## 14. HISTORICAL FINANCIAL INFORMATION

We set out below our consolidated income statements for each of the three (3) financial years ended 31 December 2004, 2005 and 2006, the unaudited consolidated income statement for the three (3) months financial period ended 31 March 2006 and the audited consolidated income statement for the three (3) months financial period ended 31 March 2007, our proforma consolidated balance sheets as at 31 March 2007 and unaudited consolidated cash flow statement for the three (3) months financial period ended 31 March 2006 and audited consolidated cash flow statement for the three (3) months financial period ended 31 March 2007 (collectively referred to as "**Consolidated Financial Information**") for illustrative purposes only.

Our Consolidated Financial Information is extracted from the Accountants' Report and the Reporting Accountants' Letter on proforma consolidated balance sheet as set out in Sections 16 and 14.2 respectively, where applicable.

The consolidated income statement and the consolidated cash flow statement for the three (3) months financial period ended 31 March 2006 have not been audited and have been prepared for illustrative purposes only as a comparison to the consolidated income statement and the consolidated cash flow statement respectively for the three (3) months financial period ended 31 March 2007.

There has been no audit qualification on our Company or any of our subsidiaries' audited financial statements for all the financial years under review.

You should read the financial information presented below together with the Accountants' Report and our management's discussion and analysis of financial condition and results of operations as disclosed in Section 14.7.

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 this Prospectus:

(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 our Group's financial performance, position and operations;

(ii) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position;

(iii) material commitments for capital expenditure;

(iv) unusual or infrequent events or transactions or any significant economic changes that have materially affected our Group's financial performance, position and operations; and

(v) substantial increase in revenue attributable to prices, volume of goods/services being sold, the introduction of new products/services or any other factors.

## 14.1 Consolidated income statements

We have prepared our consolidated income statements below for illustrative purposes only, based on our Group's audited consolidated income statements for each of the three (3) financial years ended 31 December 2004, 2005 and 2006, our Group's unaudited consolidated income statements for the three (3) months period ended 31 March 2006 and audited consolidated income statements for the three (3) months period ended 31 March 2007. The consolidated income statements of our Group should be read together with the accompanying notes and assumptions included in the Accountants' Report as set out in Section 16 and our management's discussion and analysis of financial condition and results of operations as disclosed in Section 14.7.

| | **<--Financial year ended 31 December-->** | | | **Three (3) months ended <----------31 March--------->** | |
|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2006** | **2007** |
| | **RM 000** | **RM 000** | **RM 000** | **RM 000** | **RM 000** |
| Revenue | 162,231 | 149,686 | 142,372 | 29,217 | 32,937 |
| Cost of sales* | (72,253) | (86,829) | (89,244) | (17,299) | (19,312) |
| Gross profit | 89,978 | 62,857 | 53,128 | 11,918 | 13,625 |
| Other operating income | 2,943 | 3,077 | 4,150 | 661 | 960 |
| Distribution costs | (7,339) | (5,311) | (6,458) | (1,069) | (1,747) |
| Administrative expenses* | (14,018) | (4)(29,289) | (4)(38,046) | (2,986) | (4,159) |
| Replanting expenditure* | (9,853) | (11,410) | (6,588) | (1,475) | (1,465) |
| Gain/(loss) on disposal of quoted investments | 52 | (1) | (3)62,153 | (3)62,128 | 82 |
| Profit from operations | 61,763 | 19,923 | 68,339 | 69,177 | 7,296 |
| Finance costs | (748) | (1,663) | (788) | (285) | (314) |
| Share of results of associates | (9) | (434) | (283) | - | - |
| **PBT** | **61,006** | **17,826** | **67,268** | **68,892** | **6,982** |
| Taxation | (14,261) | (7,585) | (3,842) | (1,592) | (1,261) |
| **Profit for the financial year/ period** | **46,745** | **10,241** | **63,426** | **67,300** | **5,721** |
| Attributable to: | | | | | |
| Equity holders of SPB (PATAMI) | 46,824 | 10,658 | 63,758 | 67,459 | 5,537 |
| MI | (79) | (417) | (332) | (159) | 184 |
| | **46,745** | **10,241** | **63,426** | **67,300** | **5,721** |
| No. of Shares assumed in issue[1] (000) | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 |
| Gross EPS[2] (sen) | 22 | 6 | 24 | 25 | 2 |
| Net EPS[2] (sen) | 17 | 4 | 23 | 24 | 2 |

| | <--Financial year ended 31 December--> | | | Three (3) months ended <----------31 March---------> | |
|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2006** | **2007** |
| Profit Margin | | | | | |
| Gross Profit Margin (%) | 55 | 42 | 37 | 41 | 41 |
| Net Profit Margin (%) | 29 | 7 | 45 | 230 | 17 |
| Other selected financial data/ratios | | | | | |
| Capital expenditure (RM 000) | 21,714 | 15,278 | 29,874 | 916 | 3,828 |
| EBITDA (RM 000) | 72,060 | 32,212 | 78,894 | 71,801 | 10,094 |

(1) The financial statements of our Company and our subsidiaries were not subject to any audit qualification for the financial years under review.

(2) There were no extraordinary items during the financial years under review.

***Notes:***

* *Depreciation included in the following categories amounted to:*

| | *<----Financial year ended 31 December--------->* | | | *Three (3) months ended <----------31 March------->* | |
|---|---|---|---|---|---|
| | ***2004 RM 000*** | ***2005 RM 000*** | ***2006 RM 000*** | ***2006 RM 000*** | ***2007 RM 000*** |
| *Cost of sales* | *7,614* | *10,633* | *8,982* | *2,159* | *2,328* |
| *Administrative expenses* | *2,207* | *1,361* | *1,141* | *299* | *289* |
| *Replanting expenses* | *485* | *729* | *715* | *166* | *181* |
| | *10,306* | *12,723* | *10,838* | *2,624* | *2,798* |

*(1) The number of shares assumed in issue is based on the issued and paid-up share capital of 280,000,000 ordinary shares of RM1.00 each upon Listing.*

*(2) Gross EPS and net EPS for each of the financial year under review have been calculated based on respective PBT and PATAMI divided by the number of ordinary shares as at the listing date.*

