

21st August 2013.

THE PARTNER

Messrs Leahy, Nutley, Lewin Sullivan Lawyers
P O Box 1173,
PORT MORESBY,
National Capital District
Papua New Guinea

Attn: Mr. Michael Sullivan Esq

Dear Sir,

**RE: PARTIAL OFFER ("PARTIAL OFFER") BY KULIM (MALAYSIA) BERHAD ("KULIM")
TO ACQUIRE SHARES IN NEW BRITAIN PALM OIL LIMITED ("NBPOL")**

We refer to the Commission's orders of the 20th August 2013, restraining Kulim (Malaysia) Behard and PNG Registries Limited to deal with the Partial Takeover bid of New Britain Palm Oil Limited. The terms of the Order in the following terms:

1. *These orders supersede the earlier orders of 20th day of August 2013.*
2. *Kulim (Malaysia) Behard is restrained from, or doing any act for the purposes of, acquiring any shares in New Britain Palm Oil Limited or any interest in or rights in relation to such shares and from taking any steps to complete the acquisition of any such shares.*
3. *Kulim (Malaysian) Behard is restrained from further publication of its partial takeover bid or offer on any print media, electronic media, televisions or any form of media including the social media.*
4. *Kulim (Malaysia) Behard is restrained from exercising any right to vote attached to any shares it already holds in New Britain Palm Oil Limited.*
5. *Kulim (Malaysia) Behard is restrained from any action that is or that may reasonably be expected to constitute a contravention of the Takeovers Code.*
6. *PNG Registry Limited is restrained to register and transfer of any shares in New Britain Palm Oil Limited from any shareholders to Kulim (Malaysia) Behard.*
7. *These Orders shall expire on the 10th day of September 2013*

The Commission now provides its reasons for the above orders.

BACKGROUND

New Britain Palm Oil Limited is the world's largest fully integrated producer of sustainable palm oil. Kulim (Malaysia) Berhad is the single major shareholder of NBPOL. It is a well diversified company with global operations in sustainable oil palm production and other business facets. Kulim is a Malaysian company and is listed in the main board of Bursa Malaysia (the Exchange) in Malaysia.

NBPOL has a total share issue of 150,048,104 voting shares as per the records from PNG Registries Limited (the Registry). Kulim (bidder) has 73,482,619 shares which accounts to 49% interest in NBO. Kulim made an on-market partial takeover bid of 30,009,621 shares which amounts to 20% ownership interest in NBO. If the takeover is successful, Kulim will have 69% controlling interest in NBO.

REASONS

The following are the reasons for issuing the orders by the Commission on the 20th August 2013.

1. INCONSISTENCY IN SHAREHOLDING RECORDS

There is a significant inconsistency in the shareholding records of New Britain Palm Oil Limited (NBPOL). The record held at the Registrar of Companies Registry shows the number of shares at 149, 048, 104 shares while the records held at the PNG Registry shows a total share on issue of 150, 048, 104. This leaves a discrepancy of 1,000,000 shares. Which figure is the correct figure?

2. KULIM'S FAILURE ADVISE THE COMMISSION OF ITS INTENTION

The Commission was not advised or informed by parties, including NBPOL and Kulim (Malaysia) Behard on its partial takeover bid thereby contravening Rule 22 (6) of the Takeover Code. The Commission is aware that the announcement was made on the 20 June 2013. The Commission was not advised of the above. The Commission after hearing rumours of the takeover bid wrote to NBPOL on the 26th June 2013. On the same day, the Commission was advised by NBPOL that, NBPOL has received a partial takeover bid notice from Kulim.

3. FAILURE TO SERVE ON THE COMMISSION THE TAKEOVER NOTICE

The offer document of Kulim (offeror) was served NBPOL on the 3rd of July 2013. The Commission was not served the notice until on the 24th July 2013. This is almost after three weeks. NBPOL advised the Commission of their receipt of the offer but Kulim failed to serve a copy of the Notice to the Commission thereby contravening Rule 22 (6) of the Takeover Code.

