALUE) IF ANY OF THE ABOVE ASSUMPTIONS IS INVALID/INCORRECT.**

**"IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ADDITIONAL ASSUMPTIONS AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTIONS THAT ARE NOT YET OR FULLY REALISED."**

**CERTIFICATION**

The valuation of the above Simunjan Estate has been carried out by Mr. Chieng Yu Tang (Registered Valuer V361) of Henry Butcher Malaysia (Sarawak) Sdn. Bhd.



**CHIENG YU TANG**  
B.Sc (Hons) (HBP), FRISM  
Registered Valuer (V361)  
28 February 2017

**APPENDIX IV - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK AND HENRY BUTCHER MALAYSIA ON THE LUNDU PROPERTIES**



**HENRY BUTCHER MALAYSIA**

International Asset Consultants

28 February 2017

The Board of Directors  
**Rimbunan Sawit Berhad**  
North Wing, Menara Rimbunan Hijau  
101, Pusat Suria Permata  
Jalan Upper Lanang  
96000, Sibul, Sarawak

Dear Sir,

**CERTIFICATE OF VALUATION OF A PARCEL OF LAND AT PLOT 1 OF PROVISIONAL LEASE ("PL") OF STATE LAND AT PARENT LOT 248 BLOCK 4 STUNGKOR LAND DISTRICT, LUNDU, KUCHING DIVISION, SARAWAK ("LUNDU LAND") TOGETHER WITH A PALM OIL MILL ("LUNDU OIL MILL") (INCLUDING WORKERS' QUARTERS) ERECTED THEREON AND PLANT AND MACHINERY USED FOR THE OPERATIONS OF THE LUNDU OIL MILL ("PLANT AND MACHINERY") ("LUNDU PROPERTY")**

In accordance with the instructions from Rimbunan Sawit Berhad ("RSB"), we have valued the Lundu Property. Please find enclosed our valuation report on the current Market Value of the Lundu Property for submission to Bursa Malaysia Securities Berhad in relation to the proposed acquisition of Lundu Land together with Lundu Oil Mill (including workers' quarters) erected thereon and Plant and Machinery by RSB Lundu Palm Oil Mill Sdn Bhd, a wholly-owned subsidiary of RSB.

We have prepared this valuation certificate for inclusion in the circular to shareholders of RSB in conjunction with the proposed acquisitions.

We confirm that we have valued the abovementioned Lundu Property in compliance with the Asset Valuation Guidelines issued by the Security Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The Lundu Property was inspected on 14 December 2016. The material date of valuation is at 11 January 2017.

The basis of the valuation is the Market Value which is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In assessing the Market Value of the Lundu Property, we have adopted the Comparison Method for Lundu Land, Depreciated Replacement Cost ("DRC") Method for the workers' quarters as well as Lundu Oil Mill and Plant and Machinery ("Palm Oil Mill Complex").

**AS INSTRUCTED, THIS VALUATION IS CONDUCTED BASED ON THE FOLLOWING BASIS/ASSUMPTIONS:**

- (I) THE LUNDU PROPERTY IS WITH VACANT POSSESSION AND FREE FROM ALL ENCUMBRANCES;
- (II) THE LUNDU LAND IS IDENTIFIED AS PLOT 1 AND A NEW SUBDIVIDED TITLE WILL BE ISSUED FOR THE LUNDU PROPERTY;
- (III) THE LUNDU LAND HAS A LAND AREA OF 67.5 HECTARES ("HA"), WHICH CURRENTLY FORMS PART OF PARENT LOT 248 BLOCK 4 STUNGKOR LAND DISTRICT MEASURING APPROXIMATELY 250.0 HA ("PARENT LOT 248") WITH TERM OF 60 YEARS COMMENCING ON 30 JANUARY 2004 AND EXPIRING ON 29 JANUARY 2064, AND A SIMILAR TERMS AND CONDITIONS OF THE PL WILL BE CARRIED FORWARD TO THE LUNDU LAND;
- (IV) THE PLANT AND MACHINERY IS TO BE CONTINUED IN ITS PRESENT USE AS A GOING CONCERN; AND
- (V) THE DIRECTOR OF LANDS AND SURVEYS WILL GRANT ITS CONSENT TO THE TRANSFER OF THE LUNDU LAND.

THE VALUATION WHICH IS BASED ON THE ABOVE BASIS/ASSUMPTIONS ARE ASSUMED TO BE VALID AND CORRECT. WE RESERVE THE RIGHT TO MAKE AMENDMENTS (INCLUDING THE MARKET VALUE) IF ANY OF THE ABOVE ASSUMPTIONS IS INVALID/INCORRECT.

IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ADDITIONAL ASSUMPTIONS AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON ASSUMPTIONS THAT ARE NOT YET OR FULLY REALISED.

**HENRY BUTCHER MALAYSIA (Sarawak) Sdn Bhd** (236250X)

L4 14 & 15, DUBS Commercial / Office Centre, Lot 376, Section 54 KTLD, Jalan Petanak, 93100 Kuching, Sarawak.

t • +6082-423 300, 231 037, 231 032, 237 541 f • +6082-231 036 e • hbswak@gmail.com / hbswak@streamyx.com / hbsarawak@gmail.com

w • www.henrybutcherswk.com / www.henrybutcher.com.my

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**APPENDIX IV - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK AND HENRY BUTCHER MALAYSIA ON THE LUNDU PROPERTIES (cont'd)**

Brief details of the Lundu Property as extracted from the Report are as follows:

<p><b>Asset Identification</b></p>	<p><b><u>Lundu Land</u></b></p> <p><b><u>Details of Title</u></b></p> <p>The Lundu Property is situated at Lundu, Kuching Division, Sarawak and under a PL of State Land at Parent Lot 248 Block 4 Stungkor Land District, Lundu, Kuching Division, Sarawak and is held under RH Lundu Palm Oil Mill Sendirian Berhad. We were informed that the Lundu Property will be subdivided from the Parent Lot 248 and a new title will be issued for the Lundu Property. However, as at the date of the valuation, the new title has yet to be issued for the Lundu Property. Hence, we have valued the Lundu Property based on the terms and conditions of the Parent Lot 248 and adjusted for size. The Lundu Property will encompass a land area of 67.5 ha.</p> <p>We have assumed that the special conditions of the title to be issued for the Lundu Property will be similar to the terms and conditions as specified in Special Condition (i)(a), (i)(b), (i)(c) and (i)(d) for the Parent Lot 248, as above. Furthermore, the Lundu Property is expected to have a lease term of 60 years commencing on 30 January 2004 and expiring on 29 January 2064, under classification of mixed zone land and category of country land, similar to the Parent Lot 248.</p> <p><b><u>Title Particulars of Parent Lot 248</u></b></p> <p>a) Land area (ha) 250.0* * The Lundu Land occupies 67.5 ha of the Parent Lot 248</p> <p>b) Tenure Leasehold of 60 years expiring on 29/01/2064, with unexpired term of about 47 years remaining.</p> <p>c) Category of Land Use Palm Oil Mill purposes.</p> <p>d) Registered Proprietor RH Lundu Palm Oil Mill Sendirian Berhad (Full share)</p> <p><b><u>Location/Address</u></b></p> <p>The Lundu Property is located at Plot 1 of PL of State Land at Parent Lot 248 Block 4 Stungkor Land District, Lundu, Kuching Division, Sarawak. The approximate location of the Lundu Property is about 23 kilometres by road to the south-west direction of Lundu Bazaar. Lundu Bazaar is located about 80 kilometres by road to the north-west direction off Kuching City Centre.</p> <p><b><u>Neighbourhood</u></b></p> <p>The Lundu Property is situated within an area which is predominantly agricultural in nature and oil palm plantations can be considered as the major agricultural activity within the vicinity. The other agricultural activities found within the vicinity are rubber, rice, pineapples and pepper plantations.</p> <p>The major oil palm plantation development within the vicinity are FELDA (Federal Land Development Authority), Undan Oil Palm estate, PJP Pelita Lundu estate and PJP Pelita Biawak estate.</p> <p>Numerous longhouses can be found within the vicinity and the surrounding lands are generally undulating in nature.</p>
<p><b>Asset Identification</b></p>	<p><b><u>Descriptions</u></b></p> <p>The Parent Lot 248 covers a total area of 250.00 ha and is irregular in shape. The Parent Lot 248 enjoys frontage onto Bau-Lundu road to the eastern boundary. Sungai Ratu runs through along the western boundary and Batang Kayan runs through along southern boundary of the Parent Lot 248.</p> <p>The Lundu Property is located in the middle of the Parent Lot 248. At the time of our inspection, we note that the Lundu Property is generally flat to undulating in topography.</p> <p>During the time of inspection, we note that a tar-sealed access road of about 1.0 kilometres from the Bau-Lundu road services the Lundu Palm Oil Mill. From the proposed subdivisional plan, we noted that a road reserve will be created to connect Lundu Land to Jalan Bau-Lundu. The proposed road reserve presently forms part of the existing tar-sealed road.</p>

**APPENDIX IV - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK AND HENRY BUTCHER MALAYSIA ON THE LUNDU PROPERTIES (cont'd)**

The site is being leveled and other improvements on the Lundu Land include:-

Type of road	Distance (metres)
Tar-sealed access road	1000.0
Tar-sealed internal road	700.0

The Lundu Oil Mill and workers' quarters are located within the Lundu Land. The Lundu Land covers an area of 67.5 ha, more or less.

**Workers' quarters**

Besides the Lundu Oil Mill, there are 1 unit of manager bungalow, 10 units of semi-detached executive quarters, 8 units of staff terraced houses (Type A), 6 units of workers terraced houses (Type B) and 16 units of workers terraced houses (Type C). These buildings are in fair state of repair.

**Local Authority**

The Parent Lot 248 falls under the jurisdiction of the Lundu District Council on matters relating to planning, building plan approval and rates assessment levy. As stipulated in Buildings Ordinance 1994 ("**Building Ordinance**"), First Schedule (Sections 1(1) and 63(a)) item (m), the area to which this ordinance applies only to Town and Suburban Land of Lundu District Council. As the Parent Lot 248 is categorized as Country Land, the Building Ordinance is not applicable to the Parent Lot 248 and no building plan approval is required.

**Palm Oil Mill**

Currently, the Lundu Oil Mill has an installed capacity of 45 metric tonnes ("**MT**")/hour (expandable to 90 MT/hour). It is licensed to process up to 270,000 metric tonnes of fresh fruit bunch ("**FFB**") per annum.

Generally, the Palm Oil Mill Complex consists of the following buildings:-

<b>Buildings</b>	<b>Built-up area</b>
1. Main Mill Building	5,494 square meters
2. Boiler and Power House	1,288 square meters
3. Mill Office Building	652 square meters
4. Ancillary Buildings	377 square meters

**Other improvements**

FFB Reception Area  
 Inspection Platform  
 Effluent Treatment Plant and Effluent Ponds  
 Water Reservoir Ponds  
 Unloading Ramp Area  
 Pump Shed  
 Landscaping, Fencing, Bridge and Roads

**Condition of buildings and palm oil mill**

During our inspections, we observed that the Palm Oil Mill Complex is in reasonably good state of repair and maintenance.

We are given to understand that the construction of the Lundu Oil Mill was completed in 2006 and was commissioned into operation in march 2006. As such, the Lundu Oil Mill and Plant and Machinery are approximately 10.75 years old.

**Palm Oil Mill Process and Plant and Machinery**

The processing of fresh fruit bunches ("**FFB**") in a palm oil mill as well as the plan and machinery located at the respective sections of the palm oil mill can be summarised as follows:

**APPENDIX IV - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK AND HENRY BUTCHER MALAYSIA ON THE LUNDU PROPERTIES (cont'd)**