*(3) Includes the gain on Disposal of Investment in Quoted Securities of approximately RM62.167 million.*

*(4) Includes the allowance for deposits paid to acquire 30% equity interests in four (4) plantation companies of approximately RM15.526 million and RM16.673 million for the financial years ended 31 December 2005 and 2006 respectively.*

## 14.2 Reporting Accountants' Letter on proforma consolidated balance sheets

*(Prepared for inclusion in this Prospectus)*

PRICEWATERHOUSECOOPERS

**PricewaterhouseCoopers**
**(AF 1146)**
**Chartered Accountants**
9th Floor Bangunan BINAMAS
Jalan Padungan
P O Box 2864
93756 Kuching, Sarawak, Malaysia
Telephone: 082-413 957/413 958
Facsimile: 082-412 644

The Board of Directors
Sarawak Plantation Berhad
8th Floor, Wisma Naim
Jalan Rock
93200 Kuching
Sarawak

11 July 2007

PwC/JR/TCK/ps/1597J

Dear Sirs

**SARAWAK PLANTATION BERHAD**
**PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007**

1 We report on the proforma consolidated balance sheets as at 31 March 2007, of Sarawak Plantation Berhad ("SPB") and its subsidiaries ("SPB Group"), together with the notes thereon, for which the Directors are solely responsible, as set out in the accompanying statement (which we have stamped for the purpose of identification) as referred to in Appendix I.

2 The proforma consolidated balance sheets have been prepared for illustrative purposes only, for inclusion in the Prospectus to be dated 7 August 2007 in connection with the listing of SPB on the Main Board of Bursa Malaysia Securities Berhad.

**Responsibilities**

3 It is the responsibility solely of the directors of SPB to prepare the proforma consolidated balance sheets in accordance with the requirements of the Prospectus Guidelines in respect of Public Offerings issued by the Securities Commission ("Prospectus Guidelines").

4 It is our responsibility to form an opinion as required by the Prospectus Guidelines on the proforma consolidated balance sheets and our report is given to you solely for this and no other purpose.

5 In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information in Appendix I used in the compilation of the proforma consolidated balance sheets, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

PRICEWATERHOUSECOOPERS

**The Board of Directors**
**Sarawak Plantation Berhad**
**PwC/JR/TCK/ps/1597J**
**11 July 2007**

**Basis of opinion**

6 Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information in the Appendix with the audited interim consolidated balance sheet of the Group as at 31 March 2007, considering the evidence supporting the adjustments and discussing the proforma consolidated balance sheets with the directors of the Group.

7 As the proforma consolidated balance sheets are prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Proposal on the financial position of the Group had the transaction or event occurred at the balance sheet date. Further, such information does not purport to predict the Group's future financial position.

**Opinion**

8 In our opinion:

(a) the proforma consolidated balance sheets have been properly compiled on the bases set out in the Notes thereon and such bases are consistent with the accounting policies adopted by the Group; and

(b) each material adjustment set out in Note 4 is appropriate for the purpose of preparing the proforma consolidated balance sheets.

Yours faithfully

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

JAYARAJAN a/l U. RATHINASAMY
(No. 2059/06/08 (J))
Partner of the firm

(2)

APPENDIX
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## SARAWAK PLANTATION BERHAD

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007

The proforma consolidated balance sheets of Sarawak Plantation Berhad ("SPB") as set out below have been prepared, solely for illustrative purposes, to show the effects on the audited interim consolidated balance sheet of SPB Group as at 31 March 2007 had the Listing Scheme as set out in Note 1, adoption of a accounting policy as set out in Note 2 and adjustments made as set out in Note 4 been effected on that date.

| | | Listing Scheme | | | |
|---|---|---|---|---|---|
| | | Completed Transactions | | | Proposal |
| | | Proforma I | Proforma II | Proforma IV | Proforma V |
| | Audited Consolidated Balance sheet as at 31.3.2007 | After Dividend Payment | After Proforma I and Employee Share Scheme ("ESS") | After Proforma III and Bonus Issue | After Proforma IV and Proposed Offer for Sale and Public Issue of Ordinary Shares |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 154,715 | 154,715 | 154,715 | 154,715 | 164,715 |
| Prepaid lease rental | 8,049 | 8,049 | 8,049 | 8,049 | 8,049 |
| Plantation development expenditure | 209,720 | 209,720 | 209,720 | 209,720 | 229,720 |
| Investment in associates | 25 | 25 | 25 | 25 | 25 |
| Other investments | 1,767 | 1,767 | 1,767 | 1,767 | 1,767 |
| | 374,276 | 374,276 | 374,276 | 374,276 | 404,276 |
| **Current assets** | 133,544 | 73,544 | 73,544 | 73,544 | 129,044 |
| **Less: Current liabilities** | (144,972) | (99,972) | (99,972) | (99,972) | (99,972) |
| **Net current (liabilities)/assets** | (11,428) | (26,428) | (26,428) | (26,428) | 29,072 |
| **Non-current liabilities** | | | | | |
| Deferred tax | (15,755) | (15,755) | (15,755) | (15,755) | (15,755) |
| | 347,093 | 332,093 | 332,093 | 332,093 | 417,593 |

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## SARAWAK PLANTATION BERHAD

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007 (CONTINUED)

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | Listing Scheme | | | |
| | | | | | Completed Transactions | Proposal |
| | | | Proforma I | Proforma II | Proforma IV | Proforma V |
| | Note | Audited Consolidated Balance sheet as at 31.3.2007 | After Dividend Payment | After Proforma I and Employee Share Scheme ("ESS") | After Proforma III and Bonus Issue | After Proforma IV and Proposed Offer for Sale and Public Issue of Ordinary Shares |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Capital and reserves** | | | | | | |
| Share capital | 4 | 135,000 | 135,000 | 135,000 | 250,000 | 280,000 |
| Share premium | 4 | 73,405 | 73,405 | 73,405 | 5,000 | 60,500 |
| Retained earnings | 4 | 137,967 | 122,967 | 122,474 | 75,879 | 75,879 |
| Other reserve | 4 | 0 | 0 | 493 | 493 | 493 |
| Shareholders' equity | | 346,372 | 331,372 | 331,372 | 331,372 | 416,872 |
| Minority interest | | 721 | 721 | 721 | 721 | 721 |
| | | 347,093 | 332,093 | 332,093 | 332,093 | 417,593 |
| Net tangible assets attributable to equity holders of the Company ("NTA") | | 346,372 | 331,372 | 331,372 | 331,372 | 416,872 |
| Number of ordinary shares ('000) | | 135,000 | 135,000 | 135,000 | 250,000 | 280,000 |
| NTA per ordinary share of RM1.00 each (RM) | | 2.57 | 2.45 | 2.45 | 1.33 | 1.49 |

The proforma consolidated balance sheets should be read in conjunction with the accompanying notes.

