

## 9. FINANCIAL INFORMATION (cont'd)

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### 9.2.3 Year on year review

The proforma operating profit, finance costs and taxation, as discussed in the year on year review below, are based on the results reported under Proforma I of the Proforma Consolidated Income Statements, i.e. before incorporating the effects arising from the harmonisation of accounting policies as well as the effects of the Negara MGO given that the net effects on the harmonisation of accounting policies are not significant to the proforma PAT. Further, prior to the financial year ended 30 June 2006, the results of certain companies involved in engineering and systems integration were reported in other business segments. As a result, the review of the performance of the energy and utilities business for the financial year ended 30 June 2005 against the preceding year will not be comparable.

In our discussion of finance costs and taxation, Scenario 1 refers to the outcome where all Entitled Shareholders elect to receive our Shares for their shares in the Participating Companies. Scenario 2 refers to the outcome where all Entitled Shareholders elect to receive cash for their shares in the Participating Companies (apart from PNB, PNB Unit Trust Funds and a certain other shareholder who, pursuant to undertakings that we have received up to 21 September 2007, will be electing to receive our Shares for their shares in the Participating Companies).

#### Financial year ended 30 June 2007

##### Revenue

We recorded a proforma revenue of RM28,220.4 million for the financial year ended 30 June 2007.

**Plantations.** The plantations business recorded an increase in proforma revenue of RM1,630.3 million, representing an increase of 24.7% from the proforma revenue of the plantations business in the preceding year. This was contributed by both upstream and downstream businesses. The upstream operations from both Malaysia and Indonesia registered an increase in revenue mainly due to higher palm products prices realised during the year. The downstream business also experienced an increase in revenue due to higher prices realised and higher volume sold during the year.

**Property.** The property business recorded an increase in proforma revenue of RM243.9 million, representing an increase of 17.1% from the proforma revenue of the property business in the preceding year. The increase was mainly contributed by the higher property sales, in particular, the Bukit Jelutong, Nilai Impian, Melawati, Putra Heights, UEP Subang Jaya, Bandar Bukit Raja, Taman Perindustrian UEP Subang Jaya, Pinggiran USJ, Taman Pasir Putih and The Orion projects.

**Motor.** The motor business recorded a decrease in revenue of RM1,270.2 million, representing a decrease of 15.3% from the revenue of the motor business in the preceding year. The decrease in revenue was largely due to weakening consumer demand for cars in all the countries where we operate other than in Australia.

**Heavy Equipment.** The heavy equipment business recorded an increase in revenue of RM1,111.0 million, representing an increase of 20.0% from the revenue of the heavy equipment business in the preceding year. This business continued to benefit from the sustained demand for products and services to the mining, logging, marine and oil and gas sectors.

## 9. FINANCIAL INFORMATION (cont'd)

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**Energy and Utilities.** The energy and utilities business recorded an increase in revenue of RM563.6 million, representing an increase of 32.4% from the revenue of the energy and utilities business in the preceding year. This was mainly contributed by the oil and gas segment as a result of revenue recognition from newly awarded projects, i.e. Sumandak B, Bunga Orkid, Qatar Petroleum and MOQ 16.

### Operating profit

We recorded a proforma operating profit of RM3,759.7 million, as shown in Proforma I of the Proforma Consolidated Income Statements ("Proforma I"), for the financial year ended 30 June 2007.

**Plantations.** The plantations business recorded an increase in proforma operating profit of RM652.4 million, representing an increase of 67.6% from the proforma operating profit of the plantations business in the preceding year. The increase was mainly attributable to our upstream business. The improved proforma operating profit for the upstream operations in Malaysia and Indonesia was mainly attributable to higher palm products prices realised during the year.

**Property.** The property business recorded an increase in proforma operating profit of RM157.1 million, representing an increase of 41.1% from the proforma operating profit of the property business in the preceding year. This was mainly due to higher property sales during the year and higher profit margin recorded for some of the completed commercial and industrial properties that were sold during the year.

**Motor.** The motor business recorded a decrease in operating profit of RM251.8 million, representing a decrease of 69.8% from the operating profit of the motor business in the preceding year. This was mainly due to a weak car market in most of the countries where we operate and stock write downs.

**Heavy Equipment.** The heavy equipment business recorded an increase in operating profit of RM86.7 million, representing an increase of 15.5% from the operating profit of the heavy equipment business in the preceding year. This business continued to benefit from the sustained demand for products and services to the mining, logging, marine and oil and gas sectors.

**Energy and Utilities.** The energy and utilities business recorded an increase in operating profit of RM455.9 million, representing an increase of more than 100% from the operating profit of the energy and utilities business in the preceding year. This was mainly due to the gain arising from the disposal of Jaya Holdings Limited.

### Finance costs

Under Scenario 1, the total proforma finance costs of the Participating Companies and our Company was RM312.4 million for the financial year ended 30 June 2007. This was mainly due to utilisation of additional trade financing during the year and a full year's interest expense incurred on the RM500-million Al-Murabahah Medium Term Notes ("MMTN") as compared to 6-month interest expense incurred in the preceding year.

Under Scenario 2, the proforma finance costs increased by RM841.3 million on the assumption that RM15.16 billion is borrowed to fund the cash payments to the relevant Entitled Shareholders under the Merger.

## 9. FINANCIAL INFORMATION (cont'd)

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### Taxation

Under Scenario 1, the effective tax rate for the year was lower than the Malaysian statutory tax rate of 27.0% largely as a result of income which was not subject to tax. Further, the reduction in corporate tax rate by 2% in Singapore had also resulted in a lower effective tax rate for our Group.

Under Scenario 2, the additional finance costs attributable to the borrowings used to fund the cash payments under the Merger are assumed to be tax deductible.

### Financial year ended 30 June 2006

#### Revenue

We recorded a proforma revenue of RM26,086.1 million for the financial year ended 30 June 2006.

**Plantations.** The plantations business recorded an increase in proforma revenue of RM484.8 million, representing an increase of 7.9% from the proforma revenue of the plantations business in the preceding year. The revenue of our downstream business improved following the inclusion of a full year's sales from Austral Edible Oil Sdn Bhd ("AEO") as compared to a 6-month sales recorded in the preceding year. As for the upstream business, the Indonesian plantations operations registered an increase in revenue as a result of higher FFB production during the year. On the other hand, the Malaysian plantations operations recorded a decrease in revenue due to lower market prices of the palm products.

**Property.** The property business recorded a decrease in proforma revenue of RM231.2 million, representing a decrease of 14.0% from the proforma revenue of the property business in the preceding year. This was mainly due to the softer property development business during the year. Overall, the performance of the property development business was affected by intense market competition and more moderate property development activities and transactions compared to the preceding year. There were delays in launches for some property development projects and slower take-up rates during the year as prospective buyers were influenced by rising trends in interest rates and fuel prices during the year.

**Motor.** The motor business recorded an increase in revenue of RM1,026.1 million, representing an increase of 14.1% from the revenue of the motor business in the preceding year. The increase was mainly attributable to higher sales of BMW cars in China.

**Heavy Equipment.** The heavy equipment business recorded an increase in revenue of RM807.4 million, representing an increase of 17.0% from the revenue of the heavy equipment business in the preceding year. This was mainly due to strong demand for heavy equipment in the mining and construction sectors in Australia, the logging and oil and gas sectors in Malaysia and the marine sector in Singapore.

**Energy and Utilities.** The revenue of the energy and utilities business remained relatively unchanged as compared to the preceding year.

## 9. FINANCIAL INFORMATION (cont'd)

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### Operating profit

We recorded a proforma operating profit of RM2,647.4 million, as shown in Proforma I, for the financial year ended 30 June 2006.

**Plantations.** The proforma operating profit of the plantations business remained relatively unchanged as compared to the preceding year. Whilst the Malaysian plantations operations registered a lower proforma operating profit mainly due to lower palm products prices realised during the year, this was offset by a higher contribution from the Indonesian plantations operations as a result of higher FFB production.

**Property.** The property business recorded a decrease in proforma operating profit of RM136.0 million, representing a decrease of 26.2% from the proforma operating profit of the property business in the preceding year. This was mainly affected by the softer property development business during the year and the absence of gains arising from the sale of land held for development during the year.

**Motor.** The motor business recorded an increase in operating profit of RM149.8 million, representing an increase of 71.0% from the operating profit of the motor business in the preceding year. This was mainly due to higher sales and operating profits recorded by the China operations, which recorded an operating loss in the preceding year.

**Heavy Equipment.** The heavy equipment business recorded an increase in operating profit of RM104.7 million, representing an increase of 23.1% from the operating profit of the heavy equipment business in the preceding year. This was mainly attributable to the increase in revenue from the operations in Australia, Malaysia and Singapore.

**Energy and Utilities.** The operating profit of the energy and utilities business remained relatively unchanged as compared to the preceding year.

### Finance costs

Under Scenario 1, the total proforma finance costs of the Participating Companies was RM300.1 million for the financial year ended 30 June 2006. This was mainly attributable to utilisation of additional trade financing during the year and interest expenses related to MMTN issued during the year.

Under Scenario 2, the proforma finance costs increased by RM841.3 million on the assumption that RM15.16 billion is borrowed to fund the cash payments to the relevant Entitled Shareholders under the Merger.

### Taxation

Under Scenario 1, the effective tax rate for the year was slightly higher than the Malaysian statutory tax rate of 28.0% mainly due to non-deductibility of certain expenses.

Under Scenario 2, the additional finance costs attributable to the borrowings used to fund the cash payments under the Merger are assumed to be tax deductible.

**9. FINANCIAL INFORMATION (cont'd)**

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**Financial year ended 30 June 2005****Revenue**

We recorded a proforma revenue of RM24,230.3 million for the financial year ended 30 June 2005.

**Plantations.** The plantations business recorded an increase in proforma revenue of RM666.7 million, representing an increase of 12.2% from the proforma revenue of the plantations business in the preceding year. The downstream business registered an increase in revenue due to inclusion of revenue of newly acquired subsidiaries, namely Hudson & Knight and AEO. The upstream business registered a slight increase in revenue mainly due to higher sales volume of palm products resulting from the inclusion of crops from Austral Enterprise Berhad, which was acquired during the year.

**Property.** The property business recorded an increase in proforma revenue of RM227.9 million, representing an increase of 16.0% from the proforma revenue of the property business in the preceding year. This was due to increased sales and better progress was made in construction of the properties. This resulted in revenue recognition despite an absence of revenue contribution from the property businesses divested to Island & Peninsular Berhad pursuant to a corporate exercise undertaken by GHope during the year.

**Motor.** The motor business recorded an increase in revenue of RM1,934.2 million, representing an increase of 36.3% from the revenue of the motor business in the preceding year. The increase largely stemmed from higher sales in Malaysia, Singapore, New Zealand and Australia. Further, the increase in revenue as compared to the preceding year was also attributable to the newly acquired subsidiaries of Sime Darby, namely Hyundai-Sime Darby Berhad group, Hyumal Motor Sdn Bhd group and Inokom Corporation Sdn Bhd.

**Heavy Equipment.** The heavy equipment business recorded an increase in revenue of RM1,315.2 million, representing an increase of 38.3% from the revenue of the heavy equipment business in the preceding year. The improved revenue as compared to the preceding year was due to strong demand for heavy equipment in the logging, oil and gas, agricultural and marine sectors in Malaysia and Singapore as well as the boom in the mining sector in Australia, particularly in terms of coal mining.

**Energy and Utilities.** The energy and utilities business recorded revenue of RM1,671.5 million during the financial year ended 30 June 2005. Oil and gas segment is the largest contributor to the division.

**Operating profit**

We recorded a proforma operating profit of RM2,613.4 million, as shown in Proforma I, for the financial year ended 30 June 2005.

**Plantations.** The plantations business recorded a decrease in proforma operating profit of RM90.4 million, representing a decrease of 8.5% from the proforma operating profit of the plantations business in the preceding year. This was mainly attributable to lower palm products prices realised during the year.

## 9. FINANCIAL INFORMATION (cont'd)

**Property.** The property business recorded a decrease in proforma operating profit of RM18.5 million, representing a decrease of 3.4% from the proforma operating profit of the property business in the preceding year. Despite an increase in revenue, the proforma operating profit of the property business was affected by the additional infrastructure cost and provision for losses on low costs housing as well as the absence of profit contribution from certain property businesses which were divested to Island & Peninsular Berhad during the year.

**Motor.** The operating profit of the motor business remained relatively unchanged as compared to the preceding year despite an increase in revenue. This was due to provisions for vehicle sales receivables from China.

**Heavy Equipment.** The heavy equipment business recorded an increase in operating profit of RM212.8 million, representing an increase of 88.6% from the operating profit of the heavy equipment business in the preceding year. This was largely due to the improvement in revenue.

**Energy and Utilities.** The energy and utilities business recorded an operating profit of RM189.4 million for the financial year ended 30 June 2005 and this was primarily contributed by power business.

### Finance costs

Under Scenario 1, the total proforma finance costs of the Participating Companies was RM249.2 million for the financial year ended 30 June 2005. This was mainly due to higher borrowings and increase in interest rates during the year.

Under Scenario 2, the proforma finance costs increased by RM841.3 million on the assumption that RM15.16 billion is borrowed to fund the cash payments to the relevant Entitled Shareholders under the Merger.

### Taxation

Under Scenario 1, the effective tax rate for the year was higher than the Malaysian statutory tax rate of 28.0%. This was mainly due to the non-deductibility of certain expenses, non-recognition of deferred tax assets in respect of current year's tax losses and unabsorbed capital allowances for certain companies and higher profit contribution from Australia, which has a higher statutory tax rate.

Under Scenario 2, the additional finance costs attributable to the borrowings used to fund the cash payments under the Merger are assumed to be tax deductible.

Further, save as disclosed in this Prospectus, our Group's financial performance, position and operations are not affected by any of the following as at the date of the LPD:

- (i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on the financial performance, position and operations;
- (ii) known trends, demands, commitments, events or uncertainties that would cause the historical financial statements to be not necessarily indicative of our future financial information; and
- (iii) unusual or infrequent events or transactions or any significant economic changes that have materially affected our Group's financial performance, position and operations.

## 9. FINANCIAL INFORMATION (cont'd)

### 9.3 Proforma Consolidated Balance Sheets

We have prepared our Group's proforma consolidated balance sheets as at 30 June 2007 for illustrative purposes only, to show the effects of our Listing on the assumptions that the Merger has been completed on that date and that all Entitled Shareholders elect to receive our Shares and that the consideration for the Negara MGO is satisfied entirely by our Shares.

You should read the proforma consolidated balance sheets that we have presented below together with the notes, assumptions and basis of preparation included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information set out in Section 9.5.

	Proforma I	Proforma II	Proforma III	Proforma IV
	After Merger	After harmonisation of accounting policies	After conversion of RCPS B	After Negara MGO
	RM million	RM million	RM million	RM million
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	9,337.5	7,671.0	7,671.0	7,671.0
Biological assets	3,788.0	3,318.9	3,318.9	3,318.9
Investment properties	159.0	159.0	159.0	159.0
Prepaid lease payments	907.7	1,650.9	1,650.9	1,650.9
Land held for property development	652.1	652.1	652.1	652.1
Investment in associated companies	912.7	912.7	912.7	912.7
Jointly-controlled entities	9.6	9.6	9.6	9.6
Other investments	389.2	389.2	389.2	389.2
Deferred tax assets	718.7	718.7	718.7	718.7
Trade and other receivables	102.1	102.1	102.1	102.1
Long term fixed deposits	18.8	18.8	18.8	18.8
Intangible assets	67.9	67.9	67.9	67.9
Goodwill	445.1	3.9	3.9	3.9
	<b>17,508.4</b>	<b>15,674.8</b>	<b>15,674.8</b>	<b>15,674.8</b>
<b>CURRENT ASSETS</b>				
Inventories	4,519.8	4,519.8	4,519.8	4,519.8
Property development costs	1,165.3	1,165.3	1,165.3	1,165.3
Trade and other receivables	5,040.1	5,040.1	5,040.1	5,040.1
Income tax recoverable	148.0	148.0	148.0	148.0
Cash and bank balances	6,088.6	6,088.6	6,088.6	6,088.6
	<b>16,961.8</b>	<b>16,961.8</b>	<b>16,961.8</b>	<b>16,961.8</b>
Assets held for sale	785.5	785.5	785.5	785.5
	<b>17,747.3</b>	<b>17,747.3</b>	<b>17,747.3</b>	<b>17,747.3</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	5,797.0	5,797.0	5,797.0	5,797.0
Provisions	187.0	187.0	187.0	187.0
Deferred income	1.6	1.6	1.6	1.6
Short term borrowings	2,399.3	2,399.3	2,399.3	2,399.3
Provision for taxation	330.2	330.2	330.2	330.2
Dividend payable	98.7	98.7	98.7	98.7
	<b>8,813.8</b>	<b>8,813.8</b>	<b>8,813.8</b>	<b>8,813.8</b>
Liabilities associated with assets held for sale	178.7	178.7	178.7	178.7
	<b>8,992.5</b>	<b>8,992.5</b>	<b>8,992.5</b>	<b>8,992.5</b>
<b>NET CURRENT ASSETS</b>	<b>8,754.8</b>	<b>8,754.8</b>	<b>8,754.8</b>	<b>8,754.8</b>
	<b>26,263.2</b>	<b>24,429.6</b>	<b>24,429.6</b>	<b>24,429.6</b>

## 9. FINANCIAL INFORMATION (cont'd)

	Proforma I	Proforma II	Proforma III	Proforma IV
	After Merger RM million	After harmonisation of accounting policies RM million	After conversion of RCPS B RM million	After Negara MGO RM million
<b>FINANCED BY</b>				
Share capital	3,012.2	3,012.2	3,037.2	3,043.0
Share premium	-	-	0.7	55.5
RCPS B	2.6	2.6	-	-
Merger relief reserve	28,616.4	6,534.3	6,534.3	6,534.3
Merger deficit	(21,575.5)	-	-	-
Capital reserves	209.3	209.3	209.3	209.3
Other reserves	1,699.8	907.6	907.6	907.6
Retained earnings	8,921.4	8,518.6	8,518.6	8,555.1
Shareholders' equity	20,886.2	19,184.6	19,207.7	19,304.8
Minority interests	580.1	574.1	574.1	477.0
<b>TOTAL EQUITY</b>	<b>21,466.3</b>	<b>19,758.7</b>	<b>19,781.8</b>	<b>19,781.8</b>
<b>LONG TERM LIABILITIES</b>				
RCPS B	23.1	23.1	-	-
Long term borrowings	3,683.7	3,683.7	3,683.7	3,683.7
Deferred income	6.8	6.8	6.8	6.8
Retirement benefits	39.8	39.8	39.8	39.8
Deferred tax liabilities	1,043.5	917.5	917.5	917.5
	4,796.9	4,670.9	4,647.8	4,647.8
	<b>26,263.2</b>	<b>24,429.6</b>	<b>24,429.6</b>	<b>24,429.6</b>
Number of our Shares assumed in issue (million)	6,024.4	6,024.4	6,074.4	6,086.0
Proforma NTA (RM million)	20,373.2	19,112.8	19,135.9	19,233.0
Proforma NTA per share (RM)	3.38	3.17	3.15	3.16