<b>Palm Oil Mill Process</b>	<b>Plant and Machinery</b>
<p><u>Reception Station</u></p> <p>The harvested FFB from the estates are transported to the palm oil mill as soon as possible, preferably within 24 hours, to ensure that high quality crude palm oil ("CPO") is produced. The FFB received by palm oil mill are weighed, graded and temporarily stored on the loading ramp.</p>	<p>2-Weighbridge, 1-Inclined Loading Ramp, 1-FFB Scraper Conveyor, 1-FFB Feeding Scraper Conveyor, 24-Fruit Cages, 2-Hydraulic Power Packs</p>
<p><u>Sterilizer Station</u></p> <p>From the loading ramps of the Reception Station, the FFB are fed into fruit cages and transported by rail into the sterilizers for sterilization. The FFB are steam-sterilized or cooked under pressure in the sterilizer, using steam from the steam boiler. The condensate from the steam is discharged into a sludge pit for de-oiling before further treatment in the Effluent Treatment Ponds. The sterilization process is to facilitate the stripping process of the fruits in the thresher from the FFB stalks.</p>	<p>2-Sterilizers, 1-Transfer Carriage, 1-Blowdown Well, 1-Condensate and Sludge Pit, 2-Skimming Pumps, 1-Rotary Tipper, 2-Hydraulic Power Packs, 1-Auto Feeder</p>
<p><u>Threshing Station</u></p> <p>The Sterilized Fruit Bunches ("SFB") in the fruit cages are then discharged into an inclined scraper bar conveyor using a cage tippler. The inclined scraper bar conveyor serves as a SFB feeder into the thresher, which rotates at a fixed speed. The continuous rotational motion of the thresher causes the SFB to roll, lift and fall in the thresher. The rolling and falling impact causes fruitlets to be stripped off and separated from the nuts of the fruits.</p>	<p>1-SFB Inclined Scraper Conveyor, 1-SFB Distributing Scraper Conveyor, 2-Threshers, 1-Horizontal EFB Scraper Conveyor, 2-Fruit Conveyors, 1-Retreshing Conveyor, 1-Roller Crusher, 1-Thresher, 1-Fruit Conveyor, 1-Inclined Empty Bunch Conveyor, 1-Inclined Fruit Conveyor</p>
<p><u>Pressing Station</u></p> <p>The fruits are then conveyed via elevators and conveyors into the vertical digesters with rotating stirring arms. The stirring action mashes and digests the fruits into a fruit mass (known as "MPD" or Mass Passing through Digesters). The MPD is fed into double screw presses to extract CPO from the MPD which also produces press cakes made up of nuts and fruits fibre (known as "PCF" or Press Cake Fibre).</p>	<p>1-Conveyor, 5-Digesters, 1-Press Distribution Conveyor, 1-Cross Distribution Conveyor, 5-Screw Presses, 1-Stainless Steel Oil Gutter, 1-Hot Water Tank</p>
<p><u>Depericarping Station</u></p> <p>The PCF is convey to Cake Breaker Conveyor to loosen up the fibre from the nuts, prior to the separation of nut and fibre.</p> <p>The nut and fibre of the fruits are then separated in the depericarping winnowing system. The separated nuts are polished in the nut polishing drum to remove any undetached fibre and are then fed into the destoner winnowing system via nut conveyor and nut elevator to remove heavy foreign matter such as stones and metal bits. The nuts are then conveyed to nut-silos. The loose fibre are sucked up by the Fibre Cyclone and Fan and conveyed to the boiler station as fuel for the steam boiler.</p>	<p>1-Press Cake Scraper Conveyor, 1-Cake Breaker Conveyor, 1-Fiber Nut Separation Column, 1-Fibre Cyclone, 1-Fan, 1-Nut Polisher, 1-Nut Elevator, 3-Auger Conveyors, 1-Destoner</p>
<p><u>Nut Station</u></p> <p>The nuts from the above-mentioned nut-silos are fed into Ripple Mills via vibrating feeders. The cracked mixtures obtained are preliminary separated into shells and kernels through a series of winnowing system. Lighter shells from the winnowing system will be conveyed to the boiler station, mixed with the fibre produced earlier in the Depericarping Station, to be used as steam boiler fuel</p>	<p>1-Nut Silo, 1-Dry Nut Elevator, 1-Nut Grading Drum, 3-Conveyors, 6-Ripple Mills, 1-Crack Mix Conveyor, 1-Crack Mix Elevator, 1-Winnowing System, 1-Shell Cyclone, 1-Fan-30KW, 1-Air Separator,</p>



**APPENDIX IV - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK AND HENRY BUTCHER MALAYSIA ON THE LUNDU PROPERTIES (cont'd)**

	<p>as well. Uncracked nuts will be recycled for re-cracking.</p>	<p>1-Crack Mix Conveyor, 2-Three Stage Hydro Cyclones, 1-Shell Conveyor</p>
	<p><b>Kernel Recovery Station</b></p> <p>The bulk of kernels recovered from the Nut Station are dried in kernel drying silos, and finally stored in the kernel bulk storage tank(s), ready for despatch to buyers. A small portion of the kernels recovered from the Nut Station contains some residual shell fragments is further separated using Hydrocyclones. These wet kernels produced will also be dried in the same kernel drying silos.</p>	<p>1-Wet Kernel Conveyor, 2-Kernel Elevators, 1-Kernel Conveyor, 2-Drying Kernel Silos, 3-Dry Kernel Conveyor, 1-Kernel Bunker</p>
	<p><b>Clarification Station/Oil Storage Station</b></p> <p>The CPO extracted from the Press Station will first be sand-trapped using sand trap tank(s) at the Oil Gutter. Desanded CPO will then be diluted with the right quantity of hot water (or recovered sterilizer condensate oil) during the screening. Recycling of the sterilizer condensate oil will help to reduce the total production of raw effluent.</p> <p>The diluted CPO will be pumped into a vertical clarification tank, in which the lighter CPO will be statically separated from solids and sludge. The clarified oil and clarifier underflow sludge will be separately stored in their respective tanks for re-heating.</p> <p>The hot CPO (which consists of clarified oil and decanted oil) will be treated with Oil Purifiers to remove whatever residual solids and moisture. The resulting purified CPO will finally be dried in a vacuum dryer, and subsequently stored in the CPO Storage Tanks, ready for despatch to buyers.</p> <p>Underflow sludge is fed into a three-phase Decanter, separate solid waste, light phase oil, and sludge. The decanted clean CPO will be fed into the clarified oil tank, the decanted sludge will be discharged into sludge pit. Solid waste will be disposed off in the field as fertilizer. The remaining oil in the sludge pit is skimmed and recycled to the crude oil tank, while the final sludge will be discharged into Effluent Treatment Ponds for treatment.</p>	<p>1-Sand Trap, 2-Vibrating Screens, 1-Screen Return Conveyor, 2-Crude Oil Tanks, 2-Crude Oil Pumps, 1-Clarification Tank, 1-Pure Oil, 1-Hot Water Tank, 1-Decanter Feed Tank, 1-Dry Oil Buffer Tank, 1-Vacuum Dryer, 1-Vacuum Pump, 1-Sludge Tank, 1-Decanter, 1-Screw Conveyor, 3-Desanders, 1-Oil Recovery Tank, 2-Recovery Oil Pumps, 2-Dry Oil Pumps, 1-Pure Oil Pump, 1-Hot Water Tank, 1-Oil Purifier, 3-Desander Pumps, 1-Sludge Conveyor, 1-Desander Tank, 1-Air Compressor, 2-Crude Palm Oil Storage Tanks, 1-Deoiling Tank, 1-Pump, 1-Acidification Pond, 2-Anaerobic Ponds, 1-Faculative Pond, 2-Aeration Ponds, 2-Settling Ponds, 1-Discharge Pump</p>
<p><b>Plant Utility Services and General Equipment</b></p>		
<p><b>Boiler and Power Station</b></p> <p>1-Shell Conveyor, 2-Fiber Scraper Conveyors, 1-Fiber Hopper, 2-Elevators, 1-Boiler, 1-Fibre Feeding Fan, 1-Secondary Fan, 1-FD Fan, 1-ID Fan, 1-Dust Collector, 1-Ash Conveyor, 1-Chimney,</p> <p>1-Blow Down Well, 2-Water Softeners, 2-Water Softener Pumps, 2-Chemical Dosing Pumps, 2-Chemical Mixing Tanks, 1-Vacuum Deaerator, 1-Deaerator Pump, 1-Turbine Feed Pump, 1-Feed Pump, 1-Feed Water Tank, 1-Air Compressor, 1-Turbine Generator, 1-Back Pressure Receiver, 3-Generators</p>		
<p><b>Water Treatment Plant</b></p> <p>3-PVC Chemical Mixing Tanks, 3-Dosing Pumps, 1-Chemical Mixing Tank, 1-Clarifier, 1-Clarified Water Tank, 2-Water Pumps, 2-Sand Filters, 1-Elevated Water Tank, 1-Switch Panel, 2-Ebara Hydro Booster Pumps</p>		
<p><b>Plant Water Supply and Fire Fighting Equipment</b></p> <p>3-River Water Intake Pumps, 3-Reservoir Water Pumps, 1-Water Reservoir, 2-Fire Fighting Pumps, 1-Jockey Pump, 1-Fire Water Tank</p>		

**APPENDIX IV - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK AND HENRY BUTCHER MALAYSIA ON THE LUNDU PROPERTIES (cont'd)**

	<p><b>Laboratory Equipment</b> 1-Furnace Carbolite, 1-UV Spectrophotometer Thermo Scientific, 1-BOD Incubator, 1-Electronic Scale, 1-Oven, 2-Electro Mantles, 1-Water Distiller, 1-Hot Plate Stirrer, 1-Vacuum Pump, 1-Analytical Balance, 1-pH Meter, 1-Chemix Flocc Tester, 1-Centrifuge</p> <p><b>Workshop equipment</b> 2-Workshop Presses, 1-Pedestrial Drill, 1-Drilling/Milling Machine, 1-Shaping Machine, 1-Lathe, 7-Arc Welders, 1-Bench Grinder, 1-Power Hacksaw, 4-Oxygen/Acetylene Cutting Torches, 4-Hand Grinders, 1-Portable Magnetic Drills, 1-Cut-Off Machine</p> <p><b>Mobile Equipment &amp; Motor Vehicles</b> 2-Wheel Loaders, 4-Pick up Trucks, 3-Lorries, 1-Agricultural Tractor, 1-Excavator, 1-Forklift, 1-Bulldozer</p> <p><b>Office Furniture Equipment</b> Office air conditioners, computers, facsimile machine, Telephones, office chairs, tables and cabinets</p>
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**MARKET VALUE**

Method of Valuation

The appropriate method to be adopted to value the Lundu Property is on the basis of Direct Comparison Method with recent sale of similar palm oil mills. However, there is no evidence of sale of exact mills. Thus, we rely on the Comparison Method for Lundu Land by comparing vacant palm oil plantation land sales with due adjustment and DRC Method for workers' quarters and Palm Oil Mill Complex.

Comparison Method for Lundu Land

This approach is the Market Approach of comparing the Lundu Land with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, size, building differences, time element and other relevant factors to arrive at our opinion of value.

There are various transactions of vacant oil palm plantation lands in Sarawak. The following transactions were sourced from the respective Jabatan Penilaian Dan Perkhidmatan Harta ("JPPH"), Sarawak and the General Announcements from Bursa Malaysia Securities Berhad, where relevant.

Items	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Title particulars	Lots 1513 to 1515 Bukar-Sadong Land District	Lot 1210 Puyut Land District	Lots 1226, 1227 & 1238 to 1243 Sedilu-Gedong Land District	Lot 81 Block 5 Balingian Land District
Name	Poliga Sdn Bhd Land	Magna Wide Sdn Bhd Land	Hydroflow Sdn Bhd Land	Saradu Plantation Sdn Bhd Land
Locality	Between Sungai Igom & Batang Sadong, Serian	Sungai Karap, Marudi, Baram	Between Batang Sadong and Sungai Simunjan & Between Lubuk Teba and Sungai Sentok, Sedilu-Gedong	Coastal Road Rizah, Mukah
Type of soil	Peat	Peat	Peat	Peat
Terrain	Flat	Flat	Flat	Flat
Category/ Classification of Land	Mixed Zone Land/ Country Land	Mixed Zone Land/ Country Land	Mixed Zone Land/ Country Land	Mixed Zone Land/ Country Land
Land Area (ha)	1,223.0	5,003.0	2,850.4 (70% of 4,072.0)	4,000.0
Tenure (Expiry date)	60 years lease term expiring on 20/01/2068 (Lot 1513), 21/01/2028	60 years lease term expiring on 23/09/2068	60 years lease term expiring on 13/09/2064 (for Lots 1226 & 1227) and 09/09/2067 (for Lots 1238-1241)	60 years lease term expiring on 11/10/2064

**APPENDIX IV - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK AND HENRY BUTCHER MALAYSIA ON THE LUNDU PROPERTIES (cont'd)**

Items	Comparable 1	Comparable 2	Comparable 3	Comparable 4																								
	(Lot 1514) & 20/01/2028 (Lot 1515)																											
Purpose of Land	To be used only for agricultural purposes & purposes incidental to the production & processing of crops thereon																											
Land condition	Vacant	Vacant	Vacant	Vacant																								
Transaction date	30/10/2009	22/11/2010	11/11/2011	16/01/2012																								
Transaction amount(RM)	13,599,149.00	7,887,622.00 (840/5,003 share or 16.79%)	39,130,000.00 (please refer to remarks)	29,652,000.00																								
Base Value (RM/ha)	11,119.50	9,390.03	13,727.90	7,413.00																								
Adjusted Value after rounding (RM/ha)	37,000.00	34,000.00	39,000.00	29,000.00																								
Vendor	Poliga Sdn Bhd	Magna Wide Sdn Bhd	Sawit Green Plantation Sdn Bhd	Saradu Plantation Sdn Bhd																								
Purchaser	Gemilang Bumimas Sdn Bhd	Sarawak Oil Palms Berhad	TH Plantation Berhad	Jobenar Raya Sdn. Bhd.																								
Transaction structure	Pologa Sdn Bhd Land transaction	Magna Wide Sdn Bhd Land transaction	Sale of Sawit Green's 70% equity interest in Hydroflow Sdn Bhd	Saradu Plantation Sdn Bhd Land transaction																								
Sources	JPPH, Kuching	JPPH, Miri	General Announcement (Ref: No. TP-111111-64464) dated 11 November 2011	JPPH, Sibul																								
Adjustment factor	<u>Factors considered include locality, type of soil, purpose of land, land size, land condition, transaction structure (where applicable)</u>																											
Remarks	Vacant land	Vacant land	<table border="1"> <thead> <tr> <th>Description</th> <th>Land area (ha)</th> <th>%</th> <th>Value (RM' million)</th> </tr> </thead> <tbody> <tr> <td>Acquired by state</td> <td>40.9</td> <td>0.7</td> <td>-</td> </tr> <tr> <td>2-5 years of planting</td> <td>583.1</td> <td>10.4</td> <td>34.0</td> </tr> <tr> <td>Planting in progress</td> <td>906.0</td> <td>16.2</td> <td>15.1</td> </tr> <tr> <td>Vacant land</td> <td>4,072.0</td> <td>72.7</td> <td>55.9</td> </tr> <tr> <td>Total</td> <td>5,602.0</td> <td>100.0</td> <td>105.0</td> </tr> </tbody> </table> <p>Therefore, 70% of the Greenfield area (2,850.4 ha) has a total value of RM39.13 million.</p>	Description	Land area (ha)	%	Value (RM' million)	Acquired by state	40.9	0.7	-	2-5 years of planting	583.1	10.4	34.0	Planting in progress	906.0	16.2	15.1	Vacant land	4,072.0	72.7	55.9	Total	5,602.0	100.0	105.0	Vacant land
Description	Land area (ha)	%	Value (RM' million)																									
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Vacant land	4,072.0	72.7	55.9																									
Total	5,602.0	100.0	105.0																									

Based on the above transactions, we note that the vacant oil palm plantation lands in Sarawak were transacted at RM7,413.00 to RM13,727.90 per ha from October 2009 to January 2012.