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## SARAWAK PLANTATION BERHAD

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007 (CONTINUED)

### NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

**1 Listing Scheme**

1.1 The proforma consolidated balance sheets are prepared for Sarawak Plantation Berhad ("SPB") and its subsidiaries ("SPB Group") as at 31 March 2007 in connection with the listing of SPB on the Main Board of Bursa Malaysia Securities Berhad.

Completed Transactions

1.2.1 Dividend

SPB Group had recommended a net dividend of RM125,000,000 for the financial year ended 31 December 2005. The Company had recommended an additional dividend of RM15,000,000 after the approval of the Securities Commission ("SC"), to make up to a total of RM140,000,000.

A net dividend of RM80,000,000 had been paid to SPB's existing shareholders on 8 August 2006 during the financial year ended 31 December 2006. As such, the remaining net dividend of RM60,000,000 forms part of SPB's listing scheme which was approved by the SC via its letter dated 2 February 2007. The remaining net dividend of RM60,000,000 had been paid on 21 May 2007.

1.2.2 Employee Share Scheme

Cermat Ceria Sdn Bhd ("CCSB"), State Financial Secretary ("SFS") and Sarawak Land Development Board ("SLDB"), collectively known as the Offerors, together with SPB implemented a share scheme for the employees of SPB and its subsidiaries. The Employee Share Scheme ("ESS") involved the sale of 135,000 ordinary shares of RM1.00 each of SPB by the Offerors, on a proportionate basis to their then existing shareholdings in SPB to the eligible employees of SPB and its subsidiaries.

The Offerors offered a total of 135,000 ordinary shares of RM1.00 each to certain employees of SPB and its subsidiaries at the offer price of RM1.90 per ordinary share as part of a reward and incentive scheme for employees.

The ordinary shares under the ESS are not entitled to the Dividend as disclosed in Note 1.2.1 but entitled to the Bonus Issue as disclosed in Note 1.2.4.

These employees will not be eligible to participate in the Offer for Sale on those shares allocated for employees of SPB and its subsidiaries.

The ESS was completed on 18 June 2007.

## SARAWAK PLANTATION BERHAD

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007 (CONTINUED)

### NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

**1 Listing Scheme (continued)**

Completed Transactions (continued)

1.2.3 State Financial Secretary Divestment (SFS Divestment)

One of SPB's substantial shareholders, SFS, had on 19 June 2007 (which is after the Dividend and ESS have been completed but prior to the implementation of the Bonus Issue), disposed of its 18,800,001 ordinary shares of RM1.00 each to the following persons at the price of RM2.00 per share:

| | No. of ordinary shares of RM1.00 each |
|---|---|
| Dayak Cultural Foundation | 6,266,667 |
| Yayasan Budaya Melayu Sarawak | 6,266,667 |
| Yayasan Sarawak | 6,266,667 |
| | 18,800,001 |

The ordinary shares under the SFS Divestment are not entitled to the Dividend as disclosed in Note 1.2.1 but entitled to the Bonus Issue as disclosed in Note 1.2.4.These shareholders will not participate in the Offer for Sale.

1.2.4 Bonus Issue

Subsequent to the ESS and SFS Divestment, SPB had implemented a Bonus Issue of 115,000,000 new ordinary shares of RM1.00 each to be issued to all the shareholders of SPB then on the basis of about 0.85 bonus share for every one (1) ordinary share held.

After the completion of the Bonus Issue, the issued and paid-up share capital of SPB increased from RM135,000,000 comprising 135,000,000 ordinary shares of RM1.00 each to RM250,000,000 comprising 250,000,000 ordinary shares of RM1.00 each.

The Bonus Issue was capitalised partly from the share premium and retained earnings of SPB.

The bonus shares rank equally in all respects with the existing ordinary shares of the Company.

The Bonus Issue was completed on 5 July 2007.

## SARAWAK PLANTATION BERHAD

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007 (CONTINUED)

### NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

**1 Listing Scheme (continued)**

Proposal

1.3.1 Initial Public Offering ("IPO")

(i) Offer for Sale

The Offerors are undertaking an offer for sale of a total of 39,750,000 ordinary shares of RM1.00 each in SPB at an offer price of RM3.00 per ordinary share.

The Offer for Sale will be carried out concurrently with the Public Issue.

(ii) Public Issue

The Public Issue comprises the issuance of 30,000,000 new ordinary shares of RM1.00 each in SPB at an issue price of RM3.00 per ordinary share. The gross proceeds from the Public Issue of RM90,000,000, will be received on the date of listing of SPB shares on the Main Board of Bursa Malaysia Securities Berhad, expected to be on 28 August 2007. The proceeds from the Public Issue of RM90,000,000, will be used for the following purposes:

| Description | RM | RM |
|---|---|---|
| **Capital Expenditure** | | |
| Construction of staff quarters and other buildings | 5,000,000 | |
| Construction of estate infrastructure including roads and drainage | 5,000,000 | |
| Plantation development expenditure | 20,000,000 | 30,000,000 |
| Working capital purposes of the Group's core business | | 55,500,000 |
| Estimated share issue expenses | | *4,500,000 |
| | | 90,000,000 |

Note:

* For any increase or decrease in the utilisation of proceeds relating to capital expenditure and/or estimated share issue expenses, utilisation for working capital purposes of the Group's core business will increase or decrease correspondingly. The estimated share issue expenses of RM4,500,000 will be debited against the share premium account.