## 9. FINANCIAL INFORMATION (cont'd)

If all Entitled Shareholders elect to receive cash for their shares in the Participating Companies (apart from PNB, PNB Unit Trust Funds and a certain other shareholder who, pursuant to undertakings that we have received up to 21 September 2007, will be electing to receive our Shares for their shares in the Participating Companies) and the consideration for the Negara MGO is satisfied entirely by cash, we estimate that borrowings and/or internal sources of funds of up to RM15.2 billion will be required to finance the cash payments. Assuming the cash payments are financed entirely by borrowings, the proforma consolidated balance sheets will be as follows:

	Proforma I	Proforma II	Proforma III	Proforma IV
	After Merger	After harmonisation of accounting policies	After conversion of RCPS B	After Negara MGO
	RM million	RM million	RM million	RM million
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	9,337.5	7,671.0	7,671.0	7,671.0
Biological assets	3,788.0	3,318.9	3,318.9	3,318.9
Investment properties	159.0	159.0	159.0	159.0
Prepaid lease payments	907.7	1,650.9	1,650.9	1,650.9
Land held for property development	652.1	652.1	652.1	652.1
Investment in associated companies	912.7	912.7	912.7	912.7
Jointly-controlled entities	9.6	9.6	9.6	9.6
Other investments	389.2	389.2	389.2	389.2
Deferred tax assets	718.7	718.7	718.7	718.7
Trade and other receivables	102.1	102.1	102.1	102.1
Long term fixed deposits	18.8	18.8	18.8	18.8
Intangible assets	67.9	67.9	67.9	67.9
Goodwill	445.1	3.9	3.9	3.9
	<b>17,508.4</b>	<b>15,674.8</b>	<b>15,674.8</b>	<b>15,674.8</b>
<b>CURRENT ASSETS</b>				
Inventories	4,519.8	4,519.8	4,519.8	4,519.8
Property development costs	1,165.3	1,165.3	1,165.3	1,165.3
Trade and other receivables	5,040.1	5,040.1	5,040.1	5,040.1
Income tax recoverable	148.0	148.0	148.0	148.0
Cash and bank balances	6,088.6	6,088.6	6,088.6	6,088.6
	<b>16,961.8</b>	<b>16,961.8</b>	<b>16,961.8</b>	<b>16,961.8</b>
Assets held for sale	785.5	785.5	785.5	785.5
	<b>17,747.3</b>	<b>17,747.3</b>	<b>17,747.3</b>	<b>17,747.3</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	5,797.0	5,797.0	5,797.0	5,797.0
Provisions	187.0	187.0	187.0	187.0
Deferred income	1.6	1.6	1.6	1.6
Short term borrowings	2,399.3	2,399.3	2,399.3	2,399.3
Provision for taxation	330.2	330.2	330.2	330.2
Dividend payable	98.7	98.7	98.7	98.7
	<b>8,813.8</b>	<b>8,813.8</b>	<b>8,813.8</b>	<b>8,813.8</b>
Liabilities associated with assets held for sale	178.7	178.7	178.7	178.7
	<b>8,992.5</b>	<b>8,992.5</b>	<b>8,992.5</b>	<b>8,992.5</b>
<b>NET CURRENT ASSETS</b>	<b>8,754.8</b>	<b>8,754.8</b>	<b>8,754.8</b>	<b>8,754.8</b>
	<b>26,263.2</b>	<b>24,429.6</b>	<b>24,429.6</b>	<b>24,429.6</b>

## 9. FINANCIAL INFORMATION (cont'd)

	Proforma I	Proforma II	Proforma III	Proforma IV
	After Merger	After harmonisation of accounting policies	After conversion of RCPS B	After Negara MGO
	RM million	RM million	RM million	RM million
<b>FINANCED BY</b>				
Share capital	1,568.5	1,568.5	1,593.5	1,593.5
Share premium	-	-	0.7	0.7
RCPS B	2.6	2.6	-	-
Merger relief reserve	14,901.1	-	-	-
Merger deficit	(21,575.5)	-	-	-
Capital reserves	209.3	209.3	209.3	209.3
Other reserves	1,699.8	907.6	907.6	907.6
Retained earnings	8,921.4	1,337.6	1,337.6	1,374.1
Shareholders' equity	5,727.2	4,025.6	4,048.7	4,085.2
Minority interests	580.1	574.1	574.1	477.0
<b>TOTAL EQUITY</b>	<b>6,307.3</b>	<b>4,599.7</b>	<b>4,622.8</b>	<b>4,562.2</b>
<b>LONG TERM LIABILITIES</b>				
RCPS B	23.1	23.1	-	-
Long term borrowings	18,842.7	18,842.7	18,842.7	18,903.3
Deferred income	6.8	6.8	6.8	6.8
Retirement benefits	39.8	39.8	39.8	39.8
Deferred tax liabilities	1,043.5	917.5	917.5	917.5
	19,955.9	19,829.9	19,806.8	19,867.4
	<b>26,263.2</b>	<b>24,429.6</b>	<b>24,429.6</b>	<b>24,429.6</b>
Number of our Shares assumed in issue (million)	3,137.0	3,137.0	3,187.0	3,187.0
Proforma NTA (RM million)	5,214.2	3,953.8	3,976.9	4,013.4
Proforma NTA per share (RM)	1.66	1.26	1.25	1.26

## 9. FINANCIAL INFORMATION (cont'd)

### 9.4 Proforma Consolidated Cash Flow Statements

We have prepared our Group's proforma consolidated cash flow statements for illustrative purposes only, after making adjustments that were considered necessary and on the assumption that our Group has been in existence throughout the financial year ended 30 June 2007.

You should read the proforma consolidated cash flow statements that we have presented below together with the notes, assumptions and basis of preparation included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information set out in Section 9.5.

	<----For financial year ended 30 June 2007---->	
	Scenario 1 <sup>(1)</sup> RM million	Scenario 2 <sup>(2)</sup> RM million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
PBT	3,571.1	2,726.4
Adjustments for:		
Non cash adjustments	209.0	209.0
Finance costs	312.4	1,157.1
Share of results of associates and jointly controlled entities	(112.4)	(112.4)
Investment income	(37.6)	(37.6)
Interest income	(178.9)	(178.9)
	3,763.6	3,763.6
Working capital changes	(116.6)	(116.6)
Cash flow generated from operations	3,647.0	3,647.0
Net tax paid	(723.2)	(495.1)
Net cash generated from operations	2,923.8	3,151.9
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investment income received	51.7	51.7
Interest income received	186.0	186.0
Purchases of:		
Property, plant and equipment	(1,406.2)	(1,406.2)
Investments	(19.6)	(19.6)
Investment properties	(1.2)	(1.2)
Leasehold land	(4.0)	(4.0)
Land held for property development	(70.5)	(70.5)
Additional interest in subsidiaries	(96.4)	(157.0)
Subsidiaries/ associates/ jointly controlled entities	(38.7)	(38.7)
Others	(13.7)	(13.7)
Proceeds from sale of:		
Property, plant and equipment	387.1	387.1
Investments	54.1	54.1
Investment properties	51.5	51.5
Leasehold land	3.8	3.8
Land held for property development	97.9	97.9
Subsidiaries/ associates/ jointly controlled entities	1,071.5	1,071.5
Proceeds from liquidation of a subsidiary	13.9	13.9
Cash purchase of business undertakings	-	(15,159.0)
Others	(126.6)	(126.6)
Net cash generated from/(used in) investing activities	140.6	(15,079.0)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of ESOS	665.7	665.7
Proceeds from shares issued to remaining shareholders	9.5	9.5
Proceeds from issuance of Shares	25.0	25.0
Finance costs paid	(298.7)	(1,143.4)
(Repayment)/ drawdown of borrowings	(286.7)	14,932.9
Dividends paid to shareholders	(1,114.2)	(1,114.2)
Dividends paid to minority interests	(266.1)	(266.1)
Release of fixed deposits pledged	(18.8)	(18.8)
Net cash (used in)/generated from financing activities	(1,284.3)	13,090.6

## 9. FINANCIAL INFORMATION (cont'd)

	<-----For financial year ended 30 June 2007----->	
	Scenario 1 <sup>(1)</sup> RM million	Scenario 2 <sup>(2)</sup> RM million
Net increase in cash and cash equivalents	1,780.1	1,163.5
Cash and cash equivalents at the beginning of the year	3,917.1	3,917.1
Foreign exchange	(48.9)	(48.9)
	3,868.2	3,868.2
Cash and cash equivalents at the end of the year	<u>5,648.3</u>	<u>5,031.7</u>
Cash and cash equivalents comprise:		
Cash at bank and short term deposits in licensed banks	6,088.6	5,472.0 <sup>(3)</sup>
Less:		
Bank balances held under Housing Development Accounts	(418.3)	(418.3)
Bank overdrafts	(22.0)	(22.0)
	<u>5,648.3</u>	<u>5,031.7</u>

**Notes:**

- (1) Scenario 1 is prepared based on the assumptions that all Entitled Shareholders elect to receive our Shares and the consideration for the Negara MGO is satisfied entirely by our Shares.
- (2) Scenario 2 is prepared based on the assumptions that all Entitled Shareholders elect to receive cash for their shares in the Participating Companies (apart from PNB, PNB Unit Trust Funds and a certain other shareholder who, pursuant to undertakings that we have received up to 21 September 2007, will be electing to receive our Shares for their shares in the Participating Companies), the consideration for the Negara MGO is satisfied entirely by cash and the cash payments are financed entirely by borrowings.
- (3) Cash at bank and short term deposits in licensed banks are derived after taking into account the payment of interest on the borrowings (which was drawdown for the purposes of financing the cash payments) and tax deductibility on the said interest expense.

Under Scenario 1 of the Proforma Consolidated Cash Flow Statement, the cash and cash equivalents for the year was mainly contributed by cash flow generated from operating activities.

Under Scenario 2 of the Proforma Consolidated Cash Flow Statement, the net cash used in investing activities was mainly attributable to cash payments to the relevant Entitled Holders who have elected to receive cash for their shares in the Participating Companies, which is assumed to be financed entirely by borrowings.

## 9. FINANCIAL INFORMATION (cont'd)

### 9.5 Reporting Accountants' Letter on the Proforma Consolidated Financial Information



■ Chartered Accountants  
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 Jalan Damanlela  
 Pusat Bandar Damansara  
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### REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in the Prospectus)

29 September 2007

The Board of Directors  
 Synergy Drive Bhd  
 19th Floor, Wisma Sime Darby  
 Jalan Raja Laut  
 50350 Kuala Lumpur

Dear Sirs

#### SYNERGY DRIVE BHD PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

We report on the Pro forma Consolidated Financial Information (which we have stamped for the purpose of identification) of Synergy Drive Bhd ("Synergy Drive" or the "Company") and its proposed subsidiaries (collectively referred to as "Synergy Drive Group") as set out in Appendix A together with the notes thereto to provide information about:

- Pro forma Consolidated Balance Sheets and Pro forma Consolidated Statement of Assets and Liabilities as at 30 June 2007 where the business combination is accounted for as if it had been effected as at 30 June 2007;
- Pro forma Consolidated Income Statements for the three years ended 30 June 2005 to 30 June 2007 where the business combination is accounted for as if it had been effected as at 1 July 2004; and
- Pro forma Consolidated Cash Flow Statements for the year ended 30 June 2007 where the business combination is accounted for as if it had been effected as at 1 July 2006.

The Pro forma Consolidated Financial Information, together with the notes thereto, have been prepared for illustrative purposes only, for inclusion in the Prospectus for the issuance of Synergy Drive ordinary shares in connection with the following proposed transactions (collectively known as "the Proposals"):

## 9. FINANCIAL INFORMATION (cont'd)



- Proposed acquisitions by Synergy Drive of the entire businesses and undertakings including all assets and liabilities of the following companies:
  - (i) Sime Darby Berhad (“Sime Darby”)
  - (ii) Sime Engineering Services Berhad (“Sime Engineering”)
  - (iii) Sime UEP Properties Berhad (“Sime UEP”)
  - (iv) Kumpulan Guthrie Berhad (“KGB”)
  - (v) Guthrie Ropel Berhad (“GRopel”)
  - (vi) Highlands & Lowlands Berhad (“HLB”)
  - (vii) Golden Hope Plantations Berhad (“GHope”)
  - (viii) Mentakab Rubber Company (Malaya) Berhad (“Mentakab”)

(Collectively, known as the “Participating Companies”)

To be satisfied by Series A Redeemable Convertible Preference Shares (“RCPS A”) (“Proposed Acquisitions”).

- Proposed capital repayment by each of the Participating Companies by way of distribution of RCPS A to their shareholders. Each entitled shareholder has the option to convert the RCPS A to Synergy Drive ordinary shares or to receive cash of RM5.25 for each RCPS A (“Proposed Capital Repayment”).
- Proposed mandatory take-over offer for all the ordinary shares of Negara Properties (M) Berhad (“Negara”) not held by GHope to be satisfied either by the issuance of Synergy Drive ordinary shares or cash.

It is the responsibility solely of the directors of Synergy Drive to prepare the Pro forma Consolidated Financial Information in accordance with the requirements of the Securities Commission Prospectus Guidelines in respect of Public Offerings (“the Guidelines”).

It is our responsibility to form an opinion on the Pro forma Consolidated Financial Information, as required by the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the Pro forma Consolidated Financial Information with the responsible designated officers of Synergy Drive. Our work involved no independent examination of any of the underlying financial information.

As the Pro forma Consolidated Financial Information has been prepared for illustrative purposes only, such information may differ from the actual financial position and results of Synergy Drive Group. Further, such information does not purport to predict the future financial position and results of Synergy Drive Group.

## 9. FINANCIAL INFORMATION (cont'd)



In our opinion

- (a) The Pro forma Consolidated Financial Information have been properly prepared on the basis stated and such basis is consistent with the accounting policies of Sime Darby, which policies are those adopted by Synergy Drive;
- (b) The financial statements used in the preparation of the Pro forma Consolidated Financial Information have been properly prepared in accordance with applicable Financial Reporting Standards in Malaysia; and
- (c) Each material adjustment made to the information used in the preparation of the Pro forma Consolidated Financial Information is appropriate for the purposes of preparing the Pro forma Consolidated Financial Information.

We draw your attention to the following sections:

- Section 3.2.1(b) of the Notes to the Pro forma Consolidated Balance Sheets, where it is stated that the purchase consideration shall be satisfied by Synergy Drive through the issuance of 6,024.4 million RCPS A at the issue price of RM5.25 each. The issue price of RM5.25 each is assumed to be the fair value of RCPS A as at 30 June 2007.
- Section 3.2.1(d) of the Notes to the Pro forma Consolidated Balance Sheets, where it is stated that all RCPS A receivable will be recorded immediately as issuance of ordinary shares of Synergy Drive or cash redemption. This is on the assumption that the RCPS A receivable will be settled directly through the issuance of Synergy Drive shares or cash in respect of the Proposed Capital Repayment by each of the Participating Companies.
- Section 3.2.1(g) of the Notes to the Pro forma Consolidated Balance Sheets, Section 4.2.1(b) of the Notes to the Pro forma Consolidated Income Statements, Section 5 of the Notes to the Pro forma Consolidated Cash Flow Statements and Section 6 of the Pro forma Consolidated Statement of Assets and Liabilities, where it is stated that the Pro forma Consolidated Financial Information are prepared on the assumption that there were no intercompany transactions or balances between Sime Darby Group, KGB Group and GHope Group during and as at the financial years ended 30 June 2005 to 30 June 2007.
- Section 4.2.1(a) of the Pro forma Consolidated Income Statements where it is stated that the results of KGB Group for the financial years ended 30 June 2005 to 30 June 2007 used in the Pro forma Consolidated Income Statements of Synergy Drive Group have been derived from the aggregation of unaudited results from the quarterly announcements of KGB Group for the 12 months period ended 30 June 2005 and 30 June 2006 and the unaudited quarterly consolidated income statement of KGB Group for the 6 months period ended 31 December 2006 and the audited 6 months consolidated income statement for the period ended 30 June 2007. Other than as stated above, we have not performed any audit, review or other procedures on these results of KGB Group for the financial years ended 30 June 2005 to 30 June 2007.

**9. FINANCIAL INFORMATION (cont'd)**

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- Section 5.1 of the Notes to the Pro forma Consolidated Cash Flow Statements, where it is stated that the cash flows of KGB Group for the financial year ended 30 June 2007 used in the Pro forma Consolidated Cash Flow Statements of Synergy Drive Group have been derived from the aggregation of unaudited consolidated cash flow statements from the 6 months period ended 31 December 2006 and the audited 6 months consolidated cash flow statements for the period ended 30 June 2007 of KGB Group. Other than as stated above, we have not performed any audit, review or other procedures on the cash flow statements of KGB Group for the financial year ended 30 June 2007.

The accompanying Pro forma Consolidated Financial Information and this letter have been prepared solely for the purposes stated above, in connection with the aforementioned Proposals. This letter is not to be reproduced, referred to in any other document, relied upon or used for any other purpose without our prior written consent.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Gallen Young', written over the printed name 'Ernst &amp; Young'.

Ernst & Young  
AF: 0039  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Abdul Rauf Rashid', written over the printed name 'Abdul Rauf Rashid'.

Abdul Rauf Rashid  
No. 2305/05/08 (J)  
Partner

Kuala Lumpur, Malaysia



**9. FINANCIAL INFORMATION (cont'd)**

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**APPENDIX A****Page 1 of 44****PRO FORMA CONSOLIDATED FINANCIAL INFORMATION****1. INTRODUCTION**

The Pro forma Consolidated Financial Information for which the directors of Synergy Drive Bhd ("Synergy Drive" or "the Company") are solely responsible, has been prepared for illustrative purposes only, for the purpose of inclusion in the Prospectus of Synergy Drive in connection with the proposals as listed below and may differ from the actual financial position and results of Synergy Drive and its proposed subsidiaries (collectively known as "Synergy Drive Group" or the "Group") had the Group actually been in existence during the years under review. Further, such financial information does not purport to predict the future financial position and results of Synergy Drive Group.