Based on the comparables, we analysed and conclude that the adjusted land values range from RM29,392.55 to RM39,261.79 per ha and is rounded to RM29,000.00 to RM39,000.00 per ha. We have adopted the value of Comparison 1 as best comparable because it is sold in whole share and are least adjusted in term of type of adjustment. The total market value works out to be RM2,497,500.00 for 67.5 ha of land.

**APPENDIX IV - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK AND HENRY BUTCHER MALAYSIA ON THE LUNDU PROPERTIES (cont'd)**

DRC Method for workers' quarters

The DRC method was adopted in assessing the building value. It involves the derivation of the value of the building and other improvements derived from prevailing building costs, less an appropriate adjustment for depreciation or obsolescence to reflect the existing condition of the building at the date of valuation.

"Replacement Cost" means no more than the cost of the modern logical replacements.

All the buildings were completed in the year of 2006. As such, in this Valuation, we adopted the straight line method for depreciation, with the assumption that the estimated economic life span of the building is 30 years. The depreciation rate per annum adopted is 3.33% over the estimated economic life span of 30 years

Building Value (workers' quarters) derived using DRC Method is RM2,500,000.00 (Malaysian Ringgit: Two Million and Five Hundred Thousand Only).

Gross current replacement cost ("GCRC") and DRC methods for Palm Oil Mill Complex

We have analyzed available reported transactions or reports on new set-up costs for such oil mills within and outside Malaysia. In the present circumstances, we have adopted the cost approach for the mobile equipment, motor vehicles and office furniture equipment, by reference to the replacement cost less an appropriate adjustment for depreciation. The GCRC of the mobile equipment, motor vehicles and office furniture equipment were arrived at after taking into consideration their respective book values as at 31 July 2016.

We were informed by RSB that most of the mobile equipment were purchased second-hand and some are very old units. Having sighted the mobile equipment, motor vehicles and office furniture, we have adopted the straight line depreciation method. We are of the opinion that there will be very low or negligible residual values attributable to the mobile equipment, motor vehicle and office furniture at the end of their useful lives, and we have used the straight line depreciation method for this reason.

In computing the DRC of the Lundu Oil Mill and Plant and Machinery, as a whole for use in its working place, we have taken into consideration the remaining economic life span of the Plant and Machinery, current replacement prices, current state of the technology of that industry and observed physical condition of the Plant and Machinery on site. We have also used market comparables of similar-sized palm oil mill costings in determining the DRC of the Lundu Oil Mill.

The details of the publicly quoted market comparables as shown as below:-

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**APPENDIX IV - VALUATION CERTIFICATE FROM HENRY BUTCHER SARAWAK AND HENRY BUTCHER MALAYSIA ON THE LUNDU PROPERTIES (cont'd)**

We are informed by the management of the Palm Oil Mill Complex that there were recent upgrades to the oil milling plant and machinery with the total cost of RM1,253,382.00.

In computing the DRC of the Palm Oil Mill Complex, as a whole for use in its working place, we have taken into consideration the remaining economic life span of the Lundu Oil Mill and Plant and Machinery, current replacement prices, current state of the technology of that industry and observed physical condition of the Plant and Machinery on site.

We have accordingly taken up the total DRC of these major upgrades/additions but based on a lesser depreciation rate bearing in mind that these costs were incurred more recently commencing July 2011 until November 17, 2014. The average depreciation rate we have used is 4% for these additional items based on straight line depreciation method.

In computing the DRC of the Palm Oil Mill Complex, as a whole for use in its working place, we have taken into consideration the following:-

1. All the figures are rounded-to the nearest thousand.
2. Depreciation is computed on a straight-line basis at the following rates:-
  - Palm Oil Mill Complex: 4% per annum over the life span of 25 years
  - Mobile Equipment and Motor Vehicles: 6.67% per annum over the life span of 15 years
  - Office Furniture Equipment: 6.67% per annum over the life span of 15 years

The life spans imputed above are what is considered to be the fair and reasonable economic life of that particular item of plant and machinery, employed in its use within that particular activity. In this valuation, the Value derived from DRC Method is adopted.

Having considered all factors, like lifespan, rate of depreciation, obsolescence and maintenance and market condition at the time of this valuation, the Market Value of Palm Oil Mill Complex is RM28,700,000.00.

Based on the above, we therefore adopted Market Value, **based on the basis/assumptions as hereinbefore**, as follow:-


Descriptions	Market Value (RM)
Lundu Land	2,497,500.00
Workers' quarters	2,500,000.00
Palm Oil Mill Complex	28,700,000.00
Total	33,697,500.00
Say	33,700,000.00

**Value Conclusion**

In arriving at the final value of Lundu Property, we adopted **Comparison Method for the Lundu land and DRC Method for the workers' quarters and Palm Oil Mill Complex**. It is our considered opinion that the Market Value of the Lundu Property, **based on the basis/assumptions as hereinbefore**, is **RM33,700,000.00 (Malaysian Ringgit: Thirty Three Million and Seven Hundred Thousand Only)**.

**CERTIFICATION**

The valuation of the above property has been carried out by Mr. Chieng Yu Tang (Registered Valuer V361) of HENRY BUTCHER MALAYSIA (Sarawak) Sdn. Bhd and Mr Liew Chee Kong (Registered Valuer V242) of HENRY BUTCHER MALAYSIA SDN BHD.

  
 Chieng Yu Tang  
 B.Sc (Hons) (HBP), FRISM  
 Registered Valuer (V361)  
 28 February 2017



  
 Liew Chee Kong  
 B.Sc., MRICS  
 Registered Valuer (V-242)  
 28 February 2017





**HENRY BUTCHER MALAYSIA**

International Asset Consultants

28 February 2017

The Board of Directors  
**Rimbunan Sawit Berhad**  
North Wing,  
Menara Rimbunan Hijau,  
101, Pusat Suria Permata,  
Jalan Upper Lanang,  
96000 Sibu, Sarawak, Malaysia.

Dear Sir,

**CERTIFICATE OF VALUATION OF PROVISIONAL LEASE OF STATE LAND FOR OIL PALM PLANTATION WITH AN AREA OF 1,504 HECTARES KNOWN AS SASSTAT ESTATE UNDER LOT 205 TERAJA LAND DISTRICT, MIRI DIVISION ("SUBJECT PROPERTY")**

This certificate has been prepared for inclusion in the circular to shareholders of Rimbunan Sawit Berhad ("RSB") in relation to the proposed acquisition of 100,000 ordinary shares in Sastat Holdings Sdn Bhd ("SHSB"), representing the entire equity interest in SHSB, by RSB.

In accordance with the instructions from RSB, we have valued the Subject Property vide our valuation report bearing Reference No.: HBMM/VAL/MV/6305/2017 dated 28 February 2017 for the purpose of submission to the Bursa Malaysia Securities Berhad. The Subject Property was inspected on 14 December 2016. The material date of valuation for this exercise is at 1 January 2017.

We confirm that we have valued the Subject Property based on the valuation basis stated below. The valuation has been carried out in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and in compliance with the Asset Valuation Guidelines issued by the Securities Commission.

The basis of the valuation is the **Market Value** which is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In assessing the market value of the Subject Property, we have adopted both the **Discounted Cash Flow (DCF) Method** and the **Comparison Method**.

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**HENRY BUTCHER MALAYSIA (MIRI) Sdn Bhd** (566177-X)

Soon Hup Commercial Complex, 1st Floor, S/Lot 9 (906-1-9), Jalan Merbau, 98000 Miri, Sarawak.

t • +6085-442 800 f • +6085-429 699 e • hbmalmiri@yahoo.com w • [www.henrybutcher.com.my](http://www.henrybutcher.com.my)

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Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



**APPENDIX V - VALUATION CERTIFICATE FROM HENRY BUTCHER MIRI ON THE SASSTAT ESTATE**  
(cont'd)

Brief details of the Subject Property as extracted from the valuation report are as follows:

<p><b>Asset Identification</b></p>	<p><b>Details of Title</b> The subject estate known as Sasstat Estate is situated at Miri Division, Sarawak and under a Provisional Lease of State Land hereinafter referred to as the "Subject Property" and is held under Sasstat Holdings Sdn. Bhd.</p> <table border="0" data-bbox="323 568 1377 629"> <tr> <td><b>Title Particular</b></td> <td style="text-align: right;"><b>Land Area (hectares)</b></td> </tr> <tr> <td>Provisional Lease Lot 205 Teraja Land District</td> <td style="text-align: right;">1,504.00</td> </tr> </table> <p><b>Location/Address</b> The Subject Property is located along Batang Baram, near to Marudi. The Sasstat Estate is about 11 kilometres (aerial measured) to the North of Marudi town centre.</p> <p><b>Accessibility</b> The Subject Property is not accessible by road at present. However, it can be reached via Batang Baram by taking 30 minute express boat ride from Marudi town wharf or 2½ hours from Kuala Baram wharf (Miri). River transport via Batang Baram provides the main mode of transportation from Miri to the Subject Property and beyond to Marudi. Marudi town can be accessed from Miri city centre by way of Miri-Bintulu road, Miri-Marudi trunk road, and taking two ferries, which cross Batang Baram and Sungai Bakong before reaching Marudi town. The length of Miri-Marudi trunk road is about 50km (about 1½ hours driving) from Miri city centre to Marudi town centre. Further access from Marudi town to the Subject Property is via river transport through Batang Baram. Miri/Bintulu trunk road is part of the Pan-Borneo highway linking Miri and Bintulu. It is a tar macadamised dual carriageway. Sections of the Miri-Marudi trunk road are tarmac and gravelled over.</p> <p><b>Tenure</b> Leasehold of 60 years expiring on 5 August 2068, with unexpired term of about 51 years remaining.</p> <p><b>Category of Land Use</b> To be used only for agricultural purposes and purposes incidental to the production and processing of crops thereon.</p> <p><b>Registered Proprietor</b> Sasstat Holdings Sdn. Bhd.</p>	<b>Title Particular</b>	<b>Land Area (hectares)</b>	Provisional Lease Lot 205 Teraja Land District	1,504.00
<b>Title Particular</b>	<b>Land Area (hectares)</b>				
Provisional Lease Lot 205 Teraja Land District	1,504.00				
<p><b>General Description of Asset</b></p>	<p><b>Description</b> The Subject Property is held under a Provisional Lease of State Land for oil palm plantation purposes.</p> <p>Sasstat Estate is situated on Provisional Lease Lot 205 Teraja Land District, with total land area of 1,504.00 hectares more or less.</p> <p>Sasstat Estate is planted in year 2012 to 2016. The Subject Property is developed under one division and is further subdivided into various blocks i.e. Block 1 to 21, for easy administrative purposes.</p> <p>The topography of Sasstat Estate is relatively flat and low-lying, with the water tables found within 10-25 cm of the ground surface most of the year.</p>				

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**APPENDIX V - VALUATION CERTIFICATE FROM HENRY BUTCHER MIRI ON THE SASTAT ESTATE**  
(cont'd)

(a) The area statement of Sastat Estate is as follows :-

Item	Year		Status (Ha)		Total (Ha)
	YOP	Age @ 2017	Mature	Immature	
1.	2012	5	652.50		652.50
2.	2013	4		168.96	168.96
3.	2014	3		93.79	93.79
4.	2015	2		66.79	66.79
5.	2016	1		31.75	31.75
Total planted area			652.50	361.29	1,013.79
6.	Ready for planting				1.18
7.	Land under preparation				68.21
8.	Buildings, roads, etc				12.05
9.	Unplantable area				408.77
Total area					1,504.00

Source: RSB

Notes:-

1. YOP= Year of Planting

(b) The roads within the Subject Property are generally sand/earth-gravelled roads. The Subject Property is linked from one block to another by main estate roads, which are of earth-gravel construction; and the field roads or collecting roads are basically sandy roads. The roads are not constructed in any particular direction but follow the natural contours of the terrain which they lie on. Most of the main roads are in motorable condition.

(c) There are various support and service buildings and amenities within the Subject Property detailed as follows:

Item	Type of Building	No. of Unit
1	1/S Terrace Concrete House (Staff quarter)	10
2	1/S Terrace Concrete House (Labour quarters)	10
3	Store	1
4	Diesel kiosk	1
5	Genset	1

Source: RSB

(d) The following is the production cost analysis and Oil Extraction Rate (OER) rate for the last 5 years:-

Year	FY2012	FY2013	FY2014	FY2015	FY2016
OER Rate (%)				14.00	14.28
Items					
1) Plantation Admin Charges	1,025.93	875.47	338.62	464.26	523.70
Cost per ha (RM/ha)					
2) Maintenance/Cultivation	1,872.96	2,134.63	581.19	714.62	1,654.08
Cost per ha (RM/ha)					
3) Harvesting & Collecting Cost and FFB Transport To Mill Cost	0	0	0	108.07	102.25
Cost per MT (RM/MT)					

Source: RSB

(e) The following is the past 2 years yield recorded :-

YOP	Planted Area (ha)	2015		2016	
		FFB Production (MT)	Yield (MT/ha)	FFB Production (MT)	Yield (MT/ha)
2012	652.49	737.14	1.11	1,722.18	2.59
2013	168.96	0.00	0.00	464.45	2.58
2014	93.79	0.00	0.00	0.00	0.00
2015	66.79	0.00	0.00	0.00	0.00
2016	31.75	0.00	0.00	0.00	0.00

Source: RSB

Notes:-

1. Year of Planting  
2. Average Yield from Year 2015 to Year 2016

**Market Value:**

**Methods of Valuation**

In arriving at the market value of the Subject Property, we have adopted both the Discounted Cash Flow (DCF) method and the Comparison Method.