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## SARAWAK PLANTATION BERHAD

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007 (CONTINUED)

### NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

### 1 Listing Scheme (continued)

Completed transactions and proposal (continued)

Proposals (continued)

1.3.2 Listing

Upon completion of the Dividend, ESS, SFS Divestment, Bonus Issue and Initial Public Offering, the entire enlarged issued and paid-up share capital of SPB of RM280,000,000 comprising 280,000,000 ordinary shares of RM1.00 each are to be listed and quoted on the Main Board of Bursa Malaysia Securities Berhad.

### 2 Basis of preparation

The proforma consolidated balance sheets have been prepared using SPB's Group accounting policies which were adopted in the preparation of the audited interim financial statements for the financial period ended 31 March 2007 and a new accounting policy adopted to comply with the approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") for Entities other than Private Entities as set out below:

FRS 2: Share based payment

To comply with FRS 2: Share based payment, SPB had recognised a reserve upon the sale of shares in SPB by its shareholders to employees in respect of the ESS. This new policy had been adopted in respect of the ESS.

The reserve and expense recognized in the profit and loss is the difference in the fair value of the shares granted to employees and the fair value received by the Offerors, in exchange for the shares.

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## SARAWAK PLANTATION BERHAD

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007 (CONTINUED)

### NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

### 3 Effects on the proforma consolidated balance sheets

3.1 The proforma consolidated balance sheets incorporate the effects on audited interim consolidated balance sheet of SPB Group as at 31 March 2007 and the Listing Scheme as though the listing scheme had been effected on that date.

3.2 Proforma I incorporates the effects of the payment of a dividend of RM60,000,000 which had been paid to the then existing shareholders of SPB on 21 May 2007. This represents the remaining net final dividends of RM45,000,000 in respect of the financial year ended 31 December 2005 and the final net dividend of RM15,000,000 in respect of the financial year ended 31 December 2006.

3.3 Proforma II incorporates the effects of Proforma I and ESS as disclosed in Note 1.2.2.

3.4 Proforma III incorporates the effects of Proforma II and SFS Divestment as disclosed in Note 1.2.3. The SFS Divestment of SPB shares does not have any impact on the proforma consolidated balance sheets of SPB.

3.5 Proforma IV incorporates the effects of Proforma III and a bonus issue of 115,000,000 new SPB shares of RM1.00 each to all the existing shareholders of SPB on the basis of about 0.85 new SPB Shares for every one (1) SPB share held as disclosed in Note 1.2.4.

The Bonus Issue was be capitalised partly from the retained earnings and partly from the share premium of SPB.

3.6 Proforma V incorporates the effects of Proforma IV and Offer for Sale by the existing shareholders and Public Issue of 30,000,000 ordinary shares with a par value of RM1.00 at an issue price of RM3.00 per ordinary share as disclosed in Notes 1.3.1(ii) and 1.3.1 (iii) respectively.

The Offer for Sale by existing shareholders does not have any impact on the proforma consolidated balance sheets of SPB.

For purposes of this proforma, gross proceeds from the Public Issue will be utilised as set out below:

| | RM'000 |
|---|---|
| Construction of staff quarters and other buildings | 5,000 |
| Construction of estate infrastructure including roads and drainage | 5,000 |
| Plantation development expenditure | 20,000 |
| | 30,000 |
| Working capital purposes of the Group's core business | 55,500 |
| Estimated share issue expenses | 4,500 |
| | 90,000 |

The estimated share issue expenses of RM4,500,000 would be debited against the share premium account.

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## SARAWAK PLANTATION BERHAD

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007 (CONTINUED)

### NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

**4 Share capital, share premium, retained earnings and other reserve**

Movements in the issued and paid up share capital, share premium, retained earnings and other reserve of SPB are as follows:

| | Note | Share capital RM'000 | Share premium RM'000 | Retained earnings RM'000 | Other reserve RM'000 |
|---|---|---|---|---|---|
| As at 31 March 2007 | | 135,000 | 73,405 | 137,967 | 0 |
| Dividend | 3.2 | 0 | 0 | (15,000) | 0 |
| As shown in Proforma I | | 135,000 | 73,405 | 122,967 | 0 |
| ESS | 3.3 | 0 | 0 | (493) | 493 |
| As shown in Proforma II | | 135,000 | 73,405 | 122,474 | 493 |
| Bonus issue of 115,000,000 new SPB shares of RM1.00 each on the basis of about 0.85 new SPB shares of RM1.00 each for every one (1) SPB share held | 3.5 | 115,000 | (68,405) | (46,595) | 0 |
| As shown in Proforma IV | | 250,000 | 5,000 | 75,879 | 493 |
| Offer for Sale and Public Issue of ordinary shares | 3.6 | 30,000 | 55,500 | 0 | 0 |
| As shown in Proforma V | | 280,000 | 60,500 | 75,879 | 493 |

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Chartered Accountants

## SARAWAK PLANTATION BERHAD

## PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007 (CONTINUED)

**APPROVAL BY BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors of Sarawak Plantation Berhad in accordance with a resolution dated 11 July 2007.

| | |
|---|---|
| DATUK HASMI BIN HASNAN<br>CHAIRMAN<br>SARAWAK PLANTATION BERHAD | HAJI MOHAMAD BOLHAIR BIN REDUAN<br>GROUP MANAGING DIRECTOR<br>SARAWAK PLANTATION BERHAD |

## 14.3 Consolidated cash flow statements

We have prepared our consolidated cash flow statements below for illustrative purposes only, based on our Group's unaudited consolidated cash flow statement for the three (3) months financial period ended 31 March 2006 and audited consolidated cash flow statement for the three (3) months financial period ended 31 March 2007.