The Pro forma Consolidated Financial Information covers the financial statements of Synergy Drive, Sime Darby Berhad and its subsidiaries ("Sime Darby Group"), Kumpulan Guthrie Berhad and its subsidiaries ("KGB Group") and Golden Hope Plantations Berhad and its subsidiaries ("GHope Group").

The Pro forma Consolidated Financial Information has been prepared on the basis consistent with the accounting policies of Sime Darby, which policies are those adopted by Synergy Drive. The Proposals have been accounted for as a business combination among entities under common control. In view that business combinations under common control are scoped out of FRS 3 Business Combinations, the guidance set out in FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors, is used to select the appropriate accounting policy for the Proposals.

Following the above, merger accounting has been applied for a business combination under common control based on the pronouncements issued by other standard setting bodies in other countries. In applying merger accounting, Synergy Drive incorporates the identifiable assets, liabilities and contingent liabilities of the entities or businesses at the carrying amounts prior to the combination in the consolidated financial statements. No goodwill arises on consolidation and any difference arising from the use of merger accounting is included in equity as merger reserve or merger deficit.

**9. FINANCIAL INFORMATION (cont'd)**

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**APPENDIX A**  
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**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

**1. INTRODUCTION (CONTD.)**

The Proposals as detailed in Section 2 are assumed to be completed as below:

- (a) Pro forma Consolidated Balance Sheets and Pro forma Consolidated Statement of Assets and Liabilities as at 30 June 2007 where the business combination is accounted for as if it had been effected as at 30 June 2007.
- (b) Pro forma Consolidated Income Statements for the three years ended 30 June 2005 to 30 June 2007 where the business combination is accounted for as if it had been effected as at 1 July 2004.
- (c) Pro forma Consolidated Cash Flow Statements for the year ended 30 June 2007 where the business combination is accounted for as if it had been effected as at 1 July 2006.

The Pro forma Consolidated Financial Information has been prepared under 2 scenarios:

- (i) Scenario 1 – All Series A and Series B Redeemable Convertible Preference Shares (“RCPS”) (“RCPS A and RCPS B”) are converted into Synergy Drive ordinary shares and the remaining shareholders of Negara Properties (M) Berhad (“Negara”) opted for Synergy Drive ordinary shares.
- (ii) Scenario 2 – Except for RCPS B holder, Permodalan Nasional Berhad (“PNB”) and unit trusts managed by PNB (“PNB and the unit trust funds”) and certain other shareholder, all RCPS holders opted for cash instead of conversion to Synergy Drive ordinary shares and the remaining shareholders of Negara opted for cash.

For the purpose of illustrating the effect of Scenario 2, the borrowing costs to finance the cash payments to RCPS holders are included in the Pro forma Consolidated Income Statements and the Pro forma Consolidated Cash Flow Statements in the financial year(s) presented. For the Pro forma Consolidated Balance Sheet and Pro forma Consolidated Statement of Assets and Liabilities, the borrowing to finance the cash payments to RCPS holders is included as at 30 June 2007.

**9. FINANCIAL INFORMATION (cont'd)**

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**APPENDIX A**

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**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

**2. PROPOSALS**

The Proposals comprise the following:

- (a) Proposed acquisitions by Synergy Drive of the entire businesses and undertakings including all assets and liabilities of the following companies:
- (i) Sime Darby Berhad ("Sime Darby")
  - (ii) Sime Engineering Services Berhad ("Sime Engineering")
  - (iii) Sime UEP Properties Berhad ("Sime UEP")
  - (iv) Kumpulan Guthrie Berhad ("KGB")
  - (v) Guthrie Ropel Berhad ("GRopel")
  - (vi) Highlands & Lowlands Berhad ("HLB")
  - (vii) Golden Hope Plantations Berhad ("GHope")
  - (viii) Mentakab Rubber Company (Malaya) Berhad ("Mentakab")  
(Collectively, known as the "Participating Companies")

To be satisfied by RCPS A ("Proposed Acquisitions")

- (b) Proposed capital repayment by each of the Participating Companies by way of distribution of RCPS A to their shareholders. Each entitled shareholder has the option to convert the RCPS A to Synergy Drive ordinary shares or to receive cash of RM5.25 for each RCPS A ("Proposed Capital Repayment").
- (c) Proposed mandatory take-over offer for all the ordinary shares of Negara not held by GHope to be satisfied either by the issuance of Synergy Drive ordinary shares or cash.

## 9. FINANCIAL INFORMATION (cont'd)

## 3) PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007

(a) Scenario 1 - All RCPS A and RCPS B are converted into Synergy Drive ordinary shares and the remaining shareholders of Negara opted for Synergy

	Synergy Drive Audited 30 June 2007 RM'mil	Sime Darby Audited after adjustment for ESOS 30 June 2007 RM'mil	Sime Engineering RM'mil	Sime UEP RM'mil	KGB Audited after adjustment for ESOS 30 June 2007 RM'mil	G Rope! RM'mil	HLB RM'mil	GHope Audited after adjustment for ESOS 30 June 2007 RM'mil
<b>ASSETS</b>								
<b>NON-CURRENT ASSETS</b>								
Property, plant and equipment	-	3,880.0	-	-	2,542.5	-	-	2,915.0
Biological assets	-	260.9	-	-	2,352.6	-	-	1,174.5
Investment properties	-	153.0	-	-	-	-	-	6.0
Prepaid lease payments	-	570.6	-	-	337.1	-	-	-
Land held for property development	-	318.9	-	-	238.3	-	-	94.9
Investment in associated companies	-	264.1	-	-	17.3	-	-	631.3
Jointly controlled entities	-	7.7	-	-	1.9	-	-	-
Other investments	-	344.7	-	-	1.8	-	-	42.7
Deferred tax assets	-	361.3	-	-	132.7	-	-	224.7
Trade and other receivables	-	-	-	-	102.1	-	-	-
Long term fixed deposits	-	-	-	-	18.8	-	-	-
Intangible assets	-	67.9	-	-	-	-	-	-
Goodwill	-	3.9	-	-	257.6	-	-	183.6
	-	6,233.0	-	-	6,002.7	-	-	5,272.7
<b>CURRENT ASSETS</b>								
Inventories	-	3,858.3	-	-	267.0	-	-	394.5
Property development costs	-	889.1	-	-	220.6	-	-	55.6
Trade and other receivables	-	3,586.3	-	-	559.2	-	-	894.6
Income tax recoverable	-	69.8	-	-	55.9	-	-	22.3
Cash and bank balances	10.6	4,729.0	-	-	1,042.8	-	-	306.2
	10.6	13,132.5	-	-	2,145.5	-	-	1,673.2
Assets held for sale	-	200.7	-	-	584.8	-	-	-
	10.6	13,333.2	-	-	2,730.3	-	-	1,673.2
<b>CURRENT LIABILITIES</b>								
Trade and other payables	17.1	4,727.5	-	-	461.1	-	-	591.3
Provisions	-	187.0	-	-	-	-	-	-
Deferred income	-	-	-	-	1.6	-	-	-
Short term borrowings	-	1,456.5	-	-	469.5	-	-	473.3
Provision for taxation	-	213.9	-	-	92.2	-	-	24.1
Dividend payable	-	-	-	-	-	-	-	98.7
	17.1	6,584.9	-	-	1,024.4	-	-	1,187.4
Liabilities associated with assets held for sale	-	178.7	-	-	-	-	-	-
	17.1	6,763.6	-	-	1,024.4	-	-	1,187.4
<b>NET CURRENT (LIABILITIES)/ASSETS</b>								
	(6.5)	6,569.6	-	-	1,705.9	-	-	485.8
	(6.5)	12,802.6	-	-	7,708.6	-	-	5,758.5
<b>FINANCED BY</b>								
Share capital	-	1,262.0	-	-	1,027.1	-	-	1,509.7
Share premium	-	3,336.9	-	-	40.9	-	-	745.9
RCPS B	2.6	-	-	-	-	-	-	-
Merger relief reserve	-	-	-	-	-	-	-	-
Merger deficit	-	-	78.3	664.9	-	309.8	1,038.4	-
Capital reserves	-	209.3	-	-	-	-	-	-
Other reserves	-	918.1	-	-	772.9	-	-	8.8
(Accumulated Losses)/Retained earnings	(32.2)	4,414.2	-	-	1,538.0	-	-	3,001.4
Shareholders' (deficit)/ equity	(29.6)	10,140.5	78.3	664.9	3,378.9	309.8	1,038.4	5,265.8
Minority interests	-	993.3	(78.3)	(664.9)	1,524.3	(309.8)	(1,038.4)	193.1
<b>TOTAL EQUITY</b>	<b>(29.6)</b>	<b>11,133.8</b>	<b>-</b>	<b>-</b>	<b>4,903.2</b>	<b>-</b>	<b>-</b>	<b>5,458.9</b>
<b>LONG TERM LIABILITIES</b>								
RCPS B	23.1	-	-	-	-	-	-	-
Long term borrowings	-	1,463.6	-	-	2,166.0	-	-	54.1
Deferred income	-	-	-	-	6.8	-	-	-
Retirement benefits	-	-	-	-	39.8	-	-	-
Deferred tax liabilities	-	205.2	-	-	592.8	-	-	245.5
	23.1	1,668.8	-	-	2,805.4	-	-	299.6
	(6.5)	12,802.6	-	-	7,708.6	-	-	5,758.5
<b>Net Tangible (Liabilities)/Assets per share (RM)</b>								<b>(148,000)</b>

## 9. FINANCIAL INFORMATION (cont'd)

APPENDIX A  
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## Drive ordinary shares

		Pro forma I		Pro forma II		Pro forma III		Pro forma IV
		After Proposed Merger		After harmonisation of accounting policies		After conversion of RCPS B		After mandatory general offer of Negara
Mentakab	Adjustments	RM'mil	Adjustments	RM'mil	Adjustments	RM'mil	Adjustments	RM'mil
RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
-	-	9,337.5	(1,666.5)	7,671.0	-	7,671.0	-	7,671.0
-	-	3,788.0	(469.1)	3,318.9	-	3,318.9	-	3,318.9
-	-	159.0	-	159.0	-	159.0	-	159.0
-	-	907.7	743.2	1,650.9	-	1,650.9	-	1,650.9
-	-	652.1	-	652.1	-	652.1	-	652.1
-	-	912.7	-	912.7	-	912.7	-	912.7
-	-	9.6	-	9.6	-	9.6	-	9.6
-	-	389.2	-	389.2	-	389.2	-	389.2
-	-	718.7	-	718.7	-	718.7	-	718.7
-	-	102.1	-	102.1	-	102.1	-	102.1
-	-	18.8	-	18.8	-	18.8	-	18.8
-	-	67.9	-	67.9	-	67.9	-	67.9
-	-	445.1	(441.2)	3.9	-	3.9	-	3.9
-	-	17,508.4	(1,833.6)	15,674.8	-	15,674.8	-	15,674.8
-	-	4,519.8	-	4,519.8	-	4,519.8	-	4,519.8
-	-	1,165.3	-	1,165.3	-	1,165.3	-	1,165.3
-	-	5,040.1	-	5,040.1	-	5,040.1	-	5,040.1
-	-	148.0	-	148.0	-	148.0	-	148.0
-	-	6,088.6	-	6,088.6	-	6,088.6	-	6,088.6
-	-	16,961.8	-	16,961.8	-	16,961.8	-	16,961.8
-	-	785.5	-	785.5	-	785.5	-	785.5
-	-	17,747.3	-	17,747.3	-	17,747.3	-	17,747.3
-	-	5,797.0	-	5,797.0	-	5,797.0	-	5,797.0
-	-	187.0	-	187.0	-	187.0	-	187.0
-	-	1.6	-	1.6	-	1.6	-	1.6
-	-	2,399.3	-	2,399.3	-	2,399.3	-	2,399.3
-	-	330.2	-	330.2	-	330.2	-	330.2
-	-	98.7	-	98.7	-	98.7	-	98.7
-	-	8,813.8	-	8,813.8	-	8,813.8	-	8,813.8
-	-	178.7	-	178.7	-	178.7	-	178.7
-	-	8,992.5	-	8,992.5	-	8,992.5	-	8,992.5
-	-	8,754.8	-	8,754.8	-	8,754.8	-	8,754.8
-	-	26,263.2	(1,833.6)	24,429.6	-	24,429.6	-	24,429.6
-	(786.6)	3,012.2	-	3,012.2	25.0	3,037.2	5.8	3,043.0
-	(4,123.7)	-	-	-	0.7	0.7	54.8	55.5
-	-	2.6	-	2.6	(2.6)	-	-	-
-	28,616.4	28,616.4	(22,082.1)	6,534.3	-	6,534.3	-	6,534.3
39.2	(23,706.1)	(21,575.5)	21,575.5	-	-	-	-	-
-	-	209.3	-	209.3	-	209.3	-	209.3
-	-	1,699.8	(792.2)	907.6	-	907.6	-	907.6
-	-	8,921.4	(402.8)	8,518.6	-	8,518.6	36.5	8,555.1
39.2	-	20,886.2	(1,701.6)	19,184.6	23.1	19,207.7	97.1	19,304.8
(39.2)	-	580.1	(6.0)	574.1	-	574.1	(97.1)	477.0
-	-	21,466.3	(1,707.6)	19,758.7	23.1	19,781.8	-	19,781.8
-	-	23.1	-	23.1	(23.1)	-	-	-
-	-	3,683.7	-	3,683.7	-	3,683.7	-	3,683.7
-	-	6.8	-	6.8	-	6.8	-	6.8
-	-	39.8	-	39.8	-	39.8	-	39.8
-	-	1,043.5	(126.0)	917.5	-	917.5	-	917.5
-	-	4,796.9	(126.0)	4,670.9	(23.1)	4,647.8	-	4,647.8
-	-	26,263.2	(1,833.6)	24,429.6	-	24,429.6	-	24,429.6
		3.38		3.17		3.15		3.16


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For identification purposes only

## 9. FINANCIAL INFORMATION (cont'd)

### 3) PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007

(b) Scenario 2 - Except for RCPS B holder, PNB and the unit trust funds and certain other shareholder, all RCPS holders opted for cash instead of

	Synergy Drive Audited 30 June 2007 RM'mil	Sime Darby Audited after adjustment for ESOS 30 June 2007 RM'mil	Sime Engineering RM'mil	Sime UEP RM'mil	KGB Audited after adjustment for ESOS 30 June 2007 RM'mil	G RopeI RM'mil	HLB RM'mil	GHope Audited after adjustment for ESOS 30 June 2007 RM'mil
<b>ASSETS</b>								
<b>NON-CURRENT ASSETS</b>								
Property, plant and equipment	-	3,880.0	-	-	2,542.5	-	-	2,915.0
Biological assets	-	260.9	-	-	2,352.6	-	-	1,174.5
Investment properties	-	153.0	-	-	-	-	-	6.0
Prepaid lease payments	-	570.6	-	-	337.1	-	-	-
Land held for property development	-	318.9	-	-	238.3	-	-	94.9
Investment in associated companies	-	264.1	-	-	17.3	-	-	631.3
Jointly controlled entities	-	7.7	-	-	1.9	-	-	-
Other investments	-	344.7	-	-	1.8	-	-	42.7
Deferred tax assets	-	361.3	-	-	132.7	-	-	224.7
Trade and other receivables	-	-	-	-	102.1	-	-	-
Long term fixed deposits	-	-	-	-	18.8	-	-	-
Intangible assets	-	67.9	-	-	-	-	-	-
Goodwill	-	3.9	-	-	257.6	-	-	183.6
	-	6,233.0	-	-	6,002.7	-	-	5,272.7
<b>CURRENT ASSETS</b>								
Inventories	-	3,858.3	-	-	267.0	-	-	394.5
Property development costs	-	889.1	-	-	220.6	-	-	55.6
Trade and other receivables	-	3,586.3	-	-	559.2	-	-	894.6
Income tax recoverable	-	69.8	-	-	55.9	-	-	22.3
Cash and bank balances	10.6	4,729.0	-	-	1,042.8	-	-	306.2
	10.6	13,132.5	-	-	2,145.5	-	-	1,673.2
Assets held for sale	-	200.7	-	-	584.8	-	-	-
	10.6	13,333.2	-	-	2,730.3	-	-	1,673.2
<b>CURRENT LIABILITIES</b>								
Trade and other payables	17.1	4,727.5	-	-	461.1	-	-	591.3
Provisions	-	187.0	-	-	-	-	-	-
Deferred income	-	-	-	-	1.6	-	-	-
Short term borrowings	-	1,456.5	-	-	469.5	-	-	473.3
Provision for taxation	-	213.9	-	-	92.2	-	-	24.1
Dividend payable	-	-	-	-	-	-	-	98.7
	17.1	6,584.9	-	-	1,024.4	-	-	1,187.4
Liabilities associated with assets held for sale	-	178.7	-	-	-	-	-	-
	17.1	6,763.6	-	-	1,024.4	-	-	1,187.4
<b>NET CURRENT (LIABILITIES)/ASSETS</b>								
	(6.5)	6,569.6	-	-	1,705.9	-	-	485.8
	(6.5)	12,802.6	-	-	7,708.6	-	-	5,758.5
<b>FINANCED BY</b>								
Share capital	-	1,262.0	-	-	1,027.1	-	-	1,509.7
Share premium	-	3,336.9	-	-	40.9	-	-	745.9
RCPS B	2.6	-	-	-	-	-	-	-
Merger relief reserve	-	-	-	-	-	-	-	-
Merger deficit	-	-	78.3	664.9	-	309.8	1,038.4	-
Capital reserves	-	209.3	-	-	-	-	-	-
Other reserves	-	918.1	-	-	772.9	-	-	8.8
(Accumulated losses)/Retained earnings	(32.2)	4,414.2	-	-	1,538.0	-	-	3,001.4
Shareholders' (deficit)/equity	(29.6)	10,140.5	78.3	664.9	3,378.9	309.8	1,038.4	5,265.8
Minority interests	-	993.3	(78.3)	(664.9)	1,524.3	(309.8)	(1,038.4)	193.1
<b>TOTAL EQUITY</b>	<b>(29.6)</b>	<b>11,133.8</b>	<b>-</b>	<b>-</b>	<b>4,903.2</b>	<b>-</b>	<b>-</b>	<b>5,458.9</b>
<b>LONG TERM LIABILITIES</b>								
RCPS B	23.1	-	-	-	-	-	-	-
Long term borrowings	-	1,463.6	-	-	2,166.0	-	-	54.1
Deferred income	-	-	-	-	6.8	-	-	-
Retirement benefits	-	-	-	-	39.8	-	-	-
Deferred tax liabilities	-	205.2	-	-	592.8	-	-	245.5
	23.1	1,668.8	-	-	2,805.4	-	-	299.6
	(6.5)	12,802.6	-	-	7,708.6	-	-	5,758.5
Net Tangible (Liabilities)/Assets per share (RM)	(148,000)							

## 9. FINANCIAL INFORMATION (cont'd)

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conversion to Synergy Drive ordinary shares and the remaining shareholders of Negara opted for cash.