The DCF method is used in relation to the cash flow from the planted areas of the Subject Property. 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. In comparing properties, due consideration is given to factors such as location, size, amenities, infrastructure, land restrictions, time element and other relevant factors to arrive at our opinion of value.

The DCF approach is an income based method of valuation and it involves, firstly, the assessment of the cash inflow from the annual gross sale income of the fresh fruit bunches ("FFB"). As the FFB are sold on an ex-mill basis, this can be derived directly with no further deductions made for other logistical costs of sales.

Secondly, the cash outflow, such as the total production costs (including general charges, cultivation and manuring costs, harvesting and collection costs, etc) are deducted to arrive at the net cash flow (i.e. net income). Thirdly, the net cash flow (i.e. net income) is discounted at an appropriate rate of return to reflect the investor/entrepreneur's rate of return taking into consideration the risks involved to earn the income (i.e. profit), opportunity costs of his capital and other factors.

**Parameters of Discounted Cash Flow Method**

**(A) Yield Of FFB From The Fields & Economic Life Span of Palms**

FFB yield from the fields, amongst others, is related to the age of the oil palms, climatic conditions, maintenance and manuring programs undertaken by the management and a host of other factors. For yield projections, we have assumed that normal and standard agriculture practices shall be adopted (taking into consideration the historical background of the oil palms). The yield projections are also based on the information and statistics published by Malaysia Palm Oil Board ("MPOB"). In addition, they are reconciled with yields records provided by the management of the Subject Property. Accordingly, we have adopted **yield of 4 MT to 24 MT** per annum in the DCF.

The economic life cycle for the oil palms is taken to be 25 years. Although FFB yields may still be obtained after this age, the economics of harvesting FFB from these oil palms are considerably reduced because of the low yield then and the difficulty of harvesting; as the oil palms would have grown very tall. However, if the price of FFB or crude oil palm ("CPO") is sufficiently attractive, these oil palms can still be maintained and harvested for a few more years.

Hypothetically, as the oil palms reach the end of their economic life span, replanting would take place and from thereon FFB production could be taken as a long term yield achievable within the plantation, i.e. taken as a going concern. For the purpose of the DCF, as the replanting involves extra cost, we have therefore adopted the discounting of the cash flow based on one complete life cycle of the existing oil palms. Computations beyond one life cycle are not practical due to the discounting formula's inherent calculation where the present value factor figures are too low.

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**APPENDIX V - VALUATION CERTIFICATE FROM HENRY BUTCHER MIRI ON THE SASTAT ESTATE**  
(cont'd)

**(B) Sale Price Of FFB Ex-mill (Per MT)**

The annual average prices of FFB in RM/MT from 2007 up to to-date figure, based on the published statistics of the MPOB, are as follows:

Average FFB prices for Sarawak, Malaysia

Year	Grade A		Grade B		Grade C	
	OER	RM/MT	OER	RM/MT	OER	RM/MT
2007	21.00%	491.42	20.00%	467.75	19.00%	444.00
2008	21.00%	580.83	20.00%	553.25	19.00%	525.58
2009	21.00%	429.75	20.00%	409.33	19.00%	389.00
2010	21.00%	559.50	20.00%	533.75	19.00%	508.00
2011	22.00%	706.83	21.00%	676.58	20.00%	646.25
2012	22.00%	600.58	21.00%	574.25	20.00%	548.00
2013	22.00%	488.00	21.00%	466.25	20.00%	444.58
2014	22.00%	507.17	21.00%	484.92	20.00%	463.08
2015	22.00%	449.00	21.00%	429.42	20.00%	409.83
2016	22.00%	587.00	21.00%	562.17	20.00%	538.00

Source: From www.mpob.gov.my

An analysis of the above table indicates that the price trend has been fluctuating throughout the last 10 years. However, the average price trend analysis can be summarised as follows:

Year	Grade A (RM/MT)	Grade B (RM/MT)	Grade C (RM/MT)
2 years average	518.00	495.79	473.92
3 years average	514.39	492.17	470.31
4 years average	507.79	485.69	463.88
5 years average	526.35	503.40	480.70
6 years average	556.43	532.26	508.29
7 years average	556.87	532.48	508.25
8 years average	540.98	517.08	493.34
9 years average	545.41	521.10	496.93
10 years average	540.01	515.77	491.63

Taking into consideration the FFB reference price, the local CPO prices, future trend and projection, the average FFB price as below is adopted:-

**Average FFB Price**

Year	Average FFB Price Obtainable (Ex-Mill) RM/MT
2017 onwards (Average Long Term Sustainable Price)	RM 490 <sup>2</sup>

Note 1 Average FFB Price Obtainable (Ex-Mill) RM/MT is based the 20.0% OER rate (currently Sarawak Average OER rate is 20.02% in 2016).

2 The average local FFB price over the last 5 years is about RM526.35 per MT (Grade A - with OER of 22%), RM503.4 per MT (Grade B - with OER 21%) and RM480.70 per MT (Grade C - with OER 20%). 10 years average is about RM540.01 per MT, RM515.77 per MT and RM491.63 per MT, for Grade A, B and C, respectively. Based on market sentiments and historical information, we have taken RM490 per MT (CPO at RM2,600 per MT and with OER in the region of 20%) to be the average price on a long-term sustainable price (local delivery, ex-mill).

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**APPENDIX V - VALUATION CERTIFICATE FROM HENRY BUTCHER MIRI ON THE SASSTAT ESTATE**  
(cont'd)

**(C) Historical OER and FFB Price For The Subject Property**

As Sastat Estate is still a young estate, the actual past 2 years records for OER and FFB Price of the Sastat Estate, as provided by RSB, is as follows:

Year	OER (%)	FFB price (RM)
2015	14.14	265.08
2016	14.44	368.80
Adopt	20.00	490.00*

Source : RSB and valuer's analysis

\*We consider Long Term Sustainable Average Price.

The Sastat Estate only started yielding in 2015. It managed to achieve OER rates of 14.14% and 14.44% in years 2015 and 2016, respectively. The oil palms in the Sastat Estate are still immature and have not been properly maintained. Rehabilitation works only started about 1.5 years ago, with full-cycle manuring. During the site inspection, oil palms in the Sastat Estate were growing reasonably well. Therefore, in our assessment, we have adopted OER rates of 17%, 18% and 19% for harvesting in years 1-3 (2017 onwards). From Year 4 onwards, we have adopted 20%, as the Sastat Estate is expected to further mature. As such, with better agricultural practices, i.e. field upkeeping, maintenance and better harvesting controls, the OER is expected to increase to the average OER of Sarawak oil palms.

Simultaneously, the FFB price of the Sastat Estate is expected to increase from its existing price as rehabilitation works are being put into place. Once the rehabilitation works start to show improvement in sizes of FFB of the Sastat Estate, market FFB prices of the Sastat Estate is expected to increase accordingly.

**(D) Production Cost**

In estimating the production costs for the subject plantation, we have analysed the historical costs, reconciled with the projected costs provided by the management of RSB (taking into consideration field upkeeping, maintenance and better harvesting controls) and the estimated production costs of the industry as a whole and thus adopted the following:-

Particulars	Unit	Projected Production Cost for			Year 4 on-wards
		Year 1	Year 2	Year 3	
<b>General charges</b>	RM/ha	250.00	350.00	480.00	650.00
<b>Upkeep &amp; maintenance</b>					
a. Infrastructure maintenance	RM/ha	180.00	180.00	180.00	150.00
b. Field Upkeeps & Weeding	RM/ha	228.00	228.00	228.00	152.00
c. Manuring	RM/ha	1,037.50	1,105.50	1,435.50	1,535.20
d. Pest & disease	RM/ha	34.20	34.20	34.20	34.20
e. Pruning & sanitation	RM/ha	0	0	25.00	40.00
Sub-Total		1,479.70	1,547.70	1,902.70	1,911.70
<b>Harvesting &amp; transportation</b>	RM/MT	0	0	109.63	115.40

Source: RSB

**(E) Discount Rate used in DCF Computation**

The cash flow adopted for market value assessment is before interest payment and tax. The net cash flow is discounted at an appropriate rate of return (an "all risks yield" is used) to reflect the investor/entrepreneur's rate of return (also known as cost of capital), taking into consideration the risks involved to earn the income (profit), opportunity costs of this capital and other factors. The derivation of all risk yields would take into consideration the following factors:

**APPENDIX V - VALUATION CERTIFICATE FROM HENRY BUTCHER MIRI ON THE SASAT ESTATE**  
(cont'd)

Risk free yield in Malaysia

+

Premium over (1) above to reflect risks for such investment

The starting point, in determining the risk free yield is always the yield as obtained from a risk free instrument and the benchmark adopted is the 10 years government bond/security.

In Malaysia, we note that the Malaysian Government Securities (conventional) indicative yield to maturity ("YTM") rate for 10 years with maturity date on November 2026, was traded (as at 23 January 2017) at 4.14%.<sup>1</sup> The present Base Lending Rate (BLR) for Maybank is 6.65% p.a. (reviewed 14 July 2016) which results in general borrowing interest rate of around 7.65% to 8.65% p.a.

Generally, it must also be noted that a discount of about 5% is applied to FFB/CPO product prices in Sarawak compared to Peninsular Malaysia prices and this should also be reflected in the DCF discount rate.

The valuation industry standard for discount rates that has been adopted in Sarawak is in the region of 9% to 11%. We have adopted 10%, in this instance, as we opine that this is a fair and suitable rate for the valuation of the Subject Property as a normal plantation estate with a land title issued.

We have also considered the YTM rate for 10 years Malaysian Government Securities of about 4.14% in adopting the discount rate at 10%. As there are much greater risk factors in the running and investment of an oil palm plantation, the rate of 10% is again considered fair and suitable.

Taking into consideration of the above, we thus adopt a discount rate of 10.0% for oil palm cultivation reflecting that a 5.86% margin spread, i.e. 10.0% minus 4.14%, above the long term risk free yield rate is sufficient to remunerate industry and entrepreneur return on investment and 8% for reversionary value.

<sup>1</sup> Source from [www.bnm.gov.my](http://www.bnm.gov.my)

**(F) Basic Land Value**

This is the scrub value or value to which the planted land reverts at the end of the economic life of the oil palms and includes the infrastructure on the estate and cost savings in clearing.

Unimproved land value is the open market value of the land in an unimproved state, i.e. under secondary jungle and is assessed by the Comparison Method. This entails comparing the Subject Property with similar properties in the locality that were recently sold with adjustments made for location, size, shape, topography, amenities, infrastructure, soil, tenure, title restrictions, if any, and other relevant characteristics to arrive at the market value of the Subject Property.

With unimproved land value we add back a portion of clearing cost and the whole of infrastructure cost, to derive the basic land value.

**Summary of the basic land value for the Subject Property**

Estate	Description		Basic land value (RM/Ha)
	Vacant/Unimproved land value (RM/Ha)**	Cost savings in clearing and infrastructure (RM/Ha)*	
Sasat Estate	9,785.16	7,270.34	17,055.50

\* The cost savings in clearing and infrastructure is based on the total cost of infrastructure provided by RSB at RM4,175,478.71 over total developed area of 1,068.68 ha (planting area, cleared site, building, road reserve and encroachment) and with site clearance cost (RM3,363.22 per ha) which amounting to RM7,270.37 per ha.

\*\* The derivation of unimproved land value is as follows:-

**APPENDIX V - VALUATION CERTIFICATE FROM HENRY BUTCHER MIRI ON THE SASTAT ESTATE**  
(cont'd)

**Vacant Land (Unimproved Land Value)**

There are various transactions of vacant plantation lands in Sarawak. The following transactions were sourced by respective Jabatan Penilaian Dan Perkhidmatan Harta (JPPH), Sarawak and the General Announcements from Bursa Malaysia Securities Berhad.