4. TAKEOVER IS NOT IN NATIONAL INTEREST

The Commission views that the above takeover is not in the "*National Interest*" of the country and cannot allow same to proceed. The Commission views that the takeover will have significant

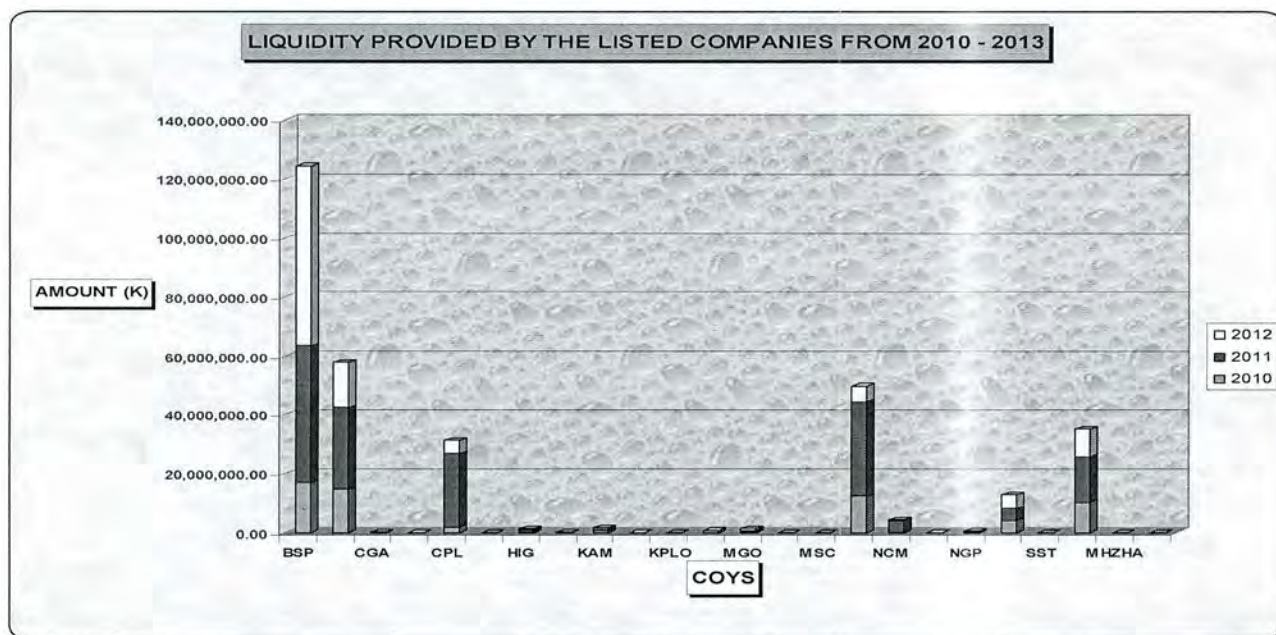
consequences to the country and its national interest. The Commission views that the takeover would:

4.1. Dilute of Papua New Guinea shareholders' interest

The partial takeover will dilute Papua New Guinean interests in the company, especially West New Britain Provincial Government, as the second the largest shareholder to NBPOL, more than 1200 small Papua New Guinean shareholders and other PNG Institutional Shareholders.

4.2. Reduction in market Liquidity

PNG capital market is a small market with a market capitalization of **K58 billion**. NBPOL dominates **4.04%** and is the fifth in terms of market dominances. Even though NBPOL dominates small portion of the market size, NBPOL is a liquidity provider to the market over the last three years as shown on the graph below.