You should read the financial information presented below together with the Accountants' Report as set out in Section 16.

| Three (3) months financial period ended | <---Unaudited--><br>31 March 2006<br>RM 000 | <---Audited--><br>31 March 2007<br>RM 000 |
|---|---|---|
| **Operating activities** | | |
| Net profit for the financial period | 67,300 | 5,721 |
| Adjustments for: | | |
| Property, plant and equipment | | |
| - depreciation | 2,575 | 2,749 |
| - Amortisation of prepaid lease rental | 49 | 49 |
| Net gain on disposal of quoted investments | (62,128) | (82) |
| Interest income | (349) | (613) |
| Gross dividend income | (27) | (20) |
| Interest expense | 285 | 314 |
| Write back for impairment in value of quoted investments | - | (309) |
| Tax | 1,592 | 1,261 |
| | 9,297 | 9,070 |
| Changes in working capital: | | |
| Inventories | (862) | (256) |
| Receivables | 1,119 | 757 |
| Payables | (8,376) | (11,004) |
| | 1,178 | (1,433) |
| Dividend received | 27 | 19 |
| Tax refund | - | 209 |
| Tax paid | (1,184) | (408) |
| Interest received | 497 | 640 |
| Interest paid | (285) | (633) |
| Net cash generated from/(used in) operating activities | 233 | (1,606) |
| **Investing activities** | | |
| Net (purchases)/proceeds on disposal of quoted investments | 71,446 | (86) |
| Purchase of property, plant and equipment | - | (3,106) |
| Plantation development expenditure (net of depreciation and interest capitalised) | (916) | (722) |
| Net cash generated from/(used in) investing activities | 70,530 | (3,914) |

| Three (3) months financial period ended | <---Unaudited--> 31 March 2006 RM 000 | <---Audited--> 31 March 2007 RM 000 |
|---|---|---|
| **Financing activities** | | |
| Repayment of term loan | (3,572) | (3,564) |
| Net cash flow used in financing activities | (3,572) | (3,564) |
| **Net change in cash and cash equivalents during the financial period** | 67,191 | (9,084) |
| **Cash and cash equivalents at beginning of the financial period** | 72,413 | 104,357 |
| **Cash and cash equivalents at end of the financial period** | **139,604** | **95,273** |

## 14.4 Working capital, borrowings, contingent liabilities, material capital commitment and material litigation

### 14.4.1 Working capital

Our Group's cash flow for the financial year ended 31 December 2006 and the three (3) months financial period ended 31 March 2007 are set out below:

| Financial year/Three (3) months financial period ended | 31 December 2006 RM 000 | 31 March 2007 RM 000 |
|---|---|---|
| Net cash generated from/(used in) operating activities | 34,627 | (1,606) |
| Net cash generated from/(used in) investing activities | 41,605 | (3,914) |
| Net cash flow used in financing activities | (44,288) | (3,564) |
| Net increase/(decrease) in cash and cash equivalents during the financial year/period | 31,944 | (9,084) |
| Cash and cash equivalents at the beginning of the financial year/period | 72,413 | 104,357 |
| Cash and cash equivalents at the end of the financial year/period | 104,357 | 95,273 |

Our Board believes that, after taking into consideration our cash flow position shown above, the payment of the Dividend and the proceeds to be received from the Public Issue of RM90 million, our Group has sufficient working capital for a period of twelve (12) months from the date of this Prospectus.

### 14.4.2 Borrowings

The table below sets forth the details of our borrowings as at 30 June 2007, all of which are interest bearing and none of which are foreign borrowings:

| | RM 000 |
|---|---|
| Short-term borrowings | 50,000 |
| Long-term borrowings | - |
| **Total borrowings** | 50,000 |
| Gearing ratio (times)[1] | 0.14 |
| Proforma gearing ratio (times)[2] | 0.12 |

***Notes:***

*(1) Based on shareholders' funds as at 31 March 2007 of RM346.37 million.*

*(2) Based on the proforma shareholders' funds upon listing of RM416.87 million.*

We have not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past financial year ended 31 December 2006 and the subsequent period thereof immediately preceding the date of this Prospectus.

### 14.4.3 Contingent liabilities

As at the Latest Practicable Date, our Board is not aware of any material contingent liabilities (for which the liabilities have not been provided for in our financial statements) that upon materialisation, may have a material effect on our financial results/position.

### 14.4.4 Material capital commitment

Save as disclosed below, as at 30 June 2007, our Board is not aware of any material capital commitment incurred by us that has not been provided for, which upon becoming enforceable, may have a material effect on our financial results/position.

| | RM 000 |
|---|---|
| **Capital expenditure:** | |
| Authorised and contracted for | 50,787 |
| Authorised but not contracted for | 40,391 |
| | 91,178 |
| **Analysed as follows:** | |
| Property, plant and equipment | 80,601 |
| Plantation development expenditure | 10,577 |
| | 91,178 |

### 14.4.5 Material litigation

Save as disclosed in Section 18.5, as at the Latest Practicable Date, our Company and our subsidiaries are not engaged 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 or any of our subsidiaries or any of its facts likely to give rise to any proceedings which might materially affect the position of our Company and any of our subsidiaries.

## 14.5 Trade receivables and trade payables ageing analysis

We summarised below the trade receivables and trade payables ageing analysis as at 31 March 2007 and 31 March 2006:

| | Within credit period | <--------Exceeding credit period--------> | | | |
|---|---|---|---|---|---|
| | 0-30 days | 31-60 days | 61-90 days | > 90 days | Total |
| | RM 000 | RM 000 | RM 000 | RM 000 | RM 000 |
| **31 March 2006** | | | | | |
| Trade receivables | 2,535 | 819 | 9 | 11 | 3,374 |
| Trade payables | 3,803 | 408 | 1,677 | 1,018 | 6,906 |
| **31 March 2007** | | | | | |
| Trade receivables | 4,426 | 2 | 9 | 327 | 4,764 |
| Trade payables | 6,367 | 1,460 | 152 | 2,064 | 10,043 |

***Note:***

* *less than RM1,000.*

**Comments:**

Credit terms given to customers by our Group ranged from 7 to 30 days whereas credit terms given by the creditors to our Group vary from cash term to credit of 30 days. However, our creditors generally allow our Group the flexibility to pay beyond the credit terms given because of the long standing business relationship.

Trade receivables balance increased from RM3.4 million as at 31 March 2006 to RM4.8 million as at 31 March 2007 primarily due to higher selling prices of CPO and PK coupled with higher FFB sales volume to third party.