Items	Comparable 1	Comparable 2	Comparable 3	Comparable 4																												
Title(s)	Lots 1513 to 1515 Bukar-Sadong Land District	Lot 1210 Puyut Land District	Lots 1226, 1227 & 1238 to 1243 Sedilu-Gedong Land District	Lot 81 Block 5 Balingian Land District																												
Name	Poliga Sdn Bhd Land	Magna Wide Sd.Bhd Land	Hydroflow Sdn Bhd Land	Saradu Plantation Sdn Bhd Land																												
Locality	Between Sungai Igom & Batang Sadong, Serian	Sungai Karap, Marudi, Baram	Between Batang Sadong and Sungai Simunjan & Between Lubuk Teba and Sungai Sentok, Sedilu-Gedong	Coastal Road Rizah, Mukah																												
Type of soil	Peat	Peat	Peat	Peat																												
Land area	1,223.00 hectares	5,003.00 hectares	2,850.40 hectares (70% of 4,072.0 ha)	4,000.00 hectares																												
Tenure	60 years lease term expiring on 20/01/2068 (Lot 1513), 21/01/2028 (Lot 1514) & 20/01/2028 (Lot 1515)	60 years lease term expiring on 23/09/2068	60 years lease term expiring on 13/09/2064 (for Lots 1226 & 1227) and 09/09/2067 (for Lots 1238-1241)	60 years lease term expiring on 11/10/2064																												
Description	Vacant	Vacant	Vacant	Vacant																												
Transaction	30/10/2009	22/11/2010	11/11/2011	16/01/2012																												
Terms & Conditions	To be used only for agricultural purposes & purposes incidental to the production & processing of crops thereon.																															
Transaction amount	RM13,599,149.00	RM7,887,622.00 (16.79% share)	RM39,130,000.00 (please refer to remarks)	RM29,652,000.00																												
Vendor	Poliga Sdn. Bhd.	Magna Wide Sdn. Bhd.	Sawit Green Plantation Sdn. Bhd.	Saradu Plantation Sdn. Bhd.																												
Purchaser	Gemilang Bumimas Sdn Bhd	Sarawak Oil Palms Berhad	TH Plantation Berhad	Jobenar Raya Sdn Bhd																												
Transaction structure	Poliga Land Sdn Bhd Land transaction	Magna Wide Sdn Bhd Land transaction	Sale of Sawit green's 70% equity interest in Hydroflow Sdn Bhd	Saradu Plantation Sdn Bhd Land transaction																												
Analysis	RM11,119.50 per ha	RM9,390.03 per ha	RM13,727.90 per ha	RM7,413.00 per ha																												
Adjustment factor	Factors considered include timing of transaction, location, infrastructure, size and tenure/lease term (where applicable)																															
Adjusted value	RM13,298.92 per ha	RM13,498.16 per ha	RM14,826.13 per ha	RM9,785.16 per ha																												
Sources	JPPH, Kuching	JPPH, Miri	General Announcement (Ref: No. TP-11111-64464) dated 11 November 2011	JPPH, Mukah																												
Remarks	Vacant	Vacant	<table border="1"> <thead> <tr> <th></th> <th>Land area (ha)</th> <th>%</th> <th>Value (RM' million)</th> </tr> </thead> <tbody> <tr> <td>Acquired by state</td> <td>40.9</td> <td>0.7</td> <td>-</td> </tr> <tr> <td>2 - 5 years of planting</td> <td>483.1</td> <td>10.4</td> <td>34.0</td> </tr> <tr> <td>In the course of planting</td> <td>906.0</td> <td>16.2</td> <td>15.1</td> </tr> <tr> <td>Greenfield area</td> <td>4,072.0</td> <td>72.7</td> <td>55.9</td> </tr> <tr> <td>Total</td> <td>5,802.0</td> <td>100.0</td> <td>105.0</td> </tr> <tr> <td colspan="4">Therefore, 70% of Greenfield area (2,850.4 ha) has a total value of RM39.13 million</td> </tr> </tbody> </table>			Land area (ha)	%	Value (RM' million)	Acquired by state	40.9	0.7	-	2 - 5 years of planting	483.1	10.4	34.0	In the course of planting	906.0	16.2	15.1	Greenfield area	4,072.0	72.7	55.9	Total	5,802.0	100.0	105.0	Therefore, 70% of Greenfield area (2,850.4 ha) has a total value of RM39.13 million			
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Inspection Notes	We are unable to obtain permission to internally inspect the comparables. Pictures of these comparables are therefore only general view taken externally from the plantation (i.e entrance of the comparables). Nevertheless, we are able to analyse the comparables as we have reviewed the location and topography maps of the comparables. We have also visited the surrounding estates in our past experience and therefore, are familiar with the surrounding estates.																															

Comparable 4 is adopted because is it the most recent transaction. Upward adjustment is allocated to time, size and downward adjustment is allocated to location and infrastructure.

**APPENDIX V - VALUATION CERTIFICATE FROM HENRY BUTCHER MIRI ON THE SASTAT ESTATE**  
(cont'd)

**Comparison Method**

Our findings from various Lands and Surveys Department, Miri and Bintulu Divisions, Sarawak, revealed that there are other transactions of agricultural land planted with oil palms and are as follows:

Items	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Titles(s)	Provisional Lease Lot 2 Block 16 Kemena Land District	Provisional Lease Lot 12 Block 16 Kemena Land District	Provisional Lease Lot 56 Sawai Land District	Lot 1037 Bijat Land District & 16 other titles
Name	Hubzone Plantation	Pansar Plantation	Selangor Plantation	Tranvale Plantation
Locality	Bintulu / Miri Coastal Road or Sungai Arang Bintulu	Bintulu / Miri Coastal Road or Sungai Arang Bintulu	Sungai Luai and Sungai Bawah, Niah, Miri	Tisak, Skrang, Sri Aman
Accessibility	Fronting main road	Fronting main road	Internal Road	Road Frontage
Type of Soil	Mineral	Mineral	Mineral	Peat
Terrain	Undulating	Undulating	Hilly terrain, 941.11 ha unplantable, 300 ha vacant land	Flat
Category	Mixed zone land /country land	Mixed zone land /country land	Mixed zone land /country land	Mixed zone land /country land
Land Area	900 ha	3,895 ha	4,857 ha	8,803.845 ha
Tenure (Expiry date)	30/07/2061	30/07/2061	21/02/2054	01/12/2107
Planting status	9-10 years old palm. Fully planted.	3-10 years palms. 2,067.7 ha planted, 996 ha as vacant land.	14-16 years old. 3,433.12 ha planted, 941.11 ha unplantable and 300 ha unplanted land.	1 to 4 years old. Fully planted.
Stand per ha ("SPH")	131	131	120	150
Description	Lands planted with oil palm (9-10 years old)	19/05/2011	Lands planted with oil palm (14 to 16 years old)	Lands planted with oil palm (1 to 4 years old)
Transaction Date	28/02/2011	Provisional Lease Lot 12 Block 16 Kemena Land District	11/08/2011	23/01/2015
Purpose of land	To be used only for agricultural purposes & purposes incidental to the production & processing of crops thereon			
Share transacted	1/1 (100%)	4/5 share	1/1 (100%)	1/1 (100%)
Transaction Amount	RM55,000,000.00	RM189,107,702.00	RM118,000,000.00	RM506,853,904.00
Vendor	M.K. Ting Corporation Sdn. Bhd.	M.K. Ting Corporation Sdn. Bhd.	Sheba Resources Sdn. Bhd.	Tranvale Plantation Sdn. Bhd.
Purchaser	Hubzone Sdn Bhd	Buildchem Asia Sdn Bhd	R.H Plantation Sdn Bhd	TH Estates (Holdings) Sdn. Bhd.
Transaction structure	Sale of Hubzone Plantation	Sale of Pansar Plantation	Sale of Selangor Plantation	Sale of Tranvale Plantation
Analysis	RM 61,111.11 per ha	RM61,725.27 per ha	RM 24,294.83 per ha	RM56,417.18 per ha
Sources	JPPH, Bintulu	JPPH, Bintulu	JPPH, Miri	JPPH, Kuching
Adjustment factor	Factors considered include timing of transaction, location, soil/terrain and cultivation (i.e. developed area and SPH), infrastructure, size and tenure/lease term (where applicable)			
Adjusted Value	RM47,300.00 per Ha	RM50,493.46 per ha	RM31,886.97 per Ha	RM32,931.12 per Ha
Inspection Notes	We are unable to obtain permission to internally inspect the comparables. Pictures of these comparables are therefore only general view taken externally from the plantation (i.e. entrance of the comparables). Nevertheless, we are able to analyse the comparables as we have reviewed the location and topography maps of the comparables. We have also visited the surrounding estates in our past experience and therefore, are familiar with the surrounding estates.			

**APPENDIX V - VALUATION CERTIFICATE FROM HENRY BUTCHER MIRI ON THE SASTAT ESTATE**  
(cont'd)

Comparable 4 is adopted because is it the most recent transaction with similar characteristics. Upward adjustment is allocated to time, size and downward adjustment is allocated to location, developed area, SPH, infrastructure and tenure.

The adjusted value reflects the time lag, location, developed area, SPH, infrastructure, size and tenure (lease term) of the property. The Market Value derived from the Comparison Method is RM49,500,000.00 (Ringgit Malaysia Forty-Nine Million and Five Hundred Thousand Only).

**DCF Method**

DCF approach is an income based method of valuation. The market value to be derived arises from the benefits of the sales of the oil palm fruits planted thereon.

In the DCF Method, we rely on the following parameters:

Long term FFB price	: RM490 per MT
Yield	: 4 MT to 24 MT per annum
Field maintenance	: RM1,911.70 per ha per annum
General charges	: RM650 per ha per annum
Harvesting and collection	: RM70 per MT per annum
Transportation to mill	: RM45.40 per MT
Discount rate	: 10%
Discount period	: From year 2017 to year 2041
Basic land value	: 16,768.18 per Ha

Note :

- |  |   |
|--|---|
| Long term FFB price  | - The average local FFB price over the last 5 years is about RM526.35 per MT (Grade A - with OER of 22%), RM503.4 per MT (Grade B - with OER 21%) and RM480.70 per MT (Grade C - with OER 20%). 10 years average is about RM540.01 per MT, RM515.77 per MT and RM491.63 per MT, for Grade A, B and C, respectively. Based on market sentiments and historical information, we have taken RM490 per MT (CPO at RM2,600 per MT & with OER in the region of 20%) to be the average price on a long-term sustainable price (local delivery, ex-mill). |
| Yield  | - Based on the Company's projection and the MPOB data.  |
| Field maintenance, General charges, harvesting and collection & transportation to mill | - Based on the past 2 years historical cost of production, 4 years Company's projection and valuer's estimate.  |
| Discount rate  | - The adopted discount rate of 10% for oil palm cultivation reflects risk and return on investment over the long term risk free yield which is derived from Malaysian Government Securities and also the present base lending rate.   |
| Discount period  | - The remaining period of the economic life cycle for the palms, i.e. one cycle is about 25 years.  |
| Basic land value   | - The basic land value adopted is after taking into consideration the building cost, infrastructure cost analysed over 1,027.02 ha (excluding area planted outside PL area i.e. 41.66 ha, which is about 68.28% of the total area (1,504.00 ha) to be developed.  |

Market Value using DCF Method is RM40,000,000.00 (Ringgit Malaysia Forty Million Only).

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**RECONCILIATION OF VALUE – Opinion of Value**

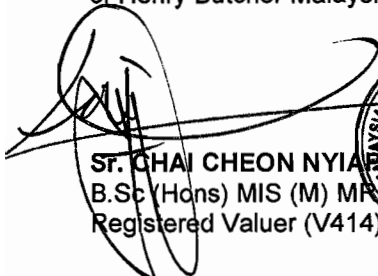
We have adopted both the DCF Approach and the Comparison Approach to estimate the Market Value of the Sastat Estate:


Income Approach – DCF Method	Comparison Method
RM40,000,000.00	RM49,500,000.00

In arriving at the final value of Subject Property, we have adopted DCF method over Comparison method, because of the on-going nature of an operational estate. Costing figures are available and fairly reliable, and consideration can be given to different YOP, SPH, different yield patterns, costs of production, etc, which are unique to each of the estate. DCF method requires consideration of all the above to derive the market value, which is more actual, realistic and certain. On the other hand, to find a perfect comparable sale is impossible and value derived has to be based on a subjective evaluation and computation relying on value-based factors only. As such, the Comparison method should only be used as a guide. It is our considered opinion that the Market Value of the leasehold oil palm plantation property under Provisional Lease of State Land, Lot No. 205 Teraja Land District, Miri Division, Sarawak, free from all encumbrances is **RM40,000,000.00(Ringggit Malaysia: Forty Million Only).**

**CERTIFICATION**

The valuation of the above property has been carried out by Sr. Chai Cheon Nyiap (Registered Valuer V414) of Henry Butcher Malaysia (Miri) Sdn. Bhd.

  
**ST. CHAI CHEON NYIAP**  
B.Sc (Hons) MIS (M) MR  
Registered Valuer (V414)



**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**FINANCIAL REPORT**  
*for the financial year ended 31 August 2016*

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**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**DIRECTORS' REPORT**

---

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 August 2016.

**PRINCIPAL ACTIVITY**

The Company is principally engaged in the business of oil palm plantation. There has been no significant change in the nature of this activity during the financial year.

**RESULTS**

	RM
Loss for the financial year	120,355

**DIVIDENDS**

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year.

**ISSUES OF SHARES AND DEBENTURES**

During the financial year:-

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

## **SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

### **DIRECTORS' REPORT (CONT'D)**

---

#### **OPTIONS GRANTED OVER UNISSUED SHARES**

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

#### **BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there are no known bad debts and that no allowance for doubtful debts is required.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the allowance for doubtful debts in the financial statements of the Company.

#### **CURRENT ASSETS**

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

#### **VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate. The financial statements of the Company are prepared on the basis of accounting principles applicable to a going concern as a creditor of the Company has indicated its willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future.

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**DIRECTORS' REPORT (CONT'D)**

---

**CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

**ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year.

## SASTAT HOLDINGS SDN. BHD.

(Incorporated in Malaysia)  
Company No: 782053-D

### DIRECTORS' REPORT (CONT'D)

#### DIRECTORS

The directors who served since the date of the last report are as follows:-

DIONG HIEW KING @ TIONG HIEW KING  
TIONG CHIONG ONG  
TIONG CHOON

#### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	AT 1.9.2015	BOUGHT	SOLD	AT 31.8.2016
<i>DIRECT INTEREST</i>				
DIONG HIEW KING @ TIONG HIEW KING	1,000	-	-	1,000
<i>INDIRECT INTEREST</i>				
DIONG HIEW KING @ TIONG HIEW KING*	99,000	-	-	99,000

\* *Deemed interested through his shareholdings in Pertumbuhan Abadi Asia Sdn Bhd and Teck Sing Lik Enterprise Sdn Bhd*

The other directors holding office at the end of the financial year had no interest in shares in the Company during the financial year.

#### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**DIRECTORS' REPORT (CONT'D)**

---

**AUDITORS**

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 27 FEB 2017**



Diong Hiew King @ Tiong Hiew King



Tiong Choon

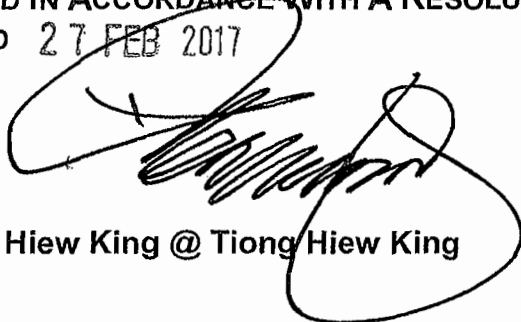
**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965**

We, Diong Hiew King @ Tiong Hiew King and Tiong Choon, being two of the directors of Sastat Holdings Sdn. Bhd., state that, in the opinion of the directors, the financial statements set out on pages 11 to 28 are drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company at 31 August 2016 and of its financial performance and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 27 FEB 2017**



Diong Hiew King @ Tiong Hiew King

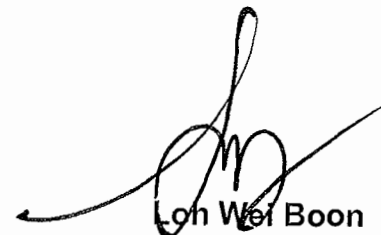


Tiong Choon

**STATUTORY DECLARATION  
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965**

I, Loh Wei Boon, I/C No. 701121-13-5043, being the officer primarily responsible for the financial management of Sastat Holdings Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 11 to 28 are to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

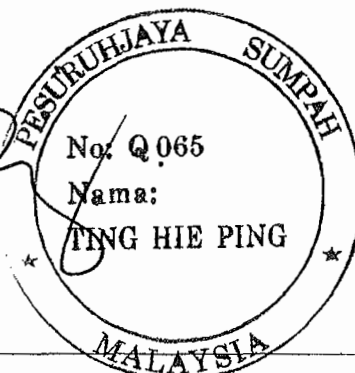
Subscribed and solemnly declared by  
Loh Wei Boon, I/C No. 701121-13-5043 at Sibul  
on this 27 FEB 2017



Loh Wei Boon

Before me

Business Address: No. 147, 3<sup>rd</sup> Floor,  
Jalan Kampong Nyabor, \*  
P.O. Box 218,  
96007 Sibul, Sarawak,  
Malaysia.







Crowe Horwath AF 1018  
Chartered Accountants  
Member Crowe Horwath International

Sibu Office  
1<sup>st</sup> Floor, No. 1, Lorong Pahlawan 7A2  
Jalan Pahlawan  
96000 Sibu, Sarawak, Malaysia  
Main +6 084 211 777  
Fax +6 084 216 622  
www.crowehorwath.com.my  
info@crowehorwath.com.my

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SASTAT HOLDINGS SDN. BHD.

(Incorporated in Malaysia)  
Company No: 782053-D

### REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Sastat Holdings Sdn. Bhd., which comprises of the balance sheet as at 31 August 2016 of the Company, and the income statement, statement of changes in equity and cash flow statement of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 28.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 August 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Private Entity Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 3(b) in the financial statements, which indicates that the Company incurred a net loss of RM120,355 during the financial year ended 31 August 2016, as of that date, the Company's current liabilities exceeded its total assets by RM17,476. As stated in Note 3(b), these events or conditions, along with other matters as set forth in Note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SASTAT HOLDINGS SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)  
Company No: 782053-D

### **Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Private Entity Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SASTAT HOLDINGS SDN. BHD. (CONT'D)

(Incorporated in Malaysia)  
Company No: 782053-D

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SASTAT HOLDINGS SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)  
Company No: 782053-D

**Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in cursive script that reads "Crowe Horwath".

**Crowe Horwath**  
Firm No: AF 1018  
Chartered Accountants

27 FEB 2017

Sibu

A handwritten signature in cursive script that reads "Ling Hang Ngee".

**Ling Hang Ngee**  
Approval No: 3188/07/17 (J)  
Chartered Accountant

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**BALANCE SHEET AT 31 AUGUST 2016**

	NOTE	2016 RM	2015 RM
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	3,452,488	3,659,876
Plantation development expenditure	7	18,759,677	16,207,691
		<u>22,212,165</u>	<u>19,867,567</u>
<b>CURRENT ASSETS</b>			
Inventories	8	253,306	-
Trade receivable		45,597	28,703
Other receivables, deposit and prepayment		50,767	23,373
Bank balance		81,665	59,144
		<u>431,335</u>	<u>111,220</u>
<b>TOTAL ASSETS</b>		<u><b>22,643,500</b></u>	<u><b>19,978,787</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	9	100,000	100,000
Accumulated losses		(171,684)	(51,329)
<b>TOTAL EQUITY</b>		<u>(71,684)</u>	<u>48,671</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	10	54,208	40,954
<b>CURRENT LIABILITIES</b>			
Trade payables		721,446	944,560
Other payables and accruals		21,939,530	18,944,602
		<u>22,660,976</u>	<u>19,889,162</u>
<b>TOTAL LIABILITIES</b>		<u><b>22,715,184</b></u>	<u><b>19,930,116</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>22,643,500</b></u>	<u><b>19,978,787</b></u>

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

	NOTE	2016 RM	2015 RM
REVENUE	11	594,692	93,428
COST OF SALES		(694,094)	(42,017)
GROSS (LOSS)/PROFIT		(99,402)	51,411
OTHER INCOME		2,563	900
ADMINISTRATIVE EXPENSES		(10,262)	(4,840)
(LOSS)/PROFIT BEFORE TAXATION	12	(107,101)	47,471
TAXATION	13	(13,254)	(40,954)
(LOSS)/PROFIT AFTER TAXATION		(120,355)	6,517

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

	SHARE CAPITAL RM	ACCUMULATED LOSSES RM	TOTAL EQUITY RM
Balance at 1.9.2014	100,000	(57,846)	42,154
Profit after taxation	-	6,517	6,517
Balance at 31.8.2015/1.9.2015	100,000	(51,329)	48,671
Loss after taxation	-	(120,355)	(120,355)
Balance at 31.8.2016	100,000	(171,684)	(71,684)

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**CASH FLOW STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(107,101)	47,471
Adjustments for:-		
Amortisation of plantation development expenditure	294,460	-
Gain on disposal of property, plant and equipment	(2,563)	-
Operating profit before working capital changes	184,796	47,471
Increase in inventories	(253,306)	-
Increase in trade and other receivables	(44,288)	(52,051)
Increase in trade and other payables	2,771,814	2,139,939
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2,659,016</b>	<b>2,135,359</b>
CASH FLOWS FOR INVESTING ACTIVITIES		
Plantation development expenditure incurred	(2,438,041)	(1,322,076)
Proceeds from disposal of property, plant and equipment	12,816	-
Purchase of plant and equipment	(211,270)	(754,139)
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<b>(2,636,495)</b>	<b>(2,076,215)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>22,521</b>	<b>59,144</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	59,144	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	81,665	59,144
<b>Analysis of cash and cash equivalents:-</b>		
Bank balance	81,665	59,144



## SASTAT HOLDINGS SDN. BHD.

(Incorporated in Malaysia)  
Company No: 782053-D

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

---

#### 1. GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business, is Menara Rimbunan Hijau, 101 Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibul, Sarawak.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 27 FEB 2017

#### 2. PRINCIPAL ACTIVITY

The Company is principally engaged in the business of oil palm plantation. There has been no significant change in the nature of this activity during the financial year.

#### 3. BASIS OF ACCOUNTING

##### (a) Basis of Preparation

The financial statements of the Company are prepared under the historical cost convention, and in compliance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia.

##### (b) Going Concern

The financial statements of the Company are prepared on the basis of accounting principles applicable to a going concern as a creditor of the Company has indicated its willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future.

#### 4. MALAYSIAN PRIVATE ENTITIES REPORTING STANDARD

On 14 February 2014, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework for private entities, the Malaysian Private Entities Reporting Standard ("MPERS"). The MPERS is to be applied by all private entities for annual periods beginning on or after 1 January 2016. Due to the complexity of the MPERS, the financial effects of its adoption are currently still being assessed by the Company.

## SASTAT HOLDINGS SDN. BHD.

(Incorporated in Malaysia)  
Company No: 782053-D

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

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#### 5. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Capital work-in-progress is not depreciated until the property, plant and equipment are fully completed and brought into use. Depreciation of other property, plant and equipment is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Short leasehold land	Over the leasehold period of 60 years
Building	10%
Furniture, fittings and equipment	20%
Plant and machinery	20%
Staff quarters	10%

Fully depreciated property, plant and equipment are retained in the financial statement until they are no longer in use.

##### (b) Plantation Development Expenditure

Planting expenditure incurred on land clearing, upkeep of immature oil palms, administrative expenses directly attributable to planting and interest incurred during the pre-cropping period is capitalised at cost as plantation development expenditure. Upon maturity, all subsequent maintenance expenditure is recognised in the income statement. Pre-cropping cost is amortised on a straight-line basis over 25 years, the expected useful life of oil palm trees.

## SASTAT HOLDINGS SDN. BHD.

(Incorporated in Malaysia)  
Company No: 782053-D

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016

---

#### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (c) Impairment of Assets

The carrying amounts of assets, other than those to which MASB 23 *Impairment of Assets* does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

##### (d) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

##### (e) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

---

**5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(f) Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are determined as follows:-

(a) Petrol, oils and lubricants are determined using first-in first-out basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

(b) Consumable store is determined using the weighted average basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

**(h) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

**(i) Provisions**

Provisions are recognised when the Company has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

**(j) Revenue**

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discount.

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

---

**5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(k) Taxation**

Taxation for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

**6. PROPERTY, PLANT AND EQUIPMENT**

	AT 1.9.2015 RM	ADDITIONS RM	DISPOSALS RM	DEPRECIATION CHARGE RM	AT 31.8.2016 RM
NET BOOK VALUE					
Short leasehold land	965,870	-	-	(18,574)	947,296
Building	396,940	-	-	(44,104)	352,836
Furniture, fittings and equipment	69,547	11,388	(10,253)	(17,101)	53,581
Plant and equipment	325,733	80,992	-	(117,316)	289,409
Staff quarters	1,901,786	-	-	(211,310)	1,690,476
Capital work-in-progress	-	118,890	-	-	118,890
	<b>3,659,876</b>	<b>211,270</b>	<b>(10,253)</b>	<b>(408,405)</b>	<b>3,452,488</b>

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

**6. PROPERTY, PLANT AND EQUIPMENT**

	AT 1.9.2014 RM	ADDITIONS RM	RECLASSIFICATIONS RM	DEPRECIATION CHARGE RM	AT 31.8.2015 RM
NET BOOK VALUE					
Short leasehold land	984,444	-		(18,574)	965,870
Building	-	-	441,044	(44,104)	396,940
Furniture, fittings and equipment	-	86,934	-	(17,387)	69,547
Plant and equipment	76,814	350,040	-	(101,121)	325,733
Staff quarters	-	-	2,113,095	(211,309)	1,901,786
Capital work-in-progress	2,236,974	317,165	(2,554,139)	-	-
	3,298,232	754,139	-	(392,495)	3,659,876

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

**6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
AT 31.8.2016			
Short leasehold land	1,114,464	(167,168)	947,296
Building	441,044	(88,208)	352,836
Furniture, fittings and equipment	85,506	(31,925)	53,581
Plant and machinery	586,590	(297,181)	289,409
Staff quarters	2,113,095	(422,619)	1,690,476
Capital work-in-progress	118,890	-	118,890
	<b>4,459,589</b>	<b>(1,007,101)</b>	<b>3,452,488</b>
AT 31.8.2015			
Short leasehold land	1,114,464	(148,594)	965,870
Building	441,044	(44,104)	396,940
Furniture, fittings and equipment	86,934	(17,387)	69,547
Plant and machinery	505,598	(179,865)	325,733
Staff quarters	2,113,095	(211,309)	1,901,786
	<b>4,261,135</b>	<b>(601,259)</b>	<b>3,659,876</b>

The depreciation charge of the Company for the financial year was capitalised under biological assets.