Pro forma I		Pro forma II		Pro forma III		Pro forma IV		
<u>Mentakab</u>	<u>Adjustments</u>	<u>After Proposed Merger</u>	<u>Adjustments</u>	<u>After harmonisation of accounting policies</u>	<u>Adjustments</u>	<u>After conversion of RCPS B</u>	<u>Adjustments</u>	<u>After mandatory general offer of Negara</u>
RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
-	-	9,337.5	(1,666.5)	7,671.0	-	7,671.0	-	7,671.0
-	-	3,788.0	(469.1)	3,318.9	-	3,318.9	-	3,318.9
-	-	159.0	-	159.0	-	159.0	-	159.0
-	-	907.7	743.2	1,650.9	-	1,650.9	-	1,650.9
-	-	652.1	-	652.1	-	652.1	-	652.1
-	-	912.7	-	912.7	-	912.7	-	912.7
-	-	9.6	-	9.6	-	9.6	-	9.6
-	-	389.2	-	389.2	-	389.2	-	389.2
-	-	718.7	-	718.7	-	718.7	-	718.7
-	-	102.1	-	102.1	-	102.1	-	102.1
-	-	18.8	-	18.8	-	18.8	-	18.8
-	-	67.9	-	67.9	-	67.9	-	67.9
-	-	445.1	(441.2)	3.9	-	3.9	-	3.9
-	-	17,508.4	(1,833.6)	15,674.8	-	15,674.8	-	15,674.8
-	-	4,519.8	-	4,519.8	-	4,519.8	-	4,519.8
-	-	1,165.3	-	1,165.3	-	1,165.3	-	1,165.3
-	-	5,040.1	-	5,040.1	-	5,040.1	-	5,040.1
-	-	148.0	-	148.0	-	148.0	-	148.0
-	-	6,088.6	-	6,088.6	-	6,088.6	-	6,088.6
-	-	16,961.8	-	16,961.8	-	16,961.8	-	16,961.8
-	-	785.5	-	785.5	-	785.5	-	785.5
-	-	17,747.3	-	17,747.3	-	17,747.3	-	17,747.3
-	-	5,797.0	-	5,797.0	-	5,797.0	-	5,797.0
-	-	187.0	-	187.0	-	187.0	-	187.0
-	-	1.6	-	1.6	-	1.6	-	1.6
-	-	2,399.3	-	2,399.3	-	2,399.3	-	2,399.3
-	-	330.2	-	330.2	-	330.2	-	330.2
-	-	98.7	-	98.7	-	98.7	-	98.7
-	-	8,813.8	-	8,813.8	-	8,813.8	-	8,813.8
-	-	178.7	-	178.7	-	178.7	-	178.7
-	-	8,992.5	-	8,992.5	-	8,992.5	-	8,992.5
-	-	8,754.8	-	8,754.8	-	8,754.8	-	8,754.8
-	-	26,263.2	(1,833.6)	24,429.6	-	24,429.6	-	24,429.6
-	(2,230.3)	1,568.5	-	1,568.5	25.0	1,593.5	-	1,593.5
-	(4,123.7)	-	-	-	0.7	0.7	-	0.7
-	-	2.6	-	2.6	(2.6)	-	-	-
-	14,901.1	14,901.1	(14,901.1)	-	-	-	-	-
39.2	(23,706.1)	(21,575.5)	21,575.5	-	-	-	-	-
-	-	209.3	-	209.3	-	209.3	-	209.3
-	-	1,699.8	(792.2)	907.6	-	907.6	-	907.6
-	-	8,921.4	(7,583.8)	1,337.6	-	1,337.6	36.5	1,374.1
39.2	(15,159.0)	5,727.2	(1,701.6)	4,025.6	23.1	4,048.7	36.5	4,085.2
(39.2)	-	580.1	(6.0)	574.1	-	574.1	(97.1)	477.0
-	(15,159.0)	6,307.3	(1,707.6)	4,599.7	23.1	4,622.8	(60.6)	4,562.2
-	-	23.1	-	23.1	(23.1)	-	-	-
-	15,159.0	18,842.7	-	18,842.7	-	18,842.7	60.6	18,903.3
-	-	6.8	-	6.8	-	6.8	-	6.8
-	-	39.8	-	39.8	-	39.8	-	39.8
-	-	1,043.5	(126.0)	917.5	-	917.5	-	917.5
-	15,159.0	19,955.9	(126.0)	19,829.9	(23.1)	19,806.8	60.6	19,867.4
-	-	26,263.2	(1,833.6)	24,429.6	-	24,429.6	-	24,429.6
		1.66		1.26		1.25		1.26

## 9. FINANCIAL INFORMATION (cont'd)

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## 3. NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007

The Pro forma Consolidated Balance Sheets, for which the directors of Synergy Drive are solely responsible, have been prepared for illustrative purposes only, to show the effects of the proposed transactions described in Section 2.

## 3.1 Basis of preparation

The proposed transactions have been accounted for using the merger method of accounting as described in Section 1.

## 3.2 Scenario 1 – All RCPS A and RCPS B are converted into Synergy Drive ordinary shares and the remaining shareholders of Negara opted for Synergy Drive ordinary shares

## 3.2.1 Pro forma I

- (a) Pro forma I incorporates the effects of the Proposed Acquisitions of the entire businesses and undertakings including all the assets and liabilities of Sime Darby Group including minority interests in Sime UEP and Sime Engineering, KGB Group including minority interests in HLB and GRopel and GHope Group including minority interest in Mentakab, by Synergy Drive to be satisfied by RCPS A.
- (b) The purchase consideration shall be satisfied by Synergy Drive through 6,024.4 million RCPS A at the issue price of RM5.25 each. The issue price of RM5.25 is assumed to be the fair value of the RCPS A as at 30 June 2007.
- (c) The purchase consideration is as follows:
- RM16,305.0 million or equivalent to RM6.46 per ordinary share of RM0.50 each in the issued and paid up capital of Sime Darby as at 30 June 2007 (adjusted for ESOS as described in Section 3.2.1(e)) to be satisfied by approximately 3,105.7 million RCPS A
  - RM230.6 million or equivalent to RM1.57 per ordinary share of RM0.50 each in the issued and paid up capital of Sime Engineering as at 30 June 2007 not held by Sime Darby to be satisfied by approximately 43.9 million RCPS A
  - RM780.5 million or equivalent to RM3.95 per ordinary share of RM1.00 each in the issued and paid up capital of Sime UEP as at 30 June 2007 not held by Sime Darby to be satisfied by approximately 148.7 million RCPS A
  - RM4,385.6 million or equivalent to RM4.27 per ordinary share of RM1.00 each in the issued and paid up capital of KGB as at 30 June 2007 (adjusted for ESOS as described in Section 3.2.1(e)) to be satisfied by approximately 835.4 million RCPS A



## 9. FINANCIAL INFORMATION (cont'd)

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## 3. NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007 (CONTD.)

## 3.2.1 Pro forma I (Contd.)

(c) (Contd.)

- RM238.8 million or equivalent to RM4.46 per ordinary share of RM1.00 each in the issued and paid up capital of GRopel as at 30 June 2007 not held by KGB to be satisfied by approximately 45.5 million RCPS A
- RM1,398.6 million or equivalent to RM5.09 per ordinary share of RM0.50 each in the issued and paid up capital of HLB as at 30 June 2007 not held by KGB to be satisfied by approximately 266.4 million RCPS A
- RM8,242.7 million or equivalent to RM5.46 per ordinary share of RM1.00 each in the issued and paid up capital of GHope as at 30 June 2007 (adjusted for ESOS as described in Section 3.2.1(e)) to be satisfied by approximately 1,570.0 million RCPS A
- RM46.4 million or equivalent to RM1.96 per stock unit of RM1.00 each in the issued and paid up capital of Mentakab as at 30 June 2007 not held by GHope to be satisfied by approximately 8.8 million RCPS A

(d) All RCPS A receivable by the shareholders of the Participating Companies will be recorded immediately as issuance of ordinary shares of Synergy Drive or cash payments. This is on the assumption that the RCPS A receivable will be settled directly through the issuance of ordinary shares of Synergy Drive or cash in respect of the Proposed Capital Repayment by each of the Participating Companies.

The excess of the fair value of the ordinary shares issued and its par value is not recorded as share premium as no share premium will be recorded on the issuance of the ordinary shares as permitted under Section 60(4) of the Companies Act, 1965. The difference between the recorded value of RCPS A issuance and the par value of Synergy Drive ordinary shares will be recorded as Merger Relief Reserve.

For the purpose of this Scenario 1, all RCPS A receivable will be settled directly through issuance of Synergy Drive ordinary shares.

Based on the assumed fair value of RCPS A at RM5.25 each, the merger relief reserve amounts to RM28,616.4 million.

## 9. FINANCIAL INFORMATION (cont'd)

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## 3. NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007 (CONTD.)

## 3.2.1 Pro forma I (Contd.)

(e) The Pro forma Consolidated Balance Sheets have been prepared for illustrative purposes based on the following:

- audited balance sheet as at 30 June 2007 of Synergy Drive;
- audited consolidated balance sheets as at 30 June 2007 of Sime Darby Group;
- audited consolidated balance sheets as at 30 June 2007 of GHope Group; and
- audited consolidated balance sheets as at 30 June 2007 of KGB Group;

after making adjustments for the exercise of Sime Darby, KGB and GHope Employee's Share Option Scheme ("ESOS") subsequent to 30 June 2007.

The total share option that has been exercised subsequent to 30 June 2007 and the total cash proceeds arising therefrom are as follows:

	<b>No of ESOS Options ' 000</b>	<b>Total Cash Proceeds RM' million</b>
Sime Darby	1,958	10.4
KGB	1,581	5.8
GHope	2,036	7.3

- (f) The acquisition of the minority interests of Sime UEP, Sime Engineering, HLB, GRopel and Mentakab are deemed transactions between equity holders and the difference between the purchase consideration and carrying value of the minority interests are dealt with in merger reserve.
- (g) The Pro forma Consolidated Balance Sheets are prepared based on the assumption that there are no intercompany balances between Sime Darby Group, KGB Group and GHope Group.
- (h) Post balance sheet transactions including transaction costs in connection with the Proposals are not accounted for in the Pro forma Consolidated Balance Sheets.

## 9. FINANCIAL INFORMATION (cont'd)

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## 3. NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007 (CONTD.)

## 3.2.2 Pro forma II

Pro forma II incorporates the effects of Pro forma I and the effects arising from harmonisation of certain accounting policies between the Participating Companies to be consistent with those adopted by Synergy Drive. The harmonisation adjustments made are as follows:

- the reversal of the property, plant and equipment, biological assets and leasehold properties of KGB Group from its current revalued amounts to costs;

	<b>RM' million</b>
Property, plant and equipment	778.8
Biological assets	614.8
Prepaid lease payments	144.5

- the reinstatement of the biological assets arising from the adoption of capital maintenance method of accounting for plantation development expenditure by KGB Group;

	<b>RM' million</b>
Plantation development expenditure	145.6

- the writing off of goodwill arising from acquisitions before 31 December 2005 against retained profits of GHope Group and KGB Group; and

	<b>RM' million</b>
Goodwill	441.2

- the reclassification of property, plant and equipment of GHope Group to prepaid lease payments.

	<b>RM' million</b>
Property, plant and equipment	(887.7)
Prepaid lease payments	887.7

## 9. FINANCIAL INFORMATION (cont'd)

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## 3. NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007 (CONTD.)

## 3.2.2 Pro forma II (Contd.)

The application of merger accounting on all the above transactions will result in a merger deficit of RM22,082.1 million in the Pro forma Consolidated Balance Sheets of Synergy Drive.

The Merger Deficit will be set off against Merger Relief Reserve to the extent of available Merger Relief Reserve.

The net position after the set off of Merger Relief Reserve against Merger Deficit in Pro forma II is as follows:

	RM' million
Merger Relief Reserve	28,616.4
Less: Merger Deficit	<u>(22,082.1)</u>
Net Merger Relief Reserve	<u>6,534.3</u>

## 3.2.3 Pro forma III

Pro forma III incorporates the effects of Pro forma II and the conversion of all RCPS B into Synergy Drive ordinary shares based on the ratio of every one RCPS B to two Synergy Drive ordinary shares of RM0.50 each.

## 3.2.4 Pro forma IV

Pro forma IV incorporates the effects of Pro forma III and the full acceptance of the mandatory take over offer to the remaining shareholders of Negara via the issuance of 11.6 million Synergy Drive ordinary shares of par value of RM0.50 each for Negara shares held by the remaining shareholders.

The acquisition of the minority interest of Negara is deemed a transaction between equity holders and the difference between the purchase consideration and carrying value of the minority interests are dealt with in reserve.

## 9. FINANCIAL INFORMATION (cont'd)

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## 3. NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007 (CONTD.)

## 3.3 Scenario 2 – Except for RCPS B holder, PNB and the unit trust funds and certain other shareholder, all RCPS holders opted for cash instead of conversion to Synergy Drive ordinary shares and the remaining shareholders of Negara opted for cash

The pro forma effects as shown in Pro forma I to III under Scenario 1 apply to Scenario 2 except for the effects of cash payments to RCPS holders other than RCPS B holder, PNB and unit trusts managed by PNB and certain other shareholder who pursuant to undertakings Synergy Drive has received up to 21 September 2007, will be electing to receive Synergy Drive shares for which this Scenario 2 applies. Pro forma IV is adjusted for the cash payment to the remaining shareholders of Negara.

The RCPS A entitled to be received by PNB and unit trusts managed by PNB and certain other shareholder are derived based on their respective shareholding in the Participating Companies as at 31 July 2007.

All RCPS A entitled to be received by PNB and unit trusts managed by PNB and certain other shareholder and the difference between the fair value and par value of Synergy Drive ordinary shares will be recorded as indicated in note 3.2.1 (d) of Scenario 1, Pro forma I above.

The net position after the set off of Merger Relief Reserve against Merger Deficit is as follows:

	<b>RM' million</b>
Merger Relief Reserve	14,901.1
Less: Merger Deficit	<u>(22,082.1)</u>
Net Merger Deficit	(7,181.0)
Set off against Retained Earnings	<u>7,181.0</u>
	<u>-</u>

The net Merger Deficit is then set off against retained earnings of Synergy Drive.

Synergy Drive is assumed to obtain borrowings of RM15,159.0 million and RM60.6 million to finance the cash payments to all RCPS A holders (except for PNB and unit trusts managed by PNB and certain other shareholder) and the remaining shareholders of Negara, respectively. These borrowings are assumed to bear interest at a rate of 5.55% per annum.

## 9. FINANCIAL INFORMATION (cont'd)

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## 4) SUMMARY PRO FORMA CONSOLIDATED INCOME STATEMENTS

a) Scenario 1 - All RCPS A and RCPS B are converted into Synergy Drive ordinary shares and the remaining shareholders of Negara opted for Synergy Drive ordinary shares

	<b>Pro forma</b> <b>30 June 2005</b> <b>RM'mil</b>	<b>Pro forma</b> <b>30 June 2006</b> <b>RM'mil</b>	<b>Pro forma</b> <b>30 June 2007</b> <b>RM'mil</b>
Revenue	24,230.3	26,086.1	28,220.4
Operating expenses	(22,452.5)	(23,996.1)	(26,012.5)
Other operating income	910.6	583.4	1,563.2
Operating profit	2,688.4	2,673.4	3,771.1
Share of results of jointly controlled entities	(74.4)	1.5	1.7
Share of results of associates	66.8	87.0	110.7
Profit before interest	2,680.8	2,761.9	3,883.5
Finance costs	(248.8)	(300.1)	(312.4)
Profit before taxation	2,432.0	2,461.8	3,571.1
Taxation	(695.1)	(689.6)	(889.3)
Profit after taxation	1,736.9	1,772.2	2,681.8
<u>Discontinued operations</u>			
(Loss)/ Profit from discontinued operations	(8.8)	8.0	25.0
Profit for the year	1,728.1	1,780.2	2,706.8
Attributable to:			
Equity holders of the Company	1,696.1	1,725.3	2,631.9
Minority interest	32.0	54.9	74.9
	1,728.1	1,780.2	2,706.8

## 9. FINANCIAL INFORMATION (cont'd)

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## 4) SUMMARY PRO FORMA CONSOLIDATED INCOME STATEMENTS

b) Scenario 2 - Except for RCPS B holder, PNB and the unit trust funds and certain other shareholder, all RCPS holders opted for cash instead of conversion to Synergy Drive ordinary shares and the remaining shareholders of Negara opted for cash

	<u>Pro forma</u> <u>30 June 2005</u> RM'mil	<u>Pro forma</u> <u>30 June 2006</u> RM'mil	<u>Pro forma</u> <u>30 June 2007</u> RM'mil
Revenue	24,230.3	26,086.1	28,220.4
Operating expenses	(22,452.5)	(23,996.1)	(26,012.5)
Other operating income	910.6	583.4	1,563.2
Operating profit	2,688.4	2,673.4	3,771.1
Share of results of jointly controlled entities	(74.4)	1.5	1.7
Share of results of associates	66.8	87.0	110.7
Profit before interest	2,680.8	2,761.9	3,883.5
Finance costs	(1,093.5)	(1,144.8)	(1,157.1)
Profit before taxation	1,587.3	1,617.1	2,726.4
Taxation	(458.6)	(453.1)	(661.3)
Profit after taxation	1,128.7	1,164.0	2,065.1
<u>Discontinued operations</u>			
(Loss)/ Profit from discontinued operations	(8.8)	8.0	25.0
Profit for the year	1,119.9	1,172.0	2,090.1
Attributable to:			
Equity holders of the Company	1,087.9	1,117.1	2,015.2
Minority interest	32.0	54.9	74.9
	1,119.9	1,172.0	2,090.1

## 9. FINANCIAL INFORMATION (cont'd)

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## 4. NOTES TO THE PRO FORMA CONSOLIDATED INCOME STATEMENTS

The Pro forma Consolidated Income Statements, for which the directors of Synergy Drive are solely responsible, have been prepared for illustrative purposes only, to show the effects of the proposed transactions described in Section 2.