Trade payables balance increased from RM6.9 million as at 31 March 2006 to RM10.0 million as at 31 March 2007 mainly attributed to acquisition of static plant and equipment for Niah Mill upgrading and purchase of mobile equipment.

### 14.6 Declaration on financial performance, position and operations

Save as disclosed in this Prospectus, as at the date of this Prospectus, our financial performance, position and operations are not affected by the following:

(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 our financial performance, position and operations;

(ii) Other material commitments for capital expenditure;

(iii) Unusual or infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations; and

(iv) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of our future financial performance and position.

### 14.7 Management's discussion and analysis of financial condition and results of operations

We set out below discussion and analysis of our consolidated financial condition and results of operations for each of the three (3) financial years ended 31 December 2004, 2005 and 2006, unaudited consolidated results for the three (3) months period ended 31 March 2006 and audited consolidated results for the three (3) months period ended 31 March 2007. This discussion and analysis contains data derived from the Accountants' Report as set out in Section 16 after incorporating restatements which the management considers necessary for a fair presentation of the data for such years.

#### 14.7.1 Overview

Our Company was incorporated in Malaysia on 28 October 1997, under the Act as a private limited company under the name of Sarawak Plantation Sdn Bhd. The Company was converted into a public company on 1 February 2000 and assumed its present name. SPB was specially incorporated as the vehicle company for the privatisation of SLDB's assets.

Our Group is one of the main players in oil palm plantation in Sarawak. There are two (2) core divisions, namely plantation division which produces FFB, and the milling division which processes FFB into CPO and PK. As at the Latest Practicable Date, we have thirteen (13) oil palm estates and two (2) palm oil mills which are located within proximity of our plantations.

In response to the State Government's policy on NCR Land development, our Group through our subsidiary, TTSB, has started to develop 1,855 Ha of NCR land in Sarawak into oil palm plantation. Currently, this 1,855 Ha of NCR land have been fully planted and currently in production.

To cater for the rising FFB production from our plantations, we have upgraded the processing capacity from 25 MT per hour to 60 MT per hour at our Mukah Mill in year 2004 and in the process of upgrading the processing capacity at Niah Mill from 60 MT per hour to 120 MT per hour and expects to complete in year 2007.

The intake of FFB of our two (2) mills for the past three (3) financial years ended 31 December 2006, three (3) months periods ended 31 March 2006 and 31 March 2007 respectively are as follows:

| Intake of FFB (MT) | <---Year ended 31 December---> | | | For three (3) months period ended 31 March | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006 | 2007 |
| **Mill Throughput:** | | | | | |
| Niah Mill | 317,314 | 329,238 | 314,743 | 72,240 | 60,576 |
| Mukah Mill | 97,748 | 99,813 | 91,161 | 17,486 | 13,084 |
| **Total** | **415,062** | **429,051** | **405,904** | **89,726** | **73,660** |
| **FFB processed:** | | | | | |
| Own - SPAD | 364,773 | 347,118 | 322,911 | 70,649 | 58,962 |
| Own - TTSB | 10,256 | 19,049 | 9,409 | 4,393 | - |
| Purchase from third parties | 40,033 | 62,884 | 73,583 | 14,684 | 14,698 |
| **Total** | **415,062** | **429,051** | **405,904** | **89,726** | **73,660** |

Further details of our operations are set out in Section 8.

### 14.7.2 Revenue

Our Group's revenue is principally derived from the sale of oil palm products which include CPO, PK and FFB. Sale of oil palm products represents approximately 99% of our Group's total revenue over the years. Our oil palm products are sold to refiners, feedmillers and poultry farms in Sarawak. The main buyer of CPO and PK is BEO, which we believe is currently one of the largest oil refiners and PK crushers in Sarawak, whereas FFB are sold to mills nearby our estates.

Our Group also derives a very small percentage of revenue from other business activities that relate to provision of agronomic services.

In addition, dividends received from an investment in a quoted security formed part of the revenue. However, this quoted investment was disposed off in February 2006.

The table below sets forth the breakdown of our Group's revenue by activity and by company and the percentages that they represent as a proportion of total revenue for the respective periods:

**By activity**

| | <-------------Financial year ended 31 December-------------> | | | | | | For three (3) months period ended <-----------------31 March---------------> | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | | 2005 | | 2006 | | 2006 | | 2007 | |
| **Revenue** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** |
| Sale of oil palm products | (1)159,902 | 98.56 | 147,344 | 98.44 | 142,289 | 99.94 | 29,196 | 99.93 | 32,899 | 99.89 |
| Dividends from quoted investment | 2,282 | 1.41 | 2,282 | 1.52 | - | - | - | - | - | - |
| Agronomic services | 47 | 0.03 | 60 | 0.04 | 83 | 0.06 | 21 | 0.07 | 38 | 0.11 |
| Management services | - | - | - | - | - | - | - | - | - | - |
| **Total** | **162,231** | **100.00** | **149,686** | **100.00** | **142,372** | **100.00** | **29,217** | **100.00** | **32,937** | **100.00** |

### By company

| | <-------Financial year ended 31 December-------> | | | | | | For three (3) months period ended <------31 March------> | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | | 2005 | | 2006 | | 2006 | | 2007 | |
| **Revenue** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** |
| SPB | 2,282 | 1.41 | 2,282 | 1.52 | - | - | - | - | - | - |
| SPAD | 159,498 | 98.32 | 147,344 | 98.44 | 142,289 | 99.94 | 29,196 | 99.93 | 31,277 | 94.96 |
| SPPH | - | - | - | - | - | - | - | - | - | - |
| SPS | 47 | 0.03 | 60 | 0.04 | 83 | 0.06 | 21 | 0.07 | 38 | 0.11 |
| Lionsun | - | - | - | - | - | - | - | - | - | - |
| Azaria | - | - | - | - | - | - | - | - | - | - |
| Cayamas | - | - | - | - | - | - | - | - | - | - |
| SPS Trading | - | - | - | - | - | - | - | - | - | - |
| TTSB | 404 | 0.24 | - | - | - | - | - | - | 1,622 | 4.93 |
| Wonderland | - | - | - | - | - | - | - | - | - | - |
| Sarateak | - | - | - | - | - | - | - | - | - | - |
| **Total** | **162,231** | **100.00** | **149,686** | **100.00** | **142,372** | **100.00** | **29,217** | **100.00** | **32,937** | **100.00** |