**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

**7. PLANTATION DEVELOPMENT EXPENDITURE**

	2016 RM	2015 RM
AT COST		
At 1 September	16,207,691	14,493,120
Additions for the financial year	2,846,446	1,714,571
At 31 August	<u>19,054,137</u>	<u>16,207,691</u>
ACCUMULATED AMORTISATION		
At 1 July	-	-
Charge for the financial year	294,460	-
At 31 August	<u>294,460</u>	<u>-</u>
NET BOOK VALUE		
At 31 August	<u>18,759,677</u>	<u>16,207,691</u>

The following costs which were incurred during the financial year were included in the cost of plantation development expenditure:-

	2016 RM	2015 RM
Depreciation of property, plant and equipment	408,405	392,495
Land rental	12,000	12,000
Staff costs:-		
- short term benefits	228,582	-
- defined contribution plan	41,395	-
Wharf rental	2,210	-
	<u>692,600</u>	<u>404,495</u>

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)

Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

**8. INVENTORIES**

	2016 RM	2015 RM
At cost:-		
Petrol, oils, and lubricants	19,665	
Consumable stores	233,641	-
	<u>                    </u>	<u>                    </u>

**9. SHARE CAPITAL**

	2016 NUMBER OF SHARES	2015 NUMBER OF SHARES	2016 RM	2015 RM
ORDINARY SHARES OF RM1 EACH:-				
AUTHORISED	100,000	100,000	100,000	100,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
ISSUED AND FULLY PAID-UP	100,000	100,000	100,000	100,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

**10. DEFERRED TAX**

	2016 RM	2015 RM
At 1 September	40,954	-
Recognised in the income statement (Note 13)	13,254	40,954
	<u>54,208</u>	<u>40,954</u>
At 31 August	54,208	40,954

The balance comprises tax on the following temporary differences:-

	2016 RM	2015 RM
Property, plant and equipment and plantation development expenditure	3,482,679	3,031,220
Unused tax losses	(688,658)	(513,970)
Unabsorbed agriculture/capital allowance	(2,739,813)	(2,476,296)
	<u>54,208</u>	<u>40,954</u>

**11. REVENUE**

	2016 RM	2015 RM
Sale of fresh fruit bunches	<u>594,692</u>	<u>93,428</u>

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

**12. (LOSS)/PROFIT BEFORE TAXATION**

	2016 RM	2015 RM
(Loss)/profit before taxation is arrived at after charging/(crediting):-		
Amortisation of plantation development expenditure	294,460	-
Audit fee:-		
- current financial year	2,500	2,500
- underprovision in the previous financial year	500	500
Rental expenses:-		
- Rental of premises	2,400	-
- Rental of machineries	48,200	-
Rental income	-	(900)
Gain on disposal of fixed assets	(2,563)	-
	<u>                    </u>	<u>                    </u>

**13. TAXATION**

	2016 RM	2015 RM
Deferred tax (Note 10):-		
- origination and reversal of temporary differences	(16,792)	14,699
- proposed change in corporate income tax rate from 20% to 19% on opening balance of deferred tax	-	(1,382)
- underprovision of deferred tax in the previous financial year	30,046	27,637
	<u>                    </u>	<u>                    </u>
	<u>13,254</u>	<u>40,954</u>

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

**13. TAXATION (CONT'D)**

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Company is as follows:-

	2016 RM	2015 RM
(Loss)/profit before taxation	(107,101)	47,471
Tax at the applicable tax rate of 19% (2015: 20%)	(20,349)	9,494
Tax effects of:-		
Deferred tax recognised at different tax rate	-	(774)
Proposed change in corporate income tax rate from 20% to 19% on opening balance of deferred tax	-	(1,382)
Non-deductible expenses	3,557	5,979
Underprovision of deferred tax in the previous financial year	30,046	27,637
Tax for the financial year	13,254	40,954

At the end of the reporting period, the Company has unused tax losses and unabsorbed allowance of approximately RM3,624,517 and RM14,420,070 respectively (2015: RM2,705,075 and RM12,859,773), which are available for offset against future taxable profits of the Company.

**14. CAPITAL COMMITMENTS**

	2016 RM	2015 RM
Property, plant and equipment:- - contracted but not provided for	13,210	-

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

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**15. NUMBER OF EMPLOYEES**

The number of employees of the Company at the balance sheet date was 19 (2015: nil).

THE ADDITIONAL FINANCIAL DATA PRESENTED IN THE FOLLOWING PAGES 30 TO 33  
WHICH IS IN ACCORDANCE WITH THE BOOKS AND RECORDS OF  
SASTAT HOLDINGS SDN. BHD.  
DOES NOT FORM PART OF THE AUDITED STATUTORY FINANCIAL STATEMENTS

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**DETAILED INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

	2016 RM	2015 RM
Gross (loss)/profit from trading account	(99,402)	51,411
<b>Add: Other operating income</b>		
Gain on disposal of property, plant and equipment	2,563	-
Rental income	-	900
	<u>(96,839)</u>	<u>52,311</u>
<b>Less: Administrative expenses</b>		
Audit fee	3,000	3,000
Bank charges	89	25
General expenses	390	170
GST not claimable	130	-
Legal and professional charges	800	1,200
Postage and stamp	30	-
Printing and stationery	1,558	420
Rental	2,400	-
Telephone expenses	210	-
Trade licence	25	25
Travelling expenses	1,409	-
Water and electricity	221	-
	<u>10,262</u>	<u>4,840</u>
(Loss)/Profit for the year	<u>(107,101)</u>	<u>47,471</u>



**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**TRADING ACCOUNT  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

	2016 RM	2015 RM
<b>Sales</b>		
FFB	594,692	93,428
<b>Deduct: Cost of sales</b>		
Amortisation	294,460	-
Field planting - oil palm	1,887	-
Harvesting - general	113,320	15,117
- transport	76,793	21,102
Land clearing	8,331	-
Manuring - general	29,723	-
POL – consumed	12,743	5,798
Pest and diseases	7,022	-
Rental	48,200	-
Supervision	1,959	-
Task marking	246	-
U&M - bridge and culverts	242	-
U&M - census and thinning	2,399	-
U&M - drain	955	-
U&M - field road	3,506	-
U&M - general	5,247	-
U&M - machinery	1,229	-
U&M - perimeter road	9,945	-
U&M - pruning	7,917	-
U&M - supervision	377	-
Vehicle running expenses	1,611	-
Weeding - circle and path and selective spraying	65,949	-
- transport	33	-
	694,094	42,017
Gross (loss)/profit for the year	(99,402)	51,411

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**PLANTATION DEVELOPMENT EXPENDITURE  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

	2016 RM	2015 RM
<b>Plantation development expenditure</b>		
Bonus	9,438	-
Culvert construction	10,512	-
Depreciation of property, plant and equipment	389,831	373,920
Drain construction	960	400
Electricity and water	1,391	260
Entertainment	-	20
EPF contribution	41,395	-
Fertiliser testing fee	-	258
Field planting - labour: watering	2,197	-
- lining of planting point	2,668	3,324
- mechanical holing	3,450	3,722
- oil palm	241,959	132,198
- stockpile to field	-	1,540
- transport	9,231	8,630
Field road construction	-	13,053
Food ration	13,026	902
Freight and handling	17,799	5,457
General expenses	27,421	-
Hiring charges	-	(46,000)
Insurance	6,363	3,221
Land amortisation	18,574	18,575
Land clearing	6,175	2,984
Land rental	12,000	12,000
Licence fee	100	100
Main road construction	100	527,503
Manuring	940,160	237,368
Medical expenses	2,203	-
Pest and disease	11,071	6,862
Petty assets	72,567	4,540
POL - staff	7,061	-
POL consumed	171,277	18,722
Printing and stationery	6,889	328
Ramp construction	4,234	-
Rate and assessment	3,760	3,760
Repair and maintenance – general	2,656	1,479
Salaries and wages	213,639	-
Security expenses	21,869	14,384
Site admin – general	17,504	3,035

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**PLANTATION DEVELOPMENT EXPENDITURE (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

	2016 RM	2015 RM
<b>Plantation development expenditure</b>		
Socso contribution	5,505	-
Staff welfare	2,160	-
Sundry expenses	-	120
Supervision	27,447	14,456
Survey expenses	8,700	2,000
Task marking	7,500	1,681
Telephone and telex	1,879	-
Temporary quarters	5,100	-
Temporary workshop	9,540	-
Transport and passage	17,361	4,235
U-M-Building	5,982	2,582
U-M-Census and thinning	8,056	-
U-M-Drain	5,070	8,757
U-M-Field road	157,803	-
U-M-General	62,944	4,509
U-M-Machinery	112,252	35,395
U-M-Main road	6,174	-
U-M-Pruning	1,070	3,902
U-M-Sanitation	-	15,643
U-M-Workshop	16,707	896
Weeding - blanket spraying	443	2,250
- circle and path and selective	92,727	265,415
- slashing	-	185
- transport (loading and unloading)	336	-
Wharf rental	2,210	-
	<hr/>	<hr/>
	2,846,446	1,714,571
Plantation development expenditure brought forward	16,207,691	14,493,120
	<hr/>	<hr/>
	19,054,137	16,207,691
Less: Amortisation	(294,460)	-
	<hr/>	<hr/>
	18,759,677	16,207,691
Less: Transfer to plantation development expenditure	(18,759,677)	(16,207,691)
	<hr/>	<hr/>
Plantation development expenditure for the year	-	-

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)  
Company No: 782053-D

**TRADE RECEIVABLE  
As At 31 AUGUST 2016**

	RM
Sarawak Oil Palms Berhad	45,597.40

**OTHER RECEIVABLES, DEPOSIT AND PREPAYMENT  
As At 31 AUGUST 2016**

	RM
Account receivable – levy fee	1,300.00
Bad debt relief	1,556.14
Formasi Abadi Sdn Bhd	1,702.36
Goods & service tax receivables	11,571.89
Royal Malaysian Custom	32,771.62
Deposit – Rental Menara Rimbunan Hijau	1,840.00
Prepayment – trade licence	25.00
	<u>50,767.01</u>

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)

Company No: 782053-D

**TRADE PAYABLES  
AS AT 31 AUGUST 2016**

	RM
ABC Bookshop	82.07
Allianz General Insurance Company (Malaysia) Berhad	1,727.84
Bahagia Farmasi Sdn Bhd	188.41
Bintang Jaya Store (M) Sdn Bhd	850.00
Blue Season Ventures Sdn Bhd	148,687.28
C&W Enterprise & Co.	356.16
Celcom Mobile Sdn Bhd	252.35
Chop Kiat Siang	15,073.00
CMI Agri Tractors & Machineries Sdn Bhd	1,562.23
Darab Cahaya Sdn Bhd	2,707.66
D-Tech OA Sdn Bhd	333.90
Ecosol Consultancy Sdn Bhd	1,643.00
Farmasi Permaisuri	275.00
Fong Yong Air-Conditioner Co.	2,270.00
Gafung Petroleum (M) Sdn Bhd	48,760.00
General Plastic Trading Co.	8,739.28
Greatwall Tyre & Battery (Miri) Sdn Bhd	3,690.92
GTC Auto Parts Sdn Bhd	219.07
Hextar Chemicals Sdn Bhd	2,289.60
Hong Ping Timber Sdn Bhd	3,582.80
Intec Marketing Services Sdn Bhd	127.20
Jayamas Solution Sdn Bhd	265.00
Ka Sing Trading Co.	4,712.36
King Engineering Auto Parts Service Co.	68.90
LH Enterprise – retention	6,801.49
Linde Eox Sdn Bhd	279.84
Lumiera Enterprise Sdn Bhd	6,726.35
Namthong Enterprise Sdn Bhd	3,049.62
Rejang Green Agriculture Supplies Sdn Bhd	326,699.84
RHB Insurance Berhad	825.00
Rimbunan Hijau Auto Services Sdn Bhd	328.24
Rimbunan Hijau General Trading Sdn Bhd	108,408.64
Sin Yick Soon Hardware Trading Sdn Bhd	1,691.44
Syarikat Hock Chiong Hing	7,107.30
Timrest Sdn Bhd	6,461.76
Tung Huat Machinery Sdn Bhd	100.70
William Electircal Works	789.70
Woodijaya Sdn Bhd	3,712.54
	<hr/>
	721,446.49

**SASTAT HOLDINGS SDN. BHD.**

(Incorporated in Malaysia)

Company No: 782053-D

**OTHER PAYABLES AND ACCRUALS  
As At 31 AUGUST 2016**

	RM
Bad debt recovery	1,443.30
Checkroll clearing	1.95
Crowe Horwath	3,646.40
Crowe Horwath (Sarawak) Tax Sdn Bhd	1,579.40
EPF clearing	7,254.00
Evershine Agency Sdn Bhd	540.00
Mr Aman Meling	100.00
Pertumbuhan Tiasa Sdn Bhd	4,809.00
Stenerdy Electronics Miri	428.00
Teknologi Enviro-Kimia (M) Sdn Bhd	84,015.60
Socso clearing	703.10
Tiong Toh Siong & Sons Sdn Bhd	21,807,975.74
Tiong Toh Siong Holdings Sdn Bhd	756.15
Accruals - Audit fee	2,500.00
- Checkroll	23,776.65
	<u>21,939,529.29</u>

**1. RESPONSIBILITY STATEMENT**

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

Information on TMSB, Subur Tiasa, R H Lundu, PAA and TSL have been obtained from publicly available sources and information provided by the management and/or directors of TMSB, Subur Tiasa, R H Lundu, PAA and TSL. Therefore, the responsibility of our Board with respect to such information is limited to ensuring that such information has been accurately reproduced in this Circular.

**2. CONSENTS AND CONFLICT OF INTERESTS****2.1 Maybank IB**

Maybank IB, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto, in the form and context in which it appears in this Circular.

Maybank IB and its related and associated businesses ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Group and/or any of our affiliates, in addition to the role set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders, and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of our other customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates. This is a result of the businesses of the Maybank Group generally acting independent of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, our Group has existing credit facilities with the Maybank Group. The said credit facilities have been extended by the Maybank Group in its ordinary course of business. Notwithstanding this, Maybank IB has confirmed that the aforesaid lending relationship would not give rise to a conflict of interest situation in its capacity as Principal Adviser for the Proposals as:

- (i) the extension of credit facilities arose in the ordinary course of business of the Maybank Group;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by the Financial Services Act, 2013, Islamic Financial Services Act, 2013 and the Maybank Group's own internal controls and checks; and
- (iii) the total outstanding amount owed by our Group is not material when compared to the audited NA of the Maybank Group as at 31 December 2016 of RM68.5 billion.

Maybank IB confirms that as at the LPD, it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as Principal Adviser for the Proposals.

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**APPENDIX VII - FURTHER INFORMATION (cont'd)**

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**2.2 Mercury Securities**

Mercury Securities, being the Independent Adviser for the Proposals, has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and all reference thereto in the form and context in which they appear in this Circular.

Mercury Securities confirms that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as the Independent Adviser for the Proposals.

**2.3 Henry Butcher Malaysia**

Henry Butcher Malaysia, being one of the independent valuers for the Proposed Lundu Acquisition, has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and the valuation certificate and all reference thereto in the form and context in which they appear in this Circular.