Sections 4(a) and 4(b) are the summary of the Pro forma Consolidated Income Statements for the three (3) financial years ended 30 June 2005 to 30 June 2007 incorporating all the Proposals under the 2 Scenarios. The details for the above Pro forma Consolidated Income Statements are in Sections 4.4 to 4.6.

## 4.1 Basis of preparation

The proposed transactions have been accounted for using the merger method of accounting as described in Section 1.

## 4.2 Scenario 1 – All RCPS A and RCPS B are converted into Synergy Drive ordinary shares and the remaining shareholders of Negara opted for Synergy Drive ordinary shares

## 4.2.1 Pro forma I

- (a) Pro forma I incorporates the effects of Pro forma Consolidated Income Statements for the three (3) financial years ended 30 June 2005 to 30 June 2007 based on the following:
- unaudited income statement of Synergy Drive as at date of incorporation, 7 November 2006 and audited income statement of Synergy Drive for the financial period ended 30 June 2007;
  - audited consolidated income statements of Sime Darby Group for the financial years ended 30 June 2005, 30 June 2006 and 30 June 2007;
  - audited consolidated income statements of GHope Group for the financial years ended 30 June 2005, 30 June 2006 and 30 June 2007; and
  - the aggregation of unaudited quarterly consolidated income statements for the 12-month period ended 30 June 2005 and 30 June 2006 and the aggregation of the unaudited quarterly consolidated income statements of KGB Group for the 6 months period ended 31 December 2006 and the audited 6 months consolidated income statements for the period ended 30 June 2007.
- (b) The Pro forma Consolidated Income Statements are prepared based on the assumption that there are no intercompany transactions between Sime Darby Group, KGB Group and GHope Group during the financial years ended 30 June 2005, 30 June 2006 and 30 June 2007.



## 9. FINANCIAL INFORMATION (cont'd)

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## 4. NOTES TO THE PRO FORMA CONSOLIDATED INCOME STATEMENTS (CONTD.)

## 4.2.1 Pro forma I (Contd.)

- (c) Post balance sheet transactions including transaction costs in connection with the Proposals are not accounted for in the Pro forma Consolidated Income Statements.

## 4.2.2 Pro forma II

Pro forma II incorporates the effects of Pro forma I and the effects arising from the harmonisation of certain accounting policies between the Participating Companies to be consistent with those adopted by Synergy Drive in the respective financial years under review:

Year ended 30 June	2005 RM' million	2006 RM' million	2007 RM' million
Reversal of amortisation of goodwill	27.2	24.4	-
Reversal of impairment of goodwill	-	-	8.0
Adoption of capital maintenance method for biological assets	4.8	17.4	11.3
Reversal of amortisation portion of the revalued portion of prepaid lease payments	4.1	3.8	3.9
Reversal of exchange differences arising from monetary items that form part of net investment in foreign operation from being recognised in income statement to be recognised directly in equity	28.3	19.1	13.5

Reclassification have also been made with regards to the adoption of FRS 5 Non-current Assets Held for Sale and Discontinued Operations for the year ended 30 June 2005, where retrospective adjustments are required.

**9. FINANCIAL INFORMATION (cont'd)**

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**4. NOTES TO THE PRO FORMA CONSOLIDATED INCOME STATEMENTS (CONTD.)****4.2.3 Pro forma III**

Pro forma III incorporates the effects of Pro forma II and the purchase of minority interest upon full acceptance of the mandatory take over offer by the remaining shareholders of Negara.

**4.3 Scenario 2 – Except for RCPS B holder, PNB and the unit trust funds and certain other shareholder, all RCPS holders opted for cash instead of conversion to Synergy Drive ordinary shares and the remaining shareholders of Negara opted for cash**

The pro forma effects as shown in Pro forma I and II under Scenario 1 apply to Scenario 2 except for the effects of cash payments to RCPS holders other than RCPS B holder, PNB and unit trusts managed by PNB and certain other shareholder who pursuant to undertakings Synergy Drive has received up to 21 September 2007, will be electing to receive Synergy Drive shares which this Scenario 2 applies.

Pro forma III is adjusted for the cash payment to the remaining shareholders of Negara.

Synergy Drive is assumed to obtain borrowings of RM15,159.0 million and RM60.6 million to finance the cash payments to all RCPS A holders (except for PNB and unit trusts managed by PNB and certain other shareholder) and the remaining shareholders of Negara, respectively. These borrowings are assumed to bear interest at a rate of 5.55% per annum. Borrowing costs arising therefrom is assumed to be deductible at 28% tax rate for the financial years ended 30 June 2005 and 30 June 2006 and 27% for the financial year ended 30 June 2007.

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## 9. FINANCIAL INFORMATION (cont'd)

### 4 ) PRO FORMA CONSOLIDATED INCOME STATEMENTS (CONTD.)

#### 4.4 Pro forma Consolidated Income Statements for the year ended 30 June 2005

(a) Scenario 1 - All RCPS A and RCPS B are converted into Synergy Drive ordinary shares and the remaining shareholders of Negara

	Synergy Drive	Sime Darby			KGB	
	At date of	Audited after	Sime	Sime UEP	Audited after	GRopel
	incorporation	for ESOS	Engineering		adjustment	
	RM'mil	30 June 2005	RM'mil	RM'mil	for ESOS	RM'mil
		RM'mil			30 June 2005	RM'mil
Revenue	-	18,645.7	-	-	2,284.4	-
Operating expenses	-	(17,648.8)	-	-	(1,980.1)	-
Other operating income	-	497.5	-	-	97.1	-
Operating profit	-	1,494.4	-	-	401.4	-
Share of results of jointly controlled entities	-	(74.4)	-	-	-	-
Share of results of associates	-	40.0	-	-	2.2	-
Profit before interest	-	1,460.0	-	-	403.6	-
Finance costs	-	(95.2)	-	-	(144.1)	-
Profit before tax	-	1,364.8	-	-	259.5	-
Taxation	-	(431.4)	-	-	(66.5)	-
Profit after tax	-	933.4	-	-	193.0	-
<u>Discontinued operations</u>						
Loss from discontinued operations	-	-	-	-	-	-
Profit for the year	-	933.4	-	-	193.0	-
Attributable to:						
Equity holders of the Company	-	801.2	(13.4)	58.3	73.3	9.0
Minority interest	-	132.2	13.4	(58.3)	119.7	(9.0)
	-	933.4	-	-	193.0	-

## 9. FINANCIAL INFORMATION (cont'd)

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opted for Synergy Drive ordinary shares

HLB RM'mil	GHope Audited after adjustment for ESOS 30 June 2005 RM'mil	Mentakab RM'mil	Pro forma I		Pro forma II		Pro forma III	
			After Proposed Merger RM'mil	Adjustments RM'mil	After harmonisation of accounting policies RM'mil	Adjustments RM'mil	After mandatory take over offer of Negara RM'mil	
-	3,340.4	-	24,270.5	(40.2)	24,230.3	-	24,230.3	
-	(2,946.7)	-	(22,575.6)	123.1	(22,452.5)	-	(22,452.5)	
-	323.9	-	918.5	(7.9)	910.6	-	910.6	
-	717.6	-	2,613.4	75.0	2,688.4	-	2,688.4	
-	-	-	(74.4)	-	(74.4)	-	(74.4)	
-	42.9	-	85.1	(18.3)	66.8	-	66.8	
-	760.5	-	2,624.1	56.7	2,680.8	-	2,680.8	
-	(9.9)	-	(249.2)	0.4	(248.8)	-	(248.8)	
-	750.6	-	2,374.9	57.1	2,432.0	-	2,432.0	
-	(213.7)	-	(711.6)	16.5	(695.1)	-	(695.1)	
-	536.9	-	1,663.3	73.6	1,736.9	-	1,736.9	
-	-	-	-	(8.8)	(8.8)	-	(8.8)	
-	536.9	-	1,663.3	64.8	1,728.1	-	1,728.1	
160.6	549.9	2.8	1,641.7	64.0	1,705.7	(9.6)	1,696.1	
(160.6)	(13.0)	(2.8)	21.6	0.8	22.4	9.6	32.0	
-	536.9	-	1,663.3	64.8	1,728.1	-	1,728.1	

## 9. FINANCIAL INFORMATION (cont'd)

### 4 ) PRO FORMA CONSOLIDATED INCOME STATEMENTS (CONTD.)

#### 4.4 Pro forma Consolidated Income Statements for the year ended 30 June 2005

(b) Scenario 2 - Except for RCPS B holder, PNB and the unit trust funds and certain other shareholder, all RCPS holders opted

	Synergy Drive	Sime Darby			KGB	
	At date of	Audited after	Sime	Sime UEP	Audited after	GRopel
	<u>incorporation</u>	adjustment	Engineering		adjustment	
	RM'mil	for ESOS	RM'mil	RM'mil	for ESOS	RM'mil
		30 June 2005			30 June 2005	
		RM'mil			RM'mil	RM'mil
Revenue	-	18,645.7	-	-	2,284.4	-
Operating expenses	-	(17,648.8)	-	-	(1,980.1)	-
Other operating income	-	497.5	-	-	97.1	-
Operating profit	-	1,494.4	-	-	401.4	-
Share of results of jointly controlled entities	-	(74.4)	-	-	-	-
Share of results of associates	-	40.0	-	-	2.2	-
Profit before interest	-	1,460.0	-	-	403.6	-
Finance costs	-	(95.2)	-	-	(144.1)	-
Profit before tax	-	1,364.8	-	-	259.5	-
Taxation	-	(431.4)	-	-	(66.5)	-
Profit after tax	-	933.4	-	-	193.0	-
<u>Discontinued operations</u>						
Loss from discontinued operations	-	-	-	-	-	-
Profit for the year	-	933.4	-	-	193.0	-
Attributable to:						
Equity holders of the Company	-	801.2	(13.4)	58.3	73.3	9.0
Minority interest	-	132.2	13.4	(58.3)	119.7	(9.0)
	-	933.4	-	-	193.0	-

## 9. FINANCIAL INFORMATION (cont'd)

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for cash instead of conversion to Synergy Drive ordinary shares and the remaining shareholders of Negara opted for cash.

HLB RM'mil	GHope Audited after adjustment for ESOS 30 June 2005 RM'mil	Mentakab RM'mil	Adjustments RM'mil	Pro forma I		Pro forma II		Pro forma III	
				After Proposed Merger and redemption of RCPS A RM'mil	Adjustments RM'mil	After harmonisation of accounting policies RM'mil	Adjustments RM'mil	After mandatory take over offer of Negara RM'mil	
-	3,340.4	-	-	24,270.5	(40.2)	24,230.3	-	24,230.3	
-	(2,946.7)	-	-	(22,575.6)	123.1	(22,452.5)	-	(22,452.5)	
-	323.9	-	-	918.5	(7.9)	910.6	-	910.6	
-	717.6	-	-	2,613.4	75.0	2,688.4	-	2,688.4	
-	-	-	-	(74.4)	-	(74.4)	-	(74.4)	
-	42.9	-	-	85.1	(18.3)	66.8	-	66.8	
-	760.5	-	-	2,624.1	56.7	2,680.8	-	2,680.8	
-	(9.9)	-	(841.3)	(1,090.5)	0.4	(1,090.1)	(3.4)	(1,093.5)	
-	750.6	-	(841.3)	1,533.6	57.1	1,590.7	(3.4)	1,587.3	
-	(213.7)	-	235.5	(476.1)	16.5	(459.6)	1.0	(458.6)	
-	536.9	-	(605.8)	1,057.5	73.6	1,131.1	(2.4)	1,128.7	
-	-	-	-	-	(8.8)	(8.8)	-	(8.8)	
-	536.9	-	(605.8)	1,057.5	64.8	1,122.3	(2.4)	1,119.9	
160.6	549.9	2.8	(605.8)	1,035.9	64.0	1,099.9	(12.0)	1,087.9	
(160.6)	(13.0)	(2.8)	-	21.6	0.8	22.4	9.6	32.0	
-	536.9	-	(605.8)	1,057.5	64.8	1,122.3	(2.4)	1,119.9	

## 9. FINANCIAL INFORMATION (cont'd)

### 4) PRO FORMA CONSOLIDATED INCOME STATEMENTS (CONTD.)

#### 4.5 Pro forma Consolidated Income Statements for the year ended 30 June 2006

(a) Scenario 1 - All RCPS A and RCPS B are converted into Synergy Drive ordinary shares and the remaining shareholders of Negara

	Synergy Drive	Sime Darby			KGB	
	At date of	Audited after	Sime	Sime UEP	Audited after	GRopel
	<u>incorporation</u>	for ESOS	Engineering		for ESOS	
	RM'mil	30 June 2006	RM'mil	RM'mil	30 June 2006	RM'mil
		RM'mil			RM'mil	RM'mil
Revenue	-	20,162.1	-	-	2,099.3	-
Operating expenses	-	(18,838.5)	-	-	(1,706.8)	-
Other operating income	-	348.1	-	-	184.0	-
Operating profit	-	1,671.7	-	-	576.5	-
Share of results of jointly controlled entities	-	1.5	-	-	-	-
Share of results of associates	-	90.8	-	-	0.7	-
Profit before interest	-	1,764.0	-	-	577.2	-
Finance costs	-	(121.8)	-	-	(168.0)	-
Profit before tax	-	1,642.2	-	-	409.2	-
Taxation	-	(439.1)	-	-	(133.4)	-
Profit after taxation	-	1,203.1	-	-	275.8	-
<u>Discontinued operations</u>						
Profit from discontinued operations	-	-	-	-	8.0	-
Profit for the year	-	1,203.1	-	-	283.8	-
Attributable to:						
Equity holders of the Company	-	1,120.6	6.5	49.0	174.2	7.8
Minority interest	-	82.5	(6.5)	(49.0)	109.6	(7.8)
	-	1,203.1	-	-	283.8	-



## 9. FINANCIAL INFORMATION (cont'd)

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opted for Synergy Drive ordinary shares

			Pro forma I		Pro forma II		Pro forma III
GHope Audited after adjustment for ESOS			After Proposed Merger		After harmonisation of accounting policies		After mandatory take over offer of Negara
HLB	30 June 2006	Mentakab	RM'mil	Adjustments RM'mil	RM'mil	Adjustments RM'mil	RM'mil
RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
-	3,824.7	-	26,086.1	-	26,086.1	-	26,086.1
-	(3,475.7)	-	(24,021.0)	24.9	(23,996.1)	-	(23,996.1)
-	50.2	-	582.3	1.1	583.4	-	583.4
-	399.2	-	2,647.4	26.0	2,673.4	-	2,673.4
-	-	-	1.5	-	1.5	-	1.5
-	17.3	-	108.8	(21.8)	87.0	-	87.0
-	416.5	-	2,757.7	4.2	2,761.9	-	2,761.9
-	(10.3)	-	(300.1)	-	(300.1)	-	(300.1)
-	406.2	-	2,457.6	4.2	2,461.8	-	2,461.8
-	(137.1)	-	(709.6)	20.0	(689.6)	-	(689.6)
-	269.1	-	1,748.0	24.2	1,772.2	-	1,772.2
-	-	-	8.0	-	8.0	-	8.0
-	269.1	-	1,756.0	24.2	1,780.2	-	1,780.2
76.6	259.8	2.5	1,697.0	23.9	1,720.9	4.4	1,725.3
(76.6)	9.3	(2.5)	59.0	0.3	59.3	(4.4)	54.9
-	269.1	-	1,756.0	24.2	1,780.2	-	1,780.2

## 9. FINANCIAL INFORMATION (cont'd)

### 4 ) PRO FORMA CONSOLIDATED INCOME STATEMENTS (CONTD.)

#### 4.5 Pro forma Consolidated Income Statements for the year ended 30 June 2006

(b) Scenario 2 - Except for RCPS B holder, PNB and the unit trust funds and certain other shareholder, all RCPS holders opted

	Synergy Drive	Sime Darby Audited after adjustment for ESOS	Sime Engineering	Sime UEP	KGB Audited after adjustment for ESOS	GRopel
	<u>At date of incorporation</u>	<u>30 June 2006</u>	<u>RM'mil</u>	<u>RM'mil</u>	<u>30 June 2006</u>	<u>RM'mil</u>
	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
Revenue	-	20,162.1	-	-	2,099.3	-
Operating expenses	-	(18,838.5)	-	-	(1,706.8)	-
Other operating income	-	348.1	-	-	184.0	-
Operating profit	-	1,671.7	-	-	576.5	-
Share of results of jointly controlled entities	-	1.5	-	-	-	-
Share of results of associates	-	90.8	-	-	0.7	-
Profit before interest	-	1,764.0	-	-	577.2	-
Finance costs	-	(121.8)	-	-	(168.0)	-
Profit before tax	-	1,642.2	-	-	409.2	-
Taxation	-	(439.1)	-	-	(133.4)	-
Profit after taxation	-	1,203.1	-	-	275.8	-
<u>Discontinued operations</u>						
Profit from discontinued operations	-	-	-	-	8.0	-
Profit for the year	-	1,203.1	-	-	283.8	-
Attributable to:						
Equity holders of the Company	-	1,120.6	6.5	49.0	174.2	7.8
Minority interest	-	82.5	(6.5)	(49.0)	109.6	(7.8)
	-	1,203.1	-	-	283.8	-

## 9. FINANCIAL INFORMATION (cont'd)

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for cash instead of conversion to Synergy Drive ordinary shares and the remaining shareholders of Negara opted for cash.