***Note:***

*(1) Included in sales of oil palm products in year 2004 was the revenue received of RM40,820 generated from the sale of rubber products from the 87 Ha unalienated rubber estate land in Melugu. We tapped rubber from this land only in 2004 and not in any other years up to the date of this Prospectus. The said rubber estate had been abandoned in 2005. However, the production of rubber latex is not the core business of our Group and its contribution to our Group's results was immaterial.*

SPAD, as the major subsidiary of our Group, which is principally involved in the cultivation of oil palm and production of CPO and PK, generates the highest revenue to the Group. Over the years/periods under review, generally, CPO represents approximately 83% to 87% of the total sales of oil palm products, whilst PK and FFB represent about 11% to 16% and about 1% to 2% respectively.

Revenue from sale of oil palm products is sensitive to the selling price and sales volume. Selling price is sensitive to supply and demand of the global oil and fats market and the demand of our Group's products, namely CPO and PK. Our Group's sales volume is a function of our production volume. Our production volume is dependent on the quantity of crops harvested from our plantations and a small percentage of crops purchased from other plantations and smallholders. FFB production in turn is dependent upon many factors such as age profile of the plantations, palm density and condition, known trends such as the production stress cycle as well as effects of weather conditions.

The details of our Group's weighted average mature plantation hectarage, FFB production and weighted production yield for the three (3) years ended 31 December 2006 and for the three (3) months period ended 31 March 2006 and 2007 are as follows:

| | <----Year ended 31 December----> | | | For three (3) months period ended 31 March | |
|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2006** | **2007** |
| **Gross weighted average mature hectarage (Ha)** | | | | | |
| - Old mature | 4,713 | 2,999 | 2,561 | 2,561 | 2,561 |
| - Prime mature | 11,395 | 12,031 | 13,482 | 12,756 | 16,491 |
| - Young mature | 6,075 | 5,908 | 5,439 | 6,399 | 2,479 |
| **Total** | **22,183** | **20,938** | **21,482** | **21,716** | **21,531** |
| Less: Roads, utilities etc. | 1,391 | 1,312 | 1,347 | 1,360 | 1,349 |
| **Net weighted average mature hectarage (Ha)** | **20,792** | **19,626** | **20,135** | **20,356** | **20,182** |
| **FFB production (MT)** | | | | | |
| - Old mature | 76,485 | 46,458 | 22,992 | 5,956 | 3,019 |
| - Prime mature | 237,042 | 228,659 | 249,405 | 49,698 | 52,517 |
| - Young mature | 61,793 | 65,807 | 49,730 | 13,621 | 4,725 |
| - Underplanting | 10,148 | 33,390 | 29,555 | 7,147 | 3,788 |
| **Total** | **385,468** | **374,314** | **351,682** | **76,422** | **64,049** |
| **Yield (FFB production / net weighted average mature hectarage)** | | | | | |
| - Old Mature | 17.32 | 16.53 | 9.58 | 2.33 | 1.18 |
| - Prime Mature | 22.20 | 23.25 | 19.74 | 4.46 | 3.41 |
| - Young Mature | 10.85 | 11.87 | 9.75 | 2.13 | 1.91 |
| - **Average** | **18.54** | **19.07** | **17.47** | **3.75** | **3.17** |

Both CPO and PK prices have a significant impact on the price of FFB because of the industry's pricing mechanism.

The table below sets forth our average selling price by products for the years/periods under review:

| | <- Financial year ended 31 December -> | | | For three (3) months period ended 31 March | |
|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2006** | **2007** |
| **Average prices** | **RM** | **RM** | **RM** | **RM** | **RM** |
| CPO per MT | 1,608 | 1,365 | 1,485 | 1,392 | 1,863 |
| PK per MT | 974 | 923 | 811 | 897 | 1,009 |
| FFB per MT | 274 | 216 | 265 | 214 | 359 |

It must be noted that our average selling price may not be identical to the average market price due to the daily fluctuation of prices during the year and our average selling prices will very much depend upon the days on which we carry out our sales.

### 14.7.3 Cost of sales

Our total cost of sales consists primarily of direct and indirect costs that are related to the cultivation of oil palm and processing of FFB into CPO and PK. Historically, direct and indirect costs that are related to the cultivation of oil palm and processing of FFB have accounted for the majority of our total cost of sales and in line with the fact that most of our revenue is derived from the sale of oil palm products.

Direct and indirect costs that are related to the cultivation of oil palm, i.e. estate direct and indirect costs, primarily consists of mature upkeep, manuring, harvesting, transportation, depreciation and other estate administration expenses. Meanwhile, direct and indirect costs that are related to the processing of FFB, i.e. mill direct and indirect costs, comprise primarily maintenance, electrical, consumables, purchase costs of FFB from other smallholders, manpower costs, depreciation and other mill administration expenses.

The table below sets forth the breakdown of our Group's cost of sales by activity and by company and the percentages that they represent as a proportion of total cost of sales for the respective periods:

**By activity**

| | <--------------Financial year ended 31 December-----------------> | | | | | | For three (3) months period ended <------------------31 March----------------> | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | | 2005 | | 2006 | | 2006 | | 2007 | |
| **Cost of sales** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** |
| Sale of oil palm products | (1)72,253 | 100.00 | 86,829 | 100.00 | 89,244 | 100.00 | 17,299 | 100 | 19,312 | 100 |
| Dividends from quoted investment | - | - | - | - | - | - | - | - | - | - |
| Agronomic services | - | - | - | - | - | - | - | - | - | - |
| Management services | - | - | - | - | - | - | - | - | - | - |
| **Total** | **72,253** | **100.00** | **86,829** | **100.00** | **89,244** | **100.00** | **17,299** | **100.00** | **19,312** | **100.00** |