Henry Butcher Malaysia confirms that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as one of the independent valuers for the Proposed Lundu Acquisition.

**2.4 Henry Butcher Miri**

Henry Butcher Miri, being the independent valuer for the Proposed SHSB Acquisition, has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and the valuation certificate and all reference thereto in the form and context in which they appear in this Circular.

Henry Butcher Miri confirms that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as the independent valuer for the Proposed SHSB Acquisition.

**2.5 Henry Butcher Sarawak**

Henry Butcher Sarawak, being the independent valuer for the Proposed Disposal and also, one of the independent valuers for the Proposed Lundu Acquisition, has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and the valuation certificates and all reference thereto in the form and context in which they appear in this Circular.

Henry Butcher Sarawak confirms that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as the independent valuer for the Proposed Disposal and the Proposed Lundu Acquisition.

**3. MATERIAL COMMITMENTS**

Save as disclosed below, based on our latest unaudited interim financial statements for the 3-months period ended 31 March 2017, our Board is not aware of any other material commitments incurred or known to be incurred by our Group which, upon becoming enforceable may have a material impact on the profits and/or NA of our Group:

	<u>RM'000</u>
Property, plant and equipment	
- Contracted but not provided for	18,968
- Authorised but not contracted for	-
<b>Total capital expenditure commitments</b>	<b><u>18,968</u></b>



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**APPENDIX VII - FURTHER INFORMATION (cont'd)**

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**4. CONTINGENT LIABILITIES**

Save as disclosed below, based on our latest unaudited interim financial statements for the 3-months period ended 31 March 2017, our Board is not aware of any other contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable may have a material impact on the profits and/or NA of our Group:

	<u>RM'000</u>
Unsecured: Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	529,771
<b>Total contingent liabilities</b>	<b><u>529,711</u></b>

**5. MATERIAL LITIGATION**

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceeding, pending or threatened, against our Group or of any facts likely to give rise to any proceeding which may materially affect the business or financial position of our Group:

The Simunjan Estate is subject to a native customary rights claim filed at the Kuching High Court vide Suit No. KCH-21NCVC-3/3-2016 (HC 3) ("**NCR Claim**") by TR Gem Anak Jenta and 4 others (collectively, the "**Plaintiffs**") on 3 March 2016 against Protoreka Perunding Sdn Bhd, Kumpulan Kris Jati Sdn Bhd, Timrest Sdn Bhd, Sarawak Forestry Corporation, Director of Forest, Sarawak, Superintendent of Land and Survey, Samarahan Division and the Government of the State of Sarawak (collectively, the "**Defendants**"), on the grounds alleging that amongst others, the areas covered by LPF/0035 (which is the subject of the Proposed Disposal) have included and overlapped with the Plaintiffs' native customary rights lands and as such, the Defendants have trespassed and encroached upon the Plaintiffs' native customary rights lands. The matter which was originally fixed for trial before the Kuching High Court 3 from 17 April 2017 to 28 April 2017 and from 8 May 2017 to 19 May 2017 has now been adjourned to the dates of 4 September 2017 to 8 September 2017. The next case management date will be on 14 August 2017. In the event that the Plaintiffs are successful in their NCR Claim and any part of the Simunjan Estate is affected by the NCR Claim, there would be an assessment of damages by the court for trespass, damages to crops and plantation. Further, such part of the Simunjan Estate affected by the NCR claim will be excised from the Licence Rights.

In the Simunjan Agreement, in the event that the NCR Claim is successful and that all rights of appeal have been exhausted by the aggrieved Defendants and consequently the valuation of the Simunjan Estate is affected, our Company has agreed to compensate TMSB in respect of such part of the Simunjan Estate so affected by the declaration or decision of the Kuching High Court in respect of the NCR Claim with cash consideration computed based on the valuation per ha provided in the valuation report by the valuer appointed by TMSB for the Proposed Disposal.

Further, our Company has agreed to fully indemnify TMSB against any contingent liabilities arising from the Licence Rights such as any undisclosed liabilities, breaches and/or material litigation occurring prior to the completion of the Proposed Disposal provided that the legal proceedings arising from such liabilities, breaches and/or material litigation have been filed into the courts before such completion in the Simunjan Agreement.

Our Board is not in a position to assess the merits of the Plaintiffs' claim against the Defendants at this juncture since the trial has not commenced and no evidence have been adduced in Court by the Plaintiffs.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of our Company at North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000, Sibuloh, Sarawak during normal business office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) constitution of SHSB and RSB;
- (ii) Simunjan Agreement, Lundu Acquisition SPA, Supplemental Lundu Acquisition SPA and SSA;
- (iii) audited consolidated financial statements of our Group for the past 2 FYEs 31 December 2015 and 31 December 2016 and the latest unaudited interim financial statements for the 3-months period ended 31 March 2017;
- (iv) audited financial statements of SHSB for the past 2 FYEs 31 August 2015 to 31 August 2016;
- (v) Valuation Reports and the valuation certificates referred to in Appendices III to V of this Circular;
- (vi) letters of consent referred to in Section 2 of this Appendix; and
- (vii) relevant cause papers in respect of the material litigation referred to in Section 5 of this Appendix.

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**Rimbunan Sawit**

**RIMBUNAN SAWIT BERHAD**

(Company No. 691393-U)  
(Incorporated in Malaysia)

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting of Rimbunan Sawit Berhad ("**RSB**" or the "**Company**") will be held at Level 2, North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000, Sibu, Sarawak on Thursday, 27 July 2017 at 11.00 a.m. ("**EGM**") or any adjournment thereof, to consider and if thought fit, to approve the following ordinary resolutions:

### **ORDINARY RESOLUTION 1**

**PROPOSED DISPOSAL OF ALL RIGHTS, TITLE AND INTERESTS IN RELATION TO THE SIMUNJAN ESTATE (AS DEFINED BELOW) VIA AN ABSOLUTE ASSIGNMENT, DEVELOPMENT COSTS, BIOLOGICAL ASSETS, COMMERCIAL RIGHTS AND ALL THE FIXTURES AND FITTINGS RELATING THERETO BY RSB TO TIASA MESRA SDN BHD ("**TMSB**") FOR A CASH CONSIDERATION OF RM150.0 MILLION ("**PROPOSED DISPOSAL**")**

"**THAT**, subject to the approvals and consent of all relevant regulatory authorities or parties being obtained (if required), approval be and is hereby given to the Company, to dispose all the rights, title and interests in relation to an oil palm plantation with a gross licensed area of 15,017.0 ha located at the Samarahan and Sri Aman division in Sarawak which is subject to a Licence for Planted Forests, LPF/0035, issued by Director of Forests, Sarawak ("**Simunjan Estate**") via an absolute assignment, development costs, biological assets, commercial rights and all the fixtures and fittings relating thereto to TMSB, a wholly-owned subsidiary of Subur Tiasa Holdings Berhad, for a cash consideration of RM150.0 million, the details of which are set out in the Circular to Shareholders dated 10 July 2017 ("**Circular**"), in accordance with the terms and conditions of the conditional agreement dated 22 February 2017 entered into between the Company and TMSB ("**Simunjan Agreement**").

**AND THAT** the Board of Directors of the Company ("**Board**") be and is hereby authorised to give full effect to the Proposed Disposal and the Simunjan Agreement, with full powers to assent to any terms, conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company and to do all acts, deeds and things and to execute, sign and deliver for and on behalf of the Company all such documents as may be necessary and/or expedient in the best interests of the Company."

## **ORDINARY RESOLUTION 2**

**PROPOSED ACQUISITION OF A PARCEL OF LAND TOGETHER WITH A PALM OIL MILL (INCLUDING WORKERS' QUARTERS) ERECTED THEREON AND PLANTATION ASSETS BY RSB LUNDU PALM OIL MILL SDN BHD ("RSB LUNDU"), A WHOLLY-OWNED SUBSIDIARY OF RSB, FROM R H LUNDU PALM OIL MILL SDN BHD ("R H LUNDU"), FOR A TOTAL CASH CONSIDERATION OF RM33.7 MILLION ("PROPOSED LUNDU ACQUISITION")**

"**THAT**, subject to the passing of Ordinary Resolution 1 and subject to the approval and consent of all the relevant authorities or parties being obtained (if required), approval be and is hereby given to the Company's wholly-owned subsidiary, RSB Lundu to acquire a parcel of land measuring approximately 67.5 ha which forms part of the provisional lease of state land measuring approximately 250.0 ha located at Jalan Bau/Lundu, Lundu and described as Lot No. 248, Block 4, Stungkor Land District, Lundu, Kuching Division, Sarawak ("**Lundu Land**"), the palm oil mill erected on the Lundu Land ("**Lundu Oil Mill**"), the workers' quarters, all plant and machinery and the 4 specific motor vehicles used for the operations of the Lundu Oil Mill from R H Lundu for a cash consideration of RM33.7 million, the details of which are set out in the Circular, in accordance with the terms and conditions of the conditional sale and purchase agreement dated 22 February 2017 entered into between RSB Lundu and R H Lundu ("**Lundu Acquisition SPA**") and the supplemental agreement thereto dated 28 March 2017 ("**Supplemental Lundu Acquisition SPA**").

**AND THAT** the Board be and is hereby authorised to give full effect to the Proposed Lundu Acquisition, the Lundu Acquisition SPA and the Supplemental Lundu Acquisition SPA, with full powers to assent to any terms, conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company and to do all acts, deeds and things and to execute, sign and deliver for and on behalf of the Company all such documents as may be necessary and/or expedient in the best interests of the Company."

## **ORDINARY RESOLUTION 3**

**PROPOSED ACQUISITION OF 100,000 ORDINARY SHARES IN SASTAT HOLDINGS SDN BHD ("SHSB"), REPRESENTING THE ENTIRE EQUITY INTEREST IN SHSB, BY RSB FROM PERTUMBUHAN ABADI ASIA SDN BHD, TECK SING LIK ENTERPRISE SDN BHD AND TAN SRI DATUK SIR DIONG HIEW KING @ TIONG HIEW KING ("SHSB VENDORS"), FOR A TOTAL CASH CONSIDERATION OF RM17.0 MILLION ("PROPOSED SHSB ACQUISITION")**

"**THAT**, subject to the passing of Ordinary Resolution 1 and subject to the approval and consent of all the relevant authorities or parties being obtained (if required), approval be and is hereby given to the Company to acquire 100,000 ordinary shares in SHSB, representing the entire equity interest in SHSB, from the SHSB Vendors, for a total cash consideration of RM17.0 million subject to adjustments as provided under the conditional share sale agreement dated 22 February 2017 entered into between the Company and the SHSB Vendors ("**SSA**"), the details of which are set out in the Circular, in accordance with the terms and conditions of the SSA.

**AND THAT** the Board be and is hereby authorised to give full effect to the Proposed SHSB Acquisition and the SSA with full powers to assent to any terms, conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company and to do all acts, deeds and things and to execute, sign and deliver for and on behalf of the Company all such documents as may be necessary and/or expedient in the best interests of the Company."

**BY ORDER OF THE BOARD**

**Toh Ka Soon (MAICSA 7031153)**  
**Voon Jan Moi (MAICSA 7021367)**  
Joint Company Secretaries

Sarawak  
Dated: 10 July 2017

**Notes:**

1. *A proxy may but need not be a member of the Company.*
2. *A member of the Company entitled to attend and vote at the EGM shall be entitled to appoint more than 1 proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
3. *To be valid, the Form of Proxy, duly completed must be deposited at the registered office of the Company at North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
6. *A depositor whose name appears in the Record of Depositors as at 20 July 2017 shall be regarded as a member of the Company entitled to attend the EGM or appoint a proxy to attend, speak and vote on his behalf.*

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**Rimbunan Sawit**

**RIMBUNAN SAWIT BERHAD**

(Company No. 691393-U)  
(Incorporated in Malaysia)

**FORM OF PROXY**

\*I/We \_\_\_\_\_ (\*NRIC/Company No. \_\_\_\_\_)  
of \_\_\_\_\_ (full address) being a  
\*member/members of **Rimbunan Sawit Berhad** hereby appoint \_\_\_\_\_  
\_\_\_\_\_ (\*NRIC/Company No. \_\_\_\_\_)  
of \_\_\_\_\_ (full address) or failing  
\*him/her, \_\_\_\_\_ (NRIC  
No. \_\_\_\_\_)  
of \_\_\_\_\_ (full address)

or Chairman of the meeting as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the extraordinary general meeting ("EGM") of the Company to be held on Thursday, 27 July 2017 at 11.00 a.m. or any adjournment thereof for/against the resolution(s) to be proposed thereat.

Resolution		For	Against
1.	Proposed Disposal		
2.	Proposed Lundu Acquisition		
3.	Proposed SHSB Acquisition		

*(Please indicate with a (X) in the space above how you wish your vote to be cast. If no specific direction as to voting is indicated, the proxy will vote or abstain as he/she thinks fit.)*

\* Strike out whichever is not desired.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017 \_\_\_\_\_  
Signature / common seal of shareholder(s)

**Notes:**

1. A proxy may but need not be a member of the Company.
2. A member of the Company entitled to attend and vote at the EGM shall be entitled to appoint more than 1 proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
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4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. A depositor whose name appears in the Record of Depositors of the Company as at 20 July 2017 shall be regarded as a member of the Company entitled to attend the EGM or appoint a proxy to attend, speak and vote on his behalf.

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AFFIX  
STAMP

THE COMPANY SECRETARY  
**RIMBUNAN SAWIT BERHAD (691393-U)**  
North Wing, Menara Rimbunan Hijau,  
101, Pusat Suria Permata,  
Jalan Upper Lanang,  
96000 Sibu,  
Sarawak

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