GHope Audited after adjustment for ESOS	Pro forma I			Pro forma II		Pro forma III		
	HLB 30 June 2006 RM'mil	Mentakab RM'mil	Adjustments RM'mil	After Proposed Merger and redemption of RCPS A RM'mil	Adjustments RM'mil	After harmonisation of accounting policies RM'mil	Adjustments RM'mil	After mandatory take over offer of Negara RM'mil
-	3,824.7	-	-	26,086.1	-	26,086.1	-	26,086.1
-	(3,475.7)	-	-	(24,021.0)	24.9	(23,996.1)	-	(23,996.1)
-	50.2	-	-	582.3	1.1	583.4	-	583.4
-	399.2	-	-	2,647.4	26.0	2,673.4	-	2,673.4
-	-	-	-	1.5	-	1.5	-	1.5
-	17.3	-	-	108.8	(21.8)	87.0	-	87.0
-	416.5	-	-	2,757.7	4.2	2,761.9	-	2,761.9
-	(10.3)	-	(841.3)	(1,141.4)	-	(1,141.4)	(3.4)	(1,144.8)
-	406.2	-	(841.3)	1,616.3	4.2	1,620.5	(3.4)	1,617.1
-	(137.1)	-	235.5	(474.1)	20.0	(454.1)	1.0	(453.1)
-	269.1	-	(605.8)	1,142.2	24.2	1,166.4	(2.4)	1,164.0
-	-	-	-	8.0	-	8.0	-	8.0
-	269.1	-	-	1,150.2	24.2	1,174.4	(2.4)	1,172.0
76.6	259.8	2.5	(605.8)	1,091.2	23.9	1,115.1	2.0	1,117.1
(76.6)	9.3	(2.5)	-	59.0	0.3	59.3	(4.4)	54.9
-	269.1	-	(605.8)	1,150.2	24.2	1,174.4	(2.4)	1,172.0

## 9. FINANCIAL INFORMATION (cont'd)

## 4 ) PRO FORMA CONSOLIDATED INCOME STATEMENTS (CONTD.)

## 4.6 Pro forma Consolidated Income Statements for the year ended 30 June 2007

(a) Scenario 1 - All RCPS A and RCPS B are converted into Synergy Drive ordinary shares and the remaining shareholders of Negara

	Synergy Drive	Sime Darby			KGB	
	Audited	Audited after	Sime	Sime UEP	Audited after	GRopel
	30 June 2007	30 June 2007	Engineering		30 June 2007	
	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
Revenue	-	20,735.0	-	-	2,801.7	-
Operating expenses	(31.7)	(19,768.8)	-	-	(2,101.1)	-
Other operating income	0.3	1,188.2	-	-	339.9	-
Operating (loss)/profit	(31.4)	2,154.4	-	-	1,040.5	-
Share of results of jointly controlled entities	-	1.7	-	-	-	-
Share of results of associates	-	68.3	-	-	4.9	-
(Loss)/profit before interest	(31.4)	2,224.4	-	-	1,045.4	-
Finance costs	(0.7)	(138.4)	-	-	(152.4)	-
(Loss)/profit before tax	(32.1)	2,086.0	-	-	893.0	-
Taxation	-	(488.6)	-	-	(237.1)	-
(Loss)/profit after tax	(32.1)	1,597.4	-	-	655.9	-
<u>Discontinued operations</u>						
Profit from discontinued operations	-	-	-	-	25.0	-
(Loss)/profit for the year	(32.1)	1,597.4	-	-	680.9	-
Attributable to:						
Equity holders of the Company	(32.1)	1,505.7	4.5	63.6	496.6	41.3
Minority interest	-	91.7	(4.5)	(63.6)	184.3	(41.3)
	(32.1)	1,597.4	-	-	680.9	-

## 9. FINANCIAL INFORMATION (cont'd)

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opted for Synergy Drive ordinary shares

HLB RM'mil	GHope Audited after adjustment for ESOS 30 June 2007 RM'mil	Mentakab RM'mil	Pro forma I		Pro forma II		Pro forma III
			After Proposed Merger RM'mil	Adjustments RM'mil	After harmonisation of accounting policies RM'mil	Adjustments RM'mil	After mandatory take over offer of Negara RM'mil
-	4,683.7	-	28,220.4	-	28,220.4	-	28,220.4
-	(4,122.3)	-	(26,023.9)	11.4	(26,012.5)	-	(26,012.5)
-	34.8	-	1,563.2	-	1,563.2	-	1,563.2
-	596.2	-	3,759.7	11.4	3,771.1	-	3,771.1
-	-	-	1.7	-	1.7	-	1.7
-	37.5	-	110.7	-	110.7	-	110.7
-	633.7	-	3,872.1	11.4	3,883.5	-	3,883.5
-	(20.9)	-	(312.4)	-	(312.4)	-	(312.4)
-	612.8	-	3,559.7	11.4	3,571.1	-	3,571.1
-	(161.9)	-	(887.6)	(1.7)	(889.3)	-	(889.3)
-	450.9	-	2,672.1	9.7	2,681.8	-	2,681.8
-	-	-	25.0	-	25.0	-	25.0
-	450.9	-	2,697.1	9.7	2,706.8	-	2,706.8
102.6	432.9	3.2	2,618.3	9.7	2,628.0	3.9	2,631.9
(102.6)	18.0	(3.2)	78.8	-	78.8	(3.9)	74.9
-	450.9	-	2,697.1	9.7	2,706.8	-	2,706.8

## 9. FINANCIAL INFORMATION (cont'd)

## 4 ) PRO FORMA CONSOLIDATED INCOME STATEMENTS (CONTD.)

## 4.6 Pro forma Consolidated Income Statements for the year ended 30 June 2007

(b) Scenario 2 - Except for RCPS B holder, PNB and the unit trust funds and certain other shareholder, all RCPS holders opted

	Synergy Drive	Sime Darby Audited after adjustment for ESOS	Sime Engineering	Sime UEP	KGB Audited after adjustment for ESOS	GRopel
	<u>Audited</u> <u>30 June 2007</u> RM'mil	<u>30 June 2007</u> RM'mil	RM'mil	RM'mil	<u>30 June 2007</u> RM'mil	RM'mil
Revenue	-	20,735.0	-	-	2,801.7	-
Operating expenses	(31.7)	(19,768.8)	-	-	(2,101.1)	-
Other operating income	0.3	1,188.2	-	-	339.9	-
Operating (loss)/profit	(31.4)	2,154.4	-	-	1,040.5	-
Share of results of jointly controlled entities	-	1.7	-	-	-	-
Share of results of associates	-	68.3	-	-	4.9	-
(Loss)/profit before interest	(31.4)	2,224.4	-	-	1,045.4	-
Finance costs	(0.7)	(138.4)	-	-	(152.4)	-
(Loss)/profit before tax	(32.1)	2,086.0	-	-	893.0	-
Taxation	-	(488.6)	-	-	(237.1)	-
(Loss)/profit after tax	(32.1)	1,597.4	-	-	655.9	-
<u>Discontinued operations</u>						
Profit from discontinued operations	-	-	-	-	25.0	-
(Loss)/profit for the year	(32.1)	1,597.4	-	-	680.9	-
Attributable to:						
Equity holders of the Company	(32.1)	1,505.7	4.5	63.6	496.6	41.3
Minority interest	-	91.7	(4.5)	(63.6)	184.3	(41.3)
	(32.1)	1,597.4	-	-	680.9	-

## 9. FINANCIAL INFORMATION (cont'd)

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for cash instead of conversion to Synergy Drive ordinary shares and the remaining shareholders of Negara opted for cash.

HLB RM'mil	GHope Audited after adjustment for ESOS 30 June 2007 RM'mil	Mentakab RM'mil	Adjustments RM'mil	Pro forma I		Pro forma II		Pro forma III	
				After Proposed Merger and redemption of RCPS A RM'mil	Adjustments RM'mil	After harmonisation of accounting policies RM'mil	Adjustments RM'mil	After mandatory take over offer of Negara RM'mil	
-	4,683.7	-	-	28,220.4	-	28,220.4	-	28,220.4	
-	(4,122.3)	-	-	(26,023.9)	11.4	(26,012.5)	-	(26,012.5)	
-	34.8	-	-	1,563.2	-	1,563.2	-	1,563.2	
-	596.2	-	-	3,759.7	11.4	3,771.1	-	3,771.1	
-	-	-	-	1.7	-	1.7	-	1.7	
-	37.5	-	-	110.7	-	110.7	-	110.7	
-	633.7	-	-	3,872.1	11.4	3,883.5	-	3,883.5	
-	(20.9)	-	(841.3)	(1,153.7)	-	(1,153.7)	(3.4)	(1,157.1)	
-	612.8	-	(841.3)	2,718.4	11.4	2,729.8	(3.4)	2,726.4	
-	(161.9)	-	227.1	(660.5)	(1.7)	(662.2)	0.9	(661.3)	
-	450.9	-	(614.2)	2,057.9	9.7	2,067.6	(2.5)	2,065.1	
-	-	-	-	25.0	-	25.0	-	25.0	
-	450.9	-	(614.2)	2,082.9	9.7	2,092.6	(2.5)	2,090.1	
102.6	432.9	3.2	(614.2)	2,004.1	9.7	2,013.8	1.4	2,015.2	
(102.6)	18.0	(3.2)	-	78.8	-	78.8	(3.9)	74.9	
-	450.9	-	(614.2)	2,082.9	9.7	2,092.6	(2.5)	2,090.1	

## 9. FINANCIAL INFORMATION (cont'd)

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## 5. SUMMARY PRO FORMA CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Scenario 1 RM'mil	Scenario 2 RM'mil
<b>Cash flow from operating activities</b>		
Profit before taxation	3,571.1	2,726.4
Adjustments for:		
Non cash adjustments	209.0	209.0
Finance costs	312.4	1,157.1
Share of results of associates and jointly controlled entities	(112.4)	(112.4)
Investment income	(37.6)	(37.6)
Interest income	(178.9)	(178.9)
	3,763.6	3,763.6
Working capital changes	(116.6)	(116.6)
Cash flow generated from operations	3,647.0	3,647.0
Net tax paid	(723.2)	(495.1)
Net cash generated from operations	2,923.8	3,151.9
<b>Cash flow from investing activities</b>		
Investment income received	51.7	51.7
Interest income received	186.0	186.0
Purchases of:		
Property, plant and equipment	(1,406.2)	(1,406.2)
Investments	(19.6)	(19.6)
Investment properties	(1.2)	(1.2)
Leasehold land	(4.0)	(4.0)
Land held for property development	(70.5)	(70.5)
Additional interest in subsidiaries	(96.4)	(157.0)
Subsidiaries/ associates/ jointly controlled entities	(38.7)	(38.7)
Others	(13.7)	(13.7)
Proceeds from sale of:		
Property, plant and equipment	387.1	387.1
Investments	54.1	54.1
Investment properties	51.5	51.5
Leasehold land	3.8	3.8
Land held for property development	97.9	97.9
Subsidiaries/ associates/ jointly controlled entities	1,071.5	1,071.5
Proceeds from liquidation of a subsidiary	13.9	13.9
Cash purchase of business undertakings from all holders of RCPS A except for PNB and the unit trust funds and certain other shareholder	-	(15,159.0)
Others	(126.6)	(126.6)
Net cash generated from/(used in) investing activities	140.6	(15,079.0)



## 9. FINANCIAL INFORMATION (cont'd)

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## 5. SUMMARY PRO FORMA CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONTD.)

	Scenario 1 RM'mil	Scenario 2 RM'mil
<b>Cash flow from financing activities</b>		
Proceeds from issuance of ESOS	665.7	665.7
Proceeds from shares issued to the remaining shareholders	9.5	9.5
Proceeds from issuance of ordinary shares	25.0	25.0
Finance costs paid	(298.7)	(1,143.4)
(Repayment)/ drawdown of borrowings	(286.7)	14,932.9
Dividends paid to shareholders	(1,114.2)	(1,114.2)
Dividends paid to minority interests	(266.1)	(266.1)
Release of fixed deposits pledged	(18.8)	(18.8)
Net cash (used in)/generated from financing activities	<u>(1,284.3)</u>	<u>13,090.6</u>
Net increase in cash and cash equivalents	1,780.1	1,163.5
Cash and cash equivalents at the beginning of the year	<u>3,917.1</u>	<u>3,917.1</u>
Foreign exchange	(48.9)	(48.9)
	3,868.2	3,868.2
Cash and cash equivalents at the end of the year	<u>5,648.3</u>	<u>5,031.7</u>
Cash and cash equivalents comprise:		
Cash at bank and short term deposits in licensed banks	6,088.6	* 5,472.0
Less:		
Bank balances held under Housing Development		
Accounts	(418.3)	(418.3)
Bank overdrafts	(22.0)	(22.0)
	<u>5,648.3</u>	<u>5,031.7</u>

\* Cash at bank and short term deposits in licensed banks is after taking into account the payment of interest on the borrowings net of tax.

## 9. FINANCIAL INFORMATION (cont'd)

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**5.1 NOTES TO THE PRO FORMA CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

The Pro forma Consolidated Cash Flow Statements, for which the directors of Synergy Drive are solely responsible, have been prepared for illustrative purposes only, to show the effects of the proposed transactions described in Section 2.

The proposed transactions have been accounted for using the merger method of accounting as described in Section 1.

The Pro forma Consolidated Cash Flow Statements are prepared based on the following:

- (a) audited cash flow statement of Synergy Drive for the financial period ended 30 June 2007;
- (b) audited cash flow statements of Sime Darby Group for the financial year ended 30 June 2007;
- (c) audited cash flow statements of GHope Group for the financial year ended 30 June 2007; and
- (d) the aggregation of unaudited consolidated cash flow statements of KGB Group for the 6-month period ended 31 December 2006 and the audited consolidated cash flow statements for the 6-months period ended 30 June 2007.

after making adjustments for the exercise of ESOS as described in Section 3.2.1(e), conversion of all RCPS B into Synergy Drive ordinary shares as described in Section 3.2.3 and harmonisation of accounting policies as described in Section 4.2.2.

In the presentation of the Pro forma Consolidated Cash Flow Statements, the non-cash adjustments and the working capital changes have been presented as a line item respectively as it is not practicable to obtain the breakdown of the line item.

The Pro forma Consolidated Cash Flow Statements have been prepared under 2 scenarios as described in Section 1.

The Pro forma Consolidated Cash Flow Statements are prepared based on the assumption that there are no intercompany transactions between Sime Darby Group, KGB Group and GHope Group during the financial year ended 30 June 2007.

The Pro forma Consolidated Cash Flow Statements of Scenario 2 incorporates the effects of all the above adjusted for the cash payments to all holders of RCPS A except for PNB and unit trusts managed by PNB, certain other shareholder and the remaining shareholders of Negara.

Synergy Drive is assumed to obtain borrowings of RM15,159.0 million and RM60.6 million to finance the cash payments to all RCPS A holders (except for PNB and unit trusts managed by PNB and certain other shareholder) and the remaining shareholders of Negara, respectively. These borrowings are assumed to bear interest at a rate of 5.55% per annum. Borrowing costs arising therefrom is deductible at the tax rate of 27% for the financial year ended 30 June 2007. The borrowing costs net of tax is assumed to be paid in the Pro forma Consolidated Cash Flow Statements.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007

		Scenario 1 RM'mil	Scenario 2 RM'mil
<b>ASSETS</b>	<b>Note</b>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6.1	7,671.0	7,671.0
Biological assets	6.2	3,318.9	3,318.9
Investment properties	6.3	159.0	159.0
Prepaid lease payments	6.4	1,650.9	1,650.9
Land held for property development	6.5	652.1	652.1
Investment in associated companies	6.6	912.7	912.7
Jointly controlled entities	6.7	9.6	9.6
Other investments	6.8	389.2	389.2
Deferred tax assets	6.22	718.7	718.7
Trade and other receivables	6.13	102.1	102.1
Long term fixed deposits	6.14	18.8	18.8
Intangible assets	6.9	67.9	67.9
Goodwill	6.10	3.9	3.9
		<u>15,674.8</u>	<u>15,674.8</u>
<b>CURRENT ASSETS</b>			
Inventories	6.11	4,519.8	4,519.8
Property development costs	6.12	1,165.3	1,165.3
Trade and other receivables	6.13	5,040.1	5,040.1
Income tax recoverable		148.0	148.0
Cash and bank balances	6.14	6,088.6	6,088.6
		<u>16,961.8</u>	<u>16,961.8</u>
Assets held for sale	6.15	785.5	785.5
		<u>17,747.3</u>	<u>17,747.3</u>

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

	Note	Scenario 1 RM'mil	Scenario 2 RM'mil
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6.16	5,797.0	5,797.0
Provisions	6.17	187.0	187.0
Deferred income		1.6	1.6
Short term borrowings	6.18	2,399.3	2,399.3
Provision for taxation		330.2	330.2
Dividend payable		98.7	98.7
		<u>8,813.8</u>	<u>8,813.8</u>
Liabilities associated with assets held for sale	6.15	178.7	178.7
		<u>8,992.5</u>	<u>8,992.5</u>
<b>NET CURRENT ASSETS</b>			
		<u>8,754.8</u>	<u>8,754.8</u>
		<u>24,429.6</u>	<u>24,429.6</u>
<b>EQUITY</b>			
Share capital	6.19	3,043.0	1,593.5
Share premium	6.20	55.5	0.7
Merger relief reserve	6.21	6,534.3	-
Capital reserves		209.3	209.3
Other reserves		907.6	907.6
Retained earnings		8,555.1	1,374.1
Shareholders' equity		<u>19,304.8</u>	<u>4,085.2</u>
Minority interests		477.0	477.0
		<u>19,781.8</u>	<u>4,562.2</u>
<b>LONG TERM LIABILITIES</b>			
Long term borrowings	6.18	3,683.7	18,903.3
Deferred income		6.8	6.8
Retirement benefits		39.8	39.8
Deferred tax liabilities	6.22	917.5	917.5
		<u>4,647.8</u>	<u>19,867.4</u>
		<u>24,429.6</u>	<u>24,429.6</u>
<b>Net Tangible Assets per share (RM)</b>		3.16	1.26

**9. FINANCIAL INFORMATION (cont'd)**

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**APPENDIX A****Page 28 of 44****6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007**

The Pro forma Consolidated Statement of Assets and Liabilities as at 30 June 2007, for which the directors of Synergy Drive are solely responsible, have been prepared for illustrative purposes only, to show the effects of the proposed transactions described in Section 2.

The proposed transactions have been accounted for using the merger method of accounting as described in Section 1.

The Pro forma Consolidated Statement of Assets and Liabilities have been prepared for illustrative purposes based on the following:

- (a) audited financial statements of Synergy Drive for the financial period ended 30 June 2007;
- (b) audited consolidated financial statements of Sime Darby for the financial year ended 30 June 2007;
- (c) audited consolidated financial statements of GHope for the financial year ended 30 June 2007; and
- (d) audited consolidated financial statements of KGB for the financial period ended 30 June 2007.

after making adjustments for the exercise of ESOS as described in Section 3.2.1(e) and harmonisation of accounting policies as described in Section 3.2.2.