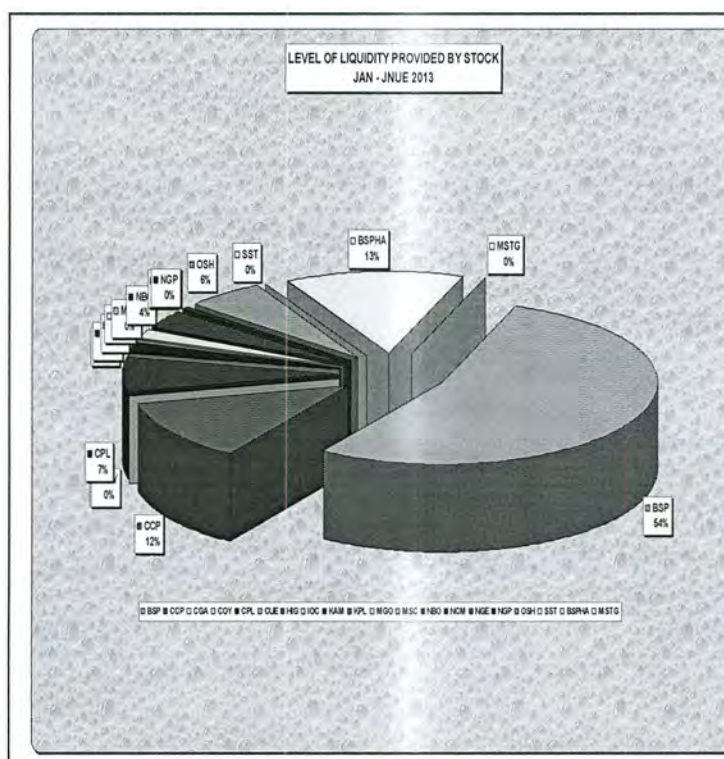
Over the past three years (2010-2013), NBO has provided almost K50 million liquidity into the market.

In 2012 NBPOL has a total volume of **619,716** which amounts to **K5, 129,975.95** compare to other mining and oil companies such as IOC, HIG and others. If the offer of Kulim is accepted by the shareholders of Kulim, it will significantly reduce the trading liquidity in NBO share on POMSoX due to the reduction of the free float. In this event NBPOL Shares will be less attractive to investors, potentially resulting in a lower value for NBPOL Shares that are not sold into the Offer. Looking at the half year market report of 2013, NBO has provided an estimated market liquidity of PNG **K888, 113.00**. If NBO is delisted, it will adversely affect flow of liquidity in our market.

This will have significant effect on the volume of trade and supply of liquidity on the Port Moresby Stock Exchange in general. It will also affect the overall market capitalization of the capital market in PNG.

The table below shows the level of liquidity provided by the stocks for the last six months of this year.

MARKET PERFORMANCE FOR 2013			
COY	TRADES	VOLUME	TURNOVER
BSP	562	1,664,529	13,483,749.52
CCP	232	1,305,016	3,043,145.65
CGA	11	15,005	5,401.80
COY	0	0	0.00
CPL	168	1,021,431	1,738,471.65
CUE	0	0	0.00
HIG	27	177,328	57,168.78
IOC	0	0	0.00
KAM	105	366,116	351,537.53
KPL	8	230,292	205,422.30
MGO	137	1,180,515	385,803.96
MSC	0	65	0.65
NBO	86	53,298	888,113.00
NCM	0	2,947	147,350.00
NGE	0	0	0.00
NGP	29	37,344	32,075.40
OSH	313	99,092	1,414,544.11
SST	0	0	0.00
BSPHA	22	119	3,385,900.00
MSTG	0	0	0.00
TOTAL	1,700	6,153,097	25,138,684.35



4.3. Reduction in Free Float Shares.

If the offer is accepted by the shareholders of the company, twenty percent of the issued capital will be tied up with Kulim and there will be reduction in free float shares on market for trading. Over 70% of the shares will be owned by Kulim and one or two other institutional investors. There won't be small or medium scale ownership in the company.

4.4. Loss in 1251 PNG shareholders.

If the transaction is successful and went through, all individual shareholders, small entities and corporate entities of PNG will be absorb. There will nil or a small number local shareholding in NBO. The takeover is for 20% and PNG ownership is only 19% The Commission realizes most of the individual shareholders are from small oil palm block holders in West New Britain Province.

These shareholders will have no stake in the company that do business in their own land and blocks.

4.5. Results in job cuts

As in most takeovers, either partial or full takeover, changes are expected to take place; including new management team with new ways of running business. As a result, job cuts, management reshuffle are expected to take place. Currently, NBO is one of the largest employers in the country and significant industry player in the Agricultural sector.

Kulim has not mentioned anything on its positions in terms of employees of the target company. The Commission views that the welfare of the employees and their future employment prospect is not captured in the offer.

4.6. Greater chance for full takeover

In the offer document, Kulim stated that *"If the Offer is fully accepted, the Offeror will increase its stake in NBPOL from 48.97% to 68.97%, resulting in NBPOL becoming a subsidiary of the Offeror"*. This will place Kulim in a strategic position for a full takeover or a creep-in takeover in the next 12 months. Therefore, it is in the interest of the country that the NBPOL does not fall in the hands of a single holder. The State and its citizen's interest in the company must be maintained and protected.

4.7. Delisting from London Stock Exchange

The Commission views that when the Offer is fully accepted; NBPOL may not satisfy the listing requirements of the London Stock Exchange (LSE) and may delisted from the London Stock Exchange (LSE).It will reduce the number of shareholders and the number of free float shares on the market. It will also not meet the requirement 300 shareholders spread to maintain its float, which will lead to its delisting from the LSE. If NBPOL is delisted from the LSE, the Relationship Agreement with Kulim will be automatically terminated and the minority NBPOL Shareholders will cease to have the benefit of the Relationship Agreement as pointed out in NBO's notice for rejection of Kulim's offer.

4.8. Delisting on Port Moresby Stock Exchange.

NBPOL will not fulfilled the 300 shareholders spread of POMSoX and will result in delisting. If that happens, it will reduce the general liquidity on the Port Moresby Stock Exchange and reduce the trading liquidity in NBO shares due to the reduction of the free float. In this event NBPOL Shares will be less attractive to investors, potentially resulting in a lower value for NBO shares that are not sold to Kulim. Thus, this will also reduce our market capitalization, liquidity and trading at POMSoX.

Further, Kulim has not mention its intention whether NBPOL will continue to be listed on the Port Moresby Stock Exchange, however it stated in item 5.1 of the offer document: *"If the Offer is fully accepted, the Offeror will increase its stake in NBPOL from 48.97% to 68.97%, resulting in NBPOL becoming a subsidiary of the Offeror"*. Once NBPOL becomes a subsidiary of Kulim (Malaysia) Behard, it (NBPOL) is likely to be removed or delisted from the Port Moresby Stock Exchange.

4.9. Nil or no local representation in the Company

The Commission views that once the takeover is successful, all or most local individual shareholders will be absorbed by Kulim. Once NBPOL becomes a subsidiary, the target company will lose its independence and major decisions of the company will be made by Kulim. The Commission views that this is not in the interest of the country. Even the West New Britain Provincial Government with its 12.08% shareholder is not likely to make any difference in the operation of the company.

4.10. Loss of Local Ownership in the local Assets.

NBO is the pride of PNG and the West New Britain Province, and a renowned flagship that float their name on the international financial and commodity markets. By far, it is the gold mine on the island that provides income for vast number of families in the county. It is an integral and significant asset of this country. The Commission sees that PNG and its shareholders will be marginalized by a foreign company on their own land.

5. BDO

Whilst the Commission received the BDO report from NBPOL and perused same, its views are independent and in the National Interest.

Pursuant to section 8 of the *Securities Act 1997*, the Commission advise parties to provide written submissions by close of business on Wednesday, 28th August 2013.

Yours faithfully,



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Alex Tongayu
Acting Chairman

cc: *Tim Glenn*
Ashurst Lawyers

PNG Registries

Port Moresby Stock Exchange

London Stock Exchange