The Pro forma Consolidated Statement of Assets and Liabilities are prepared based on the assumption that there were no intercompany balances between Sime Darby Group, KGB Group and GHope Group as at 30 June 2007.

Post balance sheet transactions including transaction costs in connection with the Proposals are not accounted for in the Pro forma Consolidated Statement of Assets and Liabilities.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.1 Property, plant and equipment

	Scenario 1/Scenario 2 RM'mil
Net book value	
Land and buildings	4,714.6
Plant and machinery, furniture and fittings, vehicles and others	2,592.0
Capital work in progress	364.4
	<u>7,671.0</u>

Property, plant and equipment of certain subsidiaries with net book value of RM93.6 million were charged to banks as security for borrowings as disclosed in Note 6.18.

## 6.2 Biological assets

	Scenario 1/Scenario 2 RM'mil
Net book value	<u>3,318.9</u>

The net carrying amounts of biological assets of the Group amounting to RM441.4 million in respect of certain subsidiary companies in Indonesia were charged to financial institutions as security for borrowings as disclosed in Note 6.18.

## 6.3 Investment properties

	Scenario 1/Scenario 2 RM'mil
Net book value	
Land and buildings	<u>159.0</u>
Fair value	<u>373.8</u>

## 6.4 Prepaid lease payments

	Scenario 1/Scenario 2 RM'mil
Net book value	<u>1,650.9</u>

Prepaid lease rentals of certain subsidiaries with net book value of RM50.7 million were charged to banks as security for borrowings as disclosed in Note 6.18.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.5 Land held for property development

	Scenario 1/Scenario 2 RM'mil
Land, at costs	493.1
Development costs	159.0
	<u>652.1</u>

## 6.6 Investment in associated companies

	Scenario 1/Scenario 2 RM'mil
Unquoted shares, at cost	701.8
Share of post acquisition reserves	257.0
Impairment losses	(43.3)
Exchange differences	(2.8)
	<u>912.7</u>

The Group's interest in the associates are analysed as follows:

Share of net tangible assets	931.1
Goodwill	0.9
Impairment losses	(19.3)
	<u>912.7</u>

## 6.7 Jointly controlled entities

	Scenario 1/Scenario 2 RM'mil
Unquoted shares at cost	2.0
Share of post-acquisition reserves	7.6
	<u>9.6</u>

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.8 Other investments

	Scenario 1/Scenario 2 RM'mil
<b>At costs</b>	
Quoted	
- In Malaysia	34.5
- Outside Malaysia	0.5
Unquoted	
- In Malaysia	352.9
- Outside Malaysia	34.7
Malaysian Government Securities	1.0
	<u>423.6</u>
<b>Accumulated impairment losses</b>	
Quoted - In Malaysia	(27.4)
Unquoted - In Malaysia	(7.0)
	<u>389.2</u>
Market value:	
Quoted shares	
- In Malaysia	9.8
- Outside Malaysia	6.2
Malaysian Government Securities	1.0
	<u>17.0</u>

## 6.9 Intangible assets

	Scenario 1/Scenario 2 RM'mil
Acquired:	
Trademarks	59.7
Asset usage rights	2.8
Internally generated:	
Development costs	5.4
	<u>67.9</u>

Trademarks with net book value of RM35.3 million were acquired for indefinite period. These trademarks are not amortised as it is expected to contribute to net cash inflows indefinitely. These trademarks are tested for impairment whenever indication of impairment exists and at least annually.



## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.10 Goodwill

	Scenario 1/Scenario 2 RM'mil
Costs	6.9
Accumulated impairment losses	(3.0)
Net book value	<u>3.9</u>

Goodwill acquired in business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination.

## 6.11 Inventories

	Scenario 1/Scenario 2 RM'mil
<b>At costs:</b>	
Trading inventories	
- Oil palm	552.9
- Heavy equipment and motor vehicle	3,073.8
Completed development units	229.0
Materials and Consumables	370.5
<b>At net realisable values:</b>	
Trading inventories	
- Heavy equipment and motor vehicle	293.6
	<u>4,519.8</u>

Inventories with carrying value of RM266.6 million are pledged as security for borrowings as disclosed in Note 6.18.

## 6.12 Property development costs

	Scenario 1/Scenario 2 RM'mil
<b>At costs:</b>	
Freehold land	244.7
Development costs	920.6
	<u>1,165.3</u>

A property development project of a subsidiary with net book value of RM42.4 million is charged to a bank as security for borrowings as disclosed in Note 6.18.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.13 Trade and other receivables

	Scenario 1/Scenario 2 RM'mil
Trade receivables	3,430.1
Advances for	
- Plasma Pri- Trans Projects (a)	45.2
- Kredit Koperasi Primer Untuk Anggotanya Projects (b)	19.1
Less: Allowance for doubtful debts	
- Trade	(287.5)
- Advances	(30.6)
	<u>3,176.3</u>
Less: Long term receivables	<u>(102.1)</u>
	3,074.2
Amount due from customers	543.4
Prepayment	137.1
Amount due to associates	54.3
Other receivables	1,231.1
	<u>5,040.1</u>

Included in long term receivables are advances amounting to RM33.7 million as described in notes (a) and (b) below. Long-term trade receivables are in respect of the sale of development properties by certain subsidiaries engaged in property development activities which will be received on a deferred payment terms.

Credit terms of trade receivables and amounts due from customers ranged from 7 to 365 days. The Group has no significant concentration of credit risk.

Included in trade receivables is an amount of RM44.4 million relating to subsidiaries in Indonesia which is pledged as security for banking facilities granted to the subsidiaries as disclosed in Note 6.18.

The amounts due from associates are unsecured, non-interest bearing and have no fixed term of repayment.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.13 Trade and other receivables (Contd.)

## (a) Plasma Pri- Trans Projects

In accordance with the Indonesian Government policy, oil palm plantation owners/operators (herein referred to as the "Nucleus") are required to develop plantations for small holders (herein referred to as "Plasma Farmers"). This form of assistance to the Plasma Farmers is known as the "Perusahaan Inti Rakyat Transmigrasi (PIR-Trans)" program. Under the PIR-Trans program, the Nucleus is also required to train and develop the skills of the Plasma Farmers, and purchase the fresh fruit bunches harvested by Plasma Farmers at prices determined by the Government.

The PIR-Trans program is funded by State-owned banks. The investment credit is rendered to the Nucleus, which receives the funds through several drawdowns during the plantation development period (land preparation up to the end of the immature stage). When the plasma plantation projects are completed and ready for conversion, the investment credit is transferred to the Plasma Farmers who then operate the Plasma PIR-Trans projects under the supervision of the Nucleus. The allowance for losses on recovery of Plasma PIR-Trans projects was provided for to cover the possible non-recoverable investments under the PIR-Trans program.

Three subsidiaries in Indonesia have commitments to develop oil palm plantations for the Plasma Farmers under this program covering a total area of 16,500 hectares of which 8,024 have been converted.

## (b) Kredit Koperasi Primer Untuk Anggotanya Projects

Under an existing Government policy in Indonesia, oil palm plantation owners/operators (herein referred to as the "Nucleus") are required to assist in the development of plantations for smallholders (herein referred to as the "Plasma Farmers") through a program called "Kredit Koperasi Primer untuk Anggotanya" or "KKPA". Under the KKPA program, all participating Plasma Farmers are under the coordination of a cooperative, and any investment credit available during the development of the plantations (land preparation up to the end of the immature stage) shall also be rendered to the cooperative. The Nucleus, on the other hand, serves as the contractor for developing the plantations.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.13 Trade and other receivables (Contd.)

## (b) Kredit Koperasi Primer Untuk Anggotanya Projects

Advances for present and proposed KKPA projects represent the accumulated costs to develop plasma plantations, totalling 16,000 hectares which are currently being financed by creditor banks and self-financed by a subsidiary. Upon the cooperative obtaining KKPA financing from the creditor bank, the said advances will be recovered from the cooperative.

The allowance for losses on recovery of KKPA projects is based on a periodic review of the recoverability of the development costs.

## 6.14 Cash and bank balances

	Scenario 1/Scenario 2 RM'mil
Long term deposits with licensed banks	18.8
Cash and bank balances	1,439.0
Deposits with licensed financial institutions	4,649.6
	<u>6,088.6</u>

The long-term fixed deposits with licensed banks has been placed in a designated bank account for the repayment of the Murabahah Medium Term Notes ("MMTN") financing in December 2008.

The average interest/ profit rates for deposits range from 0.50% to 8.81% during the financial year whereas the maturity days range from 1 to 183 days as at 30 June 2007.

Cash held under the Housing Development Accounts amounting to RM418.3 million represents receipts from purchasers of residential properties less payments or withdrawals provided under Section 7A of the Housing Development (Control and Licensing) Amendment Act, 2002.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.15 Assets of disposal group and non current assets/ liabilities classified as held for sale

The following classes of assets and liabilities of the disposal groups have been classified as held for sale as follows:

	Scenario 1/Scenario 2 RM'mil
<b>Disposal group held for sale</b>	
Non current assets	27.8
Current assets	170.7
<b>Assets</b>	
Property, plant and equipment	0.7
Prepaid lease payments	0.6
Investment properties	2.0
Land held for property development	0.2
Concession asset	582.9
Deferred tax assets	0.6
	<u>785.5</u>
<b>Disposal group held for sale</b>	
Non current liabilities	2.7
Current liabilities	176.0
	<u>178.7</u>

## 6.16 Trade and other payables

	Scenario 1/Scenario 2 RM'mil
Trade payables	2,907.8
Amount due to customers	167.4
Accruals	2,317.1
Other payables	404.7
	<u>5,797.0</u>

Credit terms of trade payables and amounts due to customers range from 7 to 120 days.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.17 Provisions

	Scenario 1/Scenario 2 RM'mil
Maintenance and warranty	179.5
Property development	7.5
	<u>187.0</u>

## 6.18 Borrowings

	Scenario 1 RM'mil	Scenario 2 RM'mil
<b>Secured:</b>		
Term loans	315.2	315.2
Others	62.4	62.4
<b>Unsecured:</b>		
Term loans (a)	3,118.3	18,337.9
MMTN 1 (b)	1,000.0	1,000.0
MMTN 2 (c)	400.0	400.0
Al-Bai Bithaman Ajil	81.9	81.9
Murabahah Commercial Papers (d)	149.2	149.2
Bank overdrafts	22.0	22.0
Revolving credit and bankers acceptances	943.1	943.1
Unamortised deferred financing expenses	(9.1)	(9.1)
	<u>6,083.0</u>	<u>21,302.6</u>
less: Current portion of borrowings	<u>(2,399.3)</u>	<u>(2,399.3)</u>
	<u>3,683.7</u>	<u>18,903.3</u>

(a) Included in unsecured term loans are the following:

- RM37.4 million in respect of the 12% cumulative subordinated unconvertible redeemable unsecured loan stocks issued by one of the Group's subsidiaries in Malaysia. The repayment of the loan stocks is subordinated to all unsecured facilities of the subsidiary. The loan stocks are redeemable at par at any date determined by the subsidiary's Board up to 31st December 2023.
- USD471.5 million with a yield of 0.55% above USD LIBOR and is repayable over eight equal semi-annual instalments commencing 42 months after the first drawdown date on 29 August 2005.

## 9. FINANCIAL INFORMATION (cont'd)

APPENDIX A

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.18 Borrowings (Contd.)

## (b) MMTN 1

MMTN 1 consists of RM500 million 7 years and RM500 million 4 years Al Murabahah Medium Term Notes under the RM1,500 million Al Murabahah Commercial Paper ('MCP') and MMTN Programme ('Programme') at par with a profit rate of 4.38% and 4.30% per annum, respectively.

Salient features of the Programme are as follows:

- Total outstanding nominal value of the MCP and MMTN (collectively known as 'Notes') shall not exceed RM1,500 million subject to a sub-limit of RM500 million for the MCP.
- The tenure of the Programme is up to seven years from date of the first issuance of any Notes under the Programme.
- MCP has a maturity of 12 months or below and is mandatorily redeemed at nominal value on maturity date. The profit for the MCP is payable on maturity of the MCP.
- MMTN has a maturity of 1 year but not more than 7 years and on condition that the MMTN mature prior to the expiry of the tenure of the Programme. The MMTN are mandatorily redeemed at nominal value on maturity date. The profit for the MMTN is payable either in fixed amounts at the end of each profit period or on maturity of the MMTN.

## (c) MMTN 2

The MMTN totalling RM400 million, consists of RM300 million five-year tranche and RM100 million seven-year tranche, drawdown in March 2004 with average yield of 5.15% per annum and 5.82% per annum respectively. The MMTN was structured under the Syariah principle of Murabahah or deferred payment concept.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.18 Borrowings (Contd.)

- (d) The Murabahah Commercial Papers was issued for RM150 million nominal value at a discount with maturity period of six months and at a profit rate of 3.80% - 4.22% per annum.

The secured term loans and other short term borrowings are secured by fixed and floating charges over property, plant and equipment, a property development project and other assets of certain subsidiaries.

Under Scenario 2, borrowings amounting to RM15,159.0 million and RM60.6 million are assumed to be extended to the Company to finance the cash payments to all RCPS A holders (except for PNB and unit trusts managed by PNB and certain other shareholder) and cash payments for the mandatory take-over offer for all the ordinary shares of Negara not held by GHope, respectively. The borrowings will not be repayable within 5 years, unsecured and attracts an interest rate of 5.55% per annum.

The average interest rates are as below:

	Scenario 1	Scenario 2
Al Murabahah Medium Term Notes	4.30 - 5.82%	4.30 - 5.82%
Term loans	5.90 - 14.00%	5.90 - 14.00%
Murabahah Commercial Papers	3.67 - 3.85%	3.67 - 3.85%
Bank overdraft	4.50 - 5.38%	4.50 - 5.38%
Others	3.77 - 4.74%	3.77 - 4.74%

The maturity of the borrowings (excluding the unamortised deferred financing expenses) are as follows:

	Scenario 1 RM'mil	Scenario 2 RM'mil
Not later than 1 year	2,399.3	2,399.3
Between one to two years	685.8	685.8
Between two to five years	2,156.2	2,156.2
More than five years	850.8	16,070.4
	6,092.1	21,311.7



## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.19 Share capital

## Scenario 1

	No of ordinary shares of RM0.50 each mil	Amount RM'mil
<u>Authorised</u>		
At date of incorporation	0.2	0.1
<u>Issued and Fully paid:</u>		
At date of incorporation	- *	- *
Pursuant to acquisition of Participating Companies	6,024.4	3,012.2
Pursuant to conversion of RCPS B	50.0	25.0
Pursuant to MGO of Negara	11.6	5.8
	<u>6,086.0</u>	<u>3,043.0</u>

## Scenario 2

	No of ordinary shares of RM0.50 each mil	Amount RM'mil
<u>Authorised</u>		
At date of incorporation	0.2	0.1
<u>Issued and Fully paid:</u>		
At date of incorporation	- *	- *
Pursuant to acquisition of Participating Companies	3,137.0	1,568.5
Pursuant to conversion of RCPS B	50.0	25.0
	<u>3,187.0</u>	<u>1,593.5</u>

\* Represents 200 ordinary shares of RM0.50 each amounting to RM100

- (a) The Company was incorporated on 7 November 2006 with an authorised share capital of 200,000 ordinary shares of RM0.50 each and issued and paid up capital of 200 ordinary shares of RM0.50 each amounting to RM100.

On 14 September 2007, the authorised share capital of the Company have been increased by 7,999,800,000 to 8,000,000,000 ordinary shares of RM0.50 each so as to facilitate the acquisition of Participating Companies.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.19 Share capital (Contd.)

(b) On 24 November 2006, Synergy Drive increased its:

- (i) authorised share capital through the creation of 25,000,000 RCPS B of RM0.10 each; and
- (ii) issued and paid up capital through issuance of 25,000,000 RCPS B at an issue price of RM1.00 each ("Subscription Price") for cash for working capital purposes.

The RCPS B shall rank in priority to the ordinary shares of Synergy Drive in the event of liquidation, dissolution, winding up or other repayment of capital of Synergy Drive for the Subscription Price and the dividends declared (if any) provided that there shall be no further right to participate in the surplus of assets or profits of Synergy Drive. Salient points of RCPS B are as below:

- (i) the maturity date of the RCPS B shall be two years from the date of issue of the RCPS B (Issuance Date), unless if permitted by law, the holders of RCPS B shall extend the tenure of the RCPS B;
- (ii) the holders of the RCPS B will have the option to convert their RCPS B into ordinary shares in Synergy Drive at any time after the Issuance Date of the RCPS B, and any remaining RCPS B that is not converted or redeemed by the expiry of the tenure of the RCPS B shall be automatically converted into ordinary shares of Synergy Drive in accordance to the conversion ratio of 1 RCPS B for 2 new ordinary shares in Synergy Drive of RM0.50 each;
- (iii) the holders of RCPS B shall be entitled, at their option, to redeem their RCPS B at anytime after the Issuance Date and during the tenure of the RCPS B. Upon redemption of each RCPS B, the Synergy Drive shall pay the holders of RCPS B a sum that together with the aggregate of all dividends paid on the RCPS B to be redeemed from the Issuance Date to the date of redemption of the RCPS B ("Redemption Date"), will result in an effective yield of 4% per annum on the Subscription Price compounded yearly for the period from the Issuance Date to the Redemption Date; and
- (iv) Synergy Drive shall have the discretion to decide whether to declare any annual non-cumulative dividend as well as the quantum of such dividend. Any dividend shall be not more than 4% per annum per RCPS B on the Subscription Price of each RCPS B.

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.20 Share premium

	Scenario 1 RM'mil	Scenario 2 RM'mil
Pursuant to the conversion of RCPS B	0.7	0.7
Pursuant to MGO of Negara	54.8	-
	55.5	0.7

Scenario 2 assumes that all remaining shareholders of Negara are redeemed for cash.

## 6.21 Merger Relief Reserve and Merger Deficit

All RCPS A receivable by the shareholders of the Participating Companies would be recorded immediately as issuance of ordinary shares of the Company or cash payments. This is on the assumption that the RCPS A receivable would be settled directly through the issuance of ordinary shares of the Company or cash in respect of the Proposed Capital Repayment by each of the Participating Companies.

The excess of the fair value of the ordinary shares issued and its par value is not recorded as share premium as no share premium would be recorded on the issuance of the ordinary shares as permitted under Section 60(4) of the Companies Act, 1965. The difference between the recorded value of RCPS A issuance and the par value of the Company's ordinary shares of RM0.50 each would be recorded as Merger Relief Reserve.

Merger accounting has been applied for the business combination under common control as described in Section 1. The application of merger accounting would result in a merger deficit. The Merger Deficit is set off against Merger Relief Reserve to the extent of available Merger Relief Reserve. Net Merger Deficit is then set off against Retained Earnings.

	Scenario 1 RM'mil	Scenario 2 RM'mil
Merger Relief Reserve	28,616.4	14,901.1
Less: Merger Deficit	(22,082.1)	(22,082.1)
Net Merger Relief Reserve/(Deficit)	6,534.3	(7,181.0)
Less: Retained Earnings	-	7,181.0
	6,534.3	-

## 9. FINANCIAL INFORMATION (cont'd)

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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.22 Deferred tax

	Scenario 1/Scenario 2 RM'mil
Deferred tax assets	(718.7)
Deferred tax liabilities	917.5
	<u>198.8</u>

The components of the deferred tax liabilities and assets are as follows:

	Scenario 1/Scenario 2 RM'mil
Deferred tax liabilities:-	
Accelerated capital allowance	550.0
Revaluation	324.0
	<u>874.0</u>
Deferred tax assets:-	
Unabsorbed losses and capital allowance	106.0
Unrealised profits	397.3
Provisions	157.0
Others	14.9
	<u>675.2</u>

## 6.23 Material commitments

Material commitments are disclosed in Section 9.10 to the Prospectus (updated to 31 August 2007).

## 6.24 Contingent liabilities

Contingent liabilities are disclosed in Section 9.9 to the Prospectus (updated to 31 August 2007).

## 6.25 Off Balance Sheets Financial Instruments

	Scenario 1/Scenario 2 RM'mil
(a) Foreign currency contracts	
To hedge receivables	
- United States Dollar	1,561.0
- Japanese Yen	8.6
- Qatar Riyal	152.0
- Others	5.8
	<u>1,727.4</u>

## 9. FINANCIAL INFORMATION (cont'd)

APPENDIX A

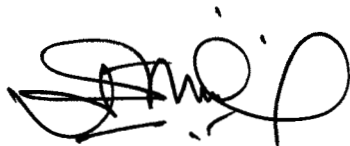
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## 6. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007 (CONTD.)

## 6.25 Off Balance Sheets Financial Instruments (Contd.)

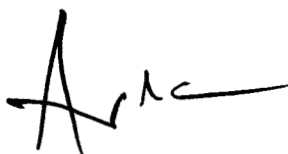
	Scenario 1/Scenario 2 RM'mil
<b>(a) Foreign currency contracts (Contd.)</b>	
To hedge payables	
- United States Dollar	328.8
- Japanese Yen	78.2
- Euro	249.9
- Singapore Dollars	44.0
- Sterling Pound	39.9
- Others	28.8
	<u>769.6</u>
Future sales	
- United States Dollar	8.6
- Others	0.8
	<u>9.4</u>
Future purchases	
- United States Dollar	179.7
- Euro	5.6
- Others	4.0
	<u>189.3</u>
<b>(b) Interest rate swap</b>	
Term loan - United States Dollar and Thai Baht	2,104.9
Islamic Bond	40.0
	<u>2,144.9</u>

Signed on behalf of the Board of Directors of Synergy Drive Bhd



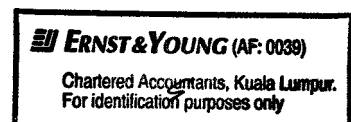
DATO' SERI AHMAD ZUBAIR @ AHMAD ZUBIR BIN HAJI MURSHID

Director



RAJA DATUK ARSHAD BIN RAJA TUN UDA

Director



## 9. FINANCIAL INFORMATION (cont'd)

### 9.6 Capitalisation

Our proforma consolidated short-term borrowings, long-term borrowings and shareholders' equity as at 30 June 2007, based on the assumption that all Entitled Shareholders elect to receive our Shares and the consideration for the Negara MGO is satisfied entirely by our Shares, are set out below.

	Proforma I After the Merger RM million	Proforma II After harmonisation of accounting policies RM million	Proforma III After conversion of RCPS B RM million	Proforma IV After Negara MGO RM million
Short-term borrowings <sup>(1)</sup>	2,399.3	2,399.3	2,399.3	2,399.3
Long-term borrowings <sup>(1)</sup>	3,683.7	3,683.7	3,683.7	3,683.7
Shareholders' equity	20,886.2	19,184.6	19,207.7	19,304.8
<b>Total capitalisation</b>	<b>26,969.2</b>	<b>25,267.6</b>	<b>25,290.7</b>	<b>25,387.8</b>
Proforma gearing ratio (times)	0.29	0.32	0.32	0.32

**Note:**

(1) Borrowings of our Group comprise term loans, Al-Bai Bithaman Ajil, bankers' acceptances, revolving credit, Murabahah Commercial Papers, Al-Murabahah Medium Term Notes and other short-term borrowings.

If all Entitled Shareholders elect to receive cash for their shares in the Participating Companies (apart from PNB, PNB Unit Trust Funds and a certain other shareholder who, pursuant to undertakings that we have received up to 21 September 2007, will be electing to receive our Shares for their shares in the Participating Companies) and the consideration for the Negara MGO is satisfied entirely by cash, we estimate that borrowings and/or internal sources of funds of up to RM15.2 billion will be required to finance the cash payments. Assuming the cash payments financed entirely by borrowings, our capitalisation will be as follows:

	Proforma I After the Merger RM million	Proforma II After harmonisation of accounting policies RM million	Proforma III After conversion of RCPS B RM million	Proforma IV After Negara MGO RM million
Short-term borrowings	2,399.3	2,399.3	2,399.3	2,399.3
Long-term borrowings <sup>(1)</sup>	18,842.7	18,842.7	18,842.7	18,903.3
Shareholders' equity	5,727.2	4,025.6	4,048.7	4,085.2
<b>Total capitalisation</b>	<b>26,969.2</b>	<b>25,267.6</b>	<b>25,290.7</b>	<b>25,387.8</b>
Proforma gearing ratio (times)	3.71	5.28	5.25	5.21

**Note:**

(1) Inclusive of additional borrowings of up to RM15.2 billion.

## 9. FINANCIAL INFORMATION (cont'd)

As at 30 June 2007, our outstanding borrowings amounted to RM6,083.0 million. Details of our outstanding borrowings, which bear interest at rates ranging between 3.67% and 14.00% are as follows:

Outstanding borrowings	Payable within 12 months RM million	Payable after 12 months RM million	Total RM million
Term loans	1,222.6	2,210.9	3,433.5
Bankers' acceptances, revolving credit and other short-term borrowings	1,005.5	-	1,005.5
Bank overdrafts	24.8	-	24.8
Al-Bai Bithaman Ajil	-	81.9	81.9
Al-Murabahah Medium Term Notes	-	1,400.0	1,400.0
Murabahah Commercial Papers	149.2	-	149.2
	2,402.1	3,692.8	6,094.9
Less: Unamortised deferred financing expenses	-	(9.1)	(9.1)
Liabilities associated with assets held for sale	(2.8)	-	(2.8)
	2,399.3	3,683.7	6,083.0

As some of our outstanding borrowings are denominated in foreign currencies, we have set out below the breakdown of our borrowings in the respective currency of borrowing.

	Currency	Payable within 12 months Million	Payable after 12 months Million
Term loan	SGD	16.4	5.6
	NZ\$	18.7	-
	USD	207.8	523.0
	Baht	361.2	166.7
	Rp	16,940.7	35,784.3
	AU\$	-	97.7
	EUR	5.5	9.8
	RM	343.6	285.7
Bank overdraft	SGD	5.8	-
	Baht	1.2	-
	HK\$	4.3	-
	EUR	0.6	-
	RM	6.6	-
Bankers' acceptance, revolving credit and other short-term borrowings	AU\$	13.0	-
	RMB	407.5	-
	Baht	50.0	-
	NZ\$	23.6	-
	USD	1.3	-
	EUR	28.0	-
	RM	577.9	-

### Currencies

AU\$	:	Australian Dollar
EUR	:	Euro
HK\$	:	Hong Kong Dollar
Rp	:	Indonesia Rupiah
NZ\$	:	New Zealand Dollar
RMB	:	Chinese Renminbi
Baht	:	Thai Baht

## 9. FINANCIAL INFORMATION *(cont'd)*

All other borrowings, namely Al-Bai Bithaman Ajil, Al-Murabahah Medium Term Notes and Murabahah Commercial Papers are denominated in RM.

Other than disclosed above, we do not have any other borrowings. We have not defaulted on payment of interest and/or principal sums in respect of any borrowings throughout the past 1 financial year and the subsequent financial period before the LPD.

### 9.7 Working Capital

Our principal sources of liquidity are cash and cash equivalents, and banking facilities made available to our Group. As at 30 June 2007, we have cash and cash equivalents of RM5,648.3 million and unutilised banking facilities yet to be utilised. Further, we also have cash of RM418.3 million in the Housing Development Accounts.

Our Directors are of the opinion that after taking into consideration our cash position, our available banking facilities and our expected performance, we will have adequate working capital for a period of 12 months from the date of this Prospectus for our foreseeable requirements.

### 9.8 Use of Financial Instruments for Hedging Purposes

Given that we have operations outside Malaysia, we are exposed to currency risks as a result of the foreign currency transactions entered into in currencies other than the functional currencies of our subsidiaries. For the purposes of hedging the foreign currency risk, the Participating Companies currently practise a natural hedge where possible, by borrowing in the currency of the country in which the investment's operations are located or by borrowing in currencies that match the future revenue stream to be generated from its investment's operations. Material foreign currency transaction exposures are hedged via various derivative financial instruments such as forward foreign exchange contracts and cross currency swaps. Upon completion of the Merger, we expect to continue to manage foreign currency exposure through natural hedge and where possible, by using the derivative financial instruments.

Currently, the Participating Companies manage their exposure to interest rate risks via a mix of fixed and floating debt and derivative financial instruments, where applicable. Instruments such as interest rate swaps are used to convert floating rate liabilities to fixed rate liabilities. Upon completion of the Merger, we expect to continue to manage interest rate risks by maintaining a prudent mix of fixed and floating rate borrowings and where appropriate, by using hedging instruments.

### 9.9 Contingent Liabilities

Our contingent liabilities as at the LPD are as follows:

<b>Nature of contingent liabilities</b>	<b>RM million</b>
Legal suits/litigation cases	381.5
Bank guarantees	699.0
Performance guarantees	2,518.0
Corporate guarantees	17.1
<b>Total</b>	<b><u>3,615.6</u></b>



## 9. FINANCIAL INFORMATION (cont'd)

### 9.10 Material Commitments

Save as disclosed below, as at the LPD, there are no material commitments incurred or known to be incurred by our Group:

	RM million
<b>Capital expenditure:</b>	
<b>Property, plant and equipment</b>	
Authorised and contracted for	626.6
Authorised but not contracted for	1,903.0

The capital expenditure is expected to be financed through internally generated funds and/or bank borrowings.

### 9.11 Material Litigation

Save as disclosed below, as at the date of the Prospectus, we are not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Directors do not have any knowledge of any proceedings, pending or threatened, against us and/or our subsidiaries, or of any facts likely to give rise to any proceedings, which could materially affect the financial performance or position of our Group in the event it becomes enforceable.

- (i) PT Adhiyasa Saranamas ("PTAS") filed a civil suit on 3 May 2001 against KGB claiming for:
- (a) the sum of USD25,760,000;
  - (b) damages in the amount of 9% of USD25,760,000 per annum, calculated as of the date the claim was submitted to the South Jakarta District Court ("District Court") until the amount of USD25,760,000 was fully settled; and
  - (c) interest by virtue of the law at the rate of 6% of USD25,760,000 per annum calculated as of the date the claim was submitted to the District Court until the amount of USD25,760,000 was fully settled.

The purported cause of action was based on an alleged breach of contract by KGB. At the District Court, PTAS' civil suit was dismissed and PTAS unsuccessfully appealed against the decision of the District Court to the Court of Appeal of Jakarta.

On 17 September 2003, PTAS filed a new suit against KGB and 6 of its subsidiaries in Indonesia on the same subject matter. The District Court dismissed PTAS' claim and PTAS' appeal to both the Court of Appeal and the Supreme Court were also dismissed.

On 24 May 2007, PTAS submitted an application for Judicial Review against the decision of the Supreme Court and sought that KGB be ordered to pay a total of USD51,670,400 to PTAS. KGB has filed into Court its opposition to the Judicial Review application on 17 July 2007.

On 21 August 2007, the Supreme Court confirmed that it had received and registered the application for Judicial Review by PTAS.

## 9. FINANCIAL INFORMATION (cont'd)

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On 21 September 2007, PTAS filed a supplemental application to its initial application for Judicial Review, raising additional grounds for argument against the Supreme Court decision. This supplemental application was served on KGB on 4 October 2007 by the District Court. KGB has 30 days from 4 October 2007 to submit a response to the PTAS supplemental application for Judicial Review. Solicitors for KGB are currently preparing a response to this supplemental application.

Solicitors for KGB are not in a position to predict the outcome of the application by PTAS for Judicial Review.

- (ii) Sime Bank Berhad ("**Sime Bank**") had granted a financial facility to Teras Cemerlang Sdn Bhd ("**TCSB**"). Sime Bank sued TCSB for failing to repay the said facility. On 16 March 1999, TCSB filed a counterclaim against Sime Bank, Sime Securities Sdn Bhd ("**SS**"), Sime Darby and Shafiq Sit Abdullah ("**SSA**") alleging that Sime Darby was also vicariously liable for the transactions allegedly carried out by SSA in the dealings between SS and TCSB.

Sime Darby filed an application to strike out TCSB's counterclaim against it. On 9 October 2002, TCSB filed an application to the High Court to stay the application to strike out and it was granted the stay. Sime Darby filed an appeal against the stay. No hearing date has yet been fixed.

Sime Darby is appealing against the Senior Assistant Registrar's decision not to strike out TCSB's counterclaim. The matter has now been fixed for further mention on 29 November 2007.

The solicitors acting for Sime Darby are of the opinion that TCSB has no cause of action against Sime Darby.

- (iii) Inokom Corporation Sdn Bhd ("**Inokom**") and Quasar Carriage Sdn Bhd (collectively known as the "**Plaintiffs**") are claiming against Renault SA for breach of contract, breach of fiduciary duties and/or fraudulent misrepresentation. The Plaintiffs are also claiming against Renault SA, Tan Chong Motors Holdings Bhd ("**TCMH**") and TC Euro Cars Sdn Bhd ("**TCEC**") for conspiring to injure the Plaintiffs. These actions were filed on 24 June 2003.

The Court dismissed Renault SA's application for a stay of proceedings pending arbitration ("**Dismissal**"). Renault SA subsequently filed an appeal on 15 September 2004.

The Court of Appeal has granted a stay of proceedings to Renault SA pending their appeal against the Dismissal.

TCMH and TCEC's applications to strike out the Plaintiffs' suit have been dismissed. Their appeals to the Court of Appeal against the decisions are currently pending.

The solicitors acting for the Plaintiffs are of the opinion that Inokom has a reasonable chance of succeeding in the action for breach of contract. Inokom also has a reasonably strong case in respect of an action for fraudulent misrepresentation. The cause of action for breach of fiduciary duty is unlikely to succeed. The prospect of success in the cause of action for conspiracy to injure can only be ascertained upon discovery and cross-examination of the defendants' witnesses at the trial.

## 9. FINANCIAL INFORMATION *(cont'd)*

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### 9.12 Dividend Policy

Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as us having sufficient profits and excess funds, which we do not require to fund our business. As our Company is a holding company, our ability to pay dividends is also subject to the receipt of funds from our subsidiaries and the performance of our Company after impairment, if any, of our assets.

Our Directors have considered the general principles that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends. In considering the level of dividend payments, if any, upon recommendation by our Directors, we intend to take into account, amongst others, the following factors:

- (i) our level of cash, cashflows, gearing, return on equity and retained earnings;
- (ii) our expected and actual results of operations; and
- (iii) our projected level of capital expenditure and other investment plans.

We may, by ordinary resolution of the shareholders, declare dividends at a general meeting, but no dividend shall exceed the amount recommended by our Board. Dividends must be paid out of profits or pursuant to Section 60 of the Act. All dividends that are paid are pro rata in amount to the shareholders in proportion to the amount paid-up on each shareholder's shares, unless the rights attaching to an issue of any share provides otherwise.

Nonetheless, future dividends may be waived if amongst others:

- (i) our Group is in a loss-making position for the relevant financial period; and
- (ii) our Group has insufficient cashflows to meet any dividend payment.

You should note that all the foregoing statements are merely statements of our present intention, and are not legally binding statements in respect of our future dividends or dividends payable pursuant thereto, and are subject to modification in our Directors' sole and absolute discretion.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

## 10. DIRECTORS' REPORT

## SYNERGY DRIVE

22 October 2007

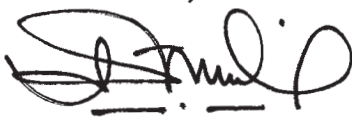
**Registered Office:**19<sup>th</sup> Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala LumpurThe Shareholders,  
SYNERGY DRIVE BHD

Dear Sir/Madam

On behalf of the Directors of Synergy Drive Bhd ("**Synergy Drive**"), I report after due inquiry that during the period from 30 June 2007 (being the date to which the last audited financial statements of Synergy Drive and its subsidiaries upon the Merger of Golden Hope Plantations Berhad ("**GHope**"), Kumpulan Guthrie Berhad ("**KGB**") and Sime Darby Berhad ("**Sime Darby**") groups of companies ("Subsidiaries") have been made) to 22 October 2007 (being a date not earlier than 14 days before the issue of this Prospectus):

- (a) the business of Synergy Drive and its Subsidiaries ("**Group**") has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, there have been no circumstances that have arisen since the last audited financial statements of the companies forming the Group which have adversely affected the trading or the values of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) other than as disclosed in the Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group;
- (e) as far as the Directors are aware, there have been, since the last audited financial statements of the companies forming the Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and
- (f) since the last audited financial statements of the companies forming the Group, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group, other than pursuant to the merger of GHope, KGB and Sime Darby groups of companies.

Yours faithfully

For and on behalf of the Board of Directors of  
**SYNERGY DRIVE BHD**Dato' Seri Ahmad Zubair @ Ahmad Zubir bin Haji Murshid  
Director