**By company**

| | <----Financial year ended 31 December----> | | | | | | For three (3) months period ended <----31 March----> | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | | 2005 | | 2006 | | 2006 | | 2007 | |
| **Cost of sales** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** | **RM 000** | **%** |
| SPB | - | - | - | - | - | - | - | - | - | - |
| SPAD | 69,949 | 96.81 | 82,764 | 95.32 | 86,571 | 97.00 | 17,326 | 100.16 | 18,534 | 95.97 |
| SPPH | - | - | - | - | - | - | - | - | - | - |
| SPS | - | - | - | - | - | - | - | - | - | - |
| Lionsun | - | - | - | - | - | - | - | - | - | - |
| Azaria | - | - | - | - | - | - | - | - | - | - |
| Cayamas | - | - | - | - | - | - | - | - | - | - |
| SPS Trading | - | - | - | - | - | - | - | - | - | - |
| TTSB | 2,304 | 3.19 | 4,065 | 4.68 | 2,673 | 3.00 | (27) | (0.16) | 778 | 4.03 |
| Wonderland | - | - | - | - | - | - | - | - | - | - |
| Sarateak | - | - | - | - | - | - | - | - | - | - |
| **Total** | **72,253** | **100.00** | **86,829** | **100.00** | **89,244** | **100.00** | **17,299** | **100.00** | **19,312** | **100.00** |

***Note:***

*(1)* *Included in cost of sales of oil palm products in year 2004 was the costs incurred amounting to RM65,353 with regard to the 87 Ha unalienated rubber estate land in Melugu. We tapped rubber from this land only in 2004 and not in any other years up to the date of this Prospectus. The said rubber estate had been abandoned in 2005. However, the production of rubber latex is not the core business of our Group and its contribution to our Group's results were immaterial.*

Our cost of sales have increased steadily over the years in line with the increased level of activities and plantation hectarage.

### 14.7.4 Gross profit and gross profit margin

Our Group's gross profit comprise mainly of gross profit derived from the sales of oil palm products and dividend income.

Historically, gross profit derived from our sales of CPO and PK has been by far the main contributor to our total gross profit whilst dividend income from quoted investment has contributed positively to our results.

The tables below sets forth the breakdown of our Group's gross profit by activity and by company and the percentages that they represent as a proportion of total gross profit for the respective periods:

### By activity

| Gross Profit | 2004 RM 000 | 2004 % | 2005 RM 000 | 2005 % | 2006 RM 000 | 2006 % | 31 March 2006 RM 000 | 31 March 2006 % | 31 March 2007 RM 000 | 31 March 2007 % |
|---|---|---|---|---|---|---|---|---|---|---|
| | <-Financial year ended 31 December-> | | | | | | For three (3) months period ended <-31 March-> | | | |
| Sale of oil palm products | [(1)]87,649 | 97.41 | 60,515 | 96.27 | 53,045 | 99.84 | 11,897 | 99.83 | 13,587 | 99.72 |
| Dividends from quoted investment | 2,282 | 2.54 | 2,282 | 3.63 | - | - | - | - | - | - |
| Agronomic services | 47 | 0.05 | 60 | 0.10 | 83 | 0.16 | 21 | 0.17 | 38 | 0.28 |
| Management services | - | - | - | - | - | - | - | - | - | - |
| **Total** | **89,978** | **100.00** | **62,857** | **100.00** | **53,128** | **100.00** | **11,918** | **100.00** | **13,625** | **100.00** |

### By company

| Gross Profit | 2004 RM 000 | 2004 % | 2005 RM 000 | 2005 % | 2006 RM 000 | 2006 % | 31 March 2006 RM 000 | 31 March 2006 % | 31 March 2007 RM 000 | 31 March 2007 % |
|---|---|---|---|---|---|---|---|---|---|---|
| | <-Financial year ended 31 December-> | | | | | | For three (3) months period ended <-31 March-> | | | |
| SPB | 2,282 | 2.54 | 2,282 | 3.63 | - | - | - | - | - | - |
| SPAD | 89,549 | 99.52 | 64,580 | 102.74 | 55,718 | 104.87 | 11,870 | 99.60 | 12,743 | 93.53 |
| SPPH | - | - | - | - | - | - | - | - | - | - |
| SPS | 47 | 0.05 | 60 | 0.10 | 83 | 0.16 | 21 | 0.17 | 38 | 0.28 |
| Lionsun | - | - | - | - | - | - | - | - | - | - |
| Azaria | - | - | - | - | - | - | - | - | - | - |
| Cayamas | - | - | - | - | - | - | - | - | - | - |
| SPS Trading | - | - | - | - | - | - | - | - | - | - |
| TTSB | (1,900) | (2.11) | (4,065) | (6.47) | (2,673) | (5.03) | 27 | 0.23 | 844 | 6.19 |
| Wonderland | - | - | - | - | - | - | - | - | - | - |
| Sarateak | - | - | - | - | - | - | - | - | - | - |
| **Total** | **89,978** | **100.00** | **62,857** | **100.00** | **53,128** | **100.00** | **11,918** | **100.00** | **13,625** | **100.00** |

***Note:***

*(1) Included in gross profit for the sale of oil palm products in year 2004 was the gross loss of RM24,533 generated from the trading of rubber products from the 87 Ha unalienated rubber estate land in Melugu. We tapped rubber from this land only in 2004 and not in any other years up to the date of this Prospectus. The said rubber estate had been abandoned in 2005. However, the production of rubber latex is not the core business of our Group and its contribution to our Group's results was immaterial.*

Our Group recorded gross profit margins of 55%, 42% and 37% for the financial years ended 31 December 2004, 2005 and 2006 respectively and 41% for both the financial periods ended 31 March 2006 and 2007. Revenue is fairly sensitive to the selling price and volume sold of oil palm products which consequently has an impact on gross profit margins. Over the years/periods under review, fluctuations in gross profit margins are generally in line with the fluctuations in average selling price and sales volume of oil palm products.

The table below sets forth the breakdown of our Group's gross profit margin by activity and by company for the respective years under review:

**By activity**

| | <-Financial year ended 31 December-> | | | For three (3) months period ended 31 March | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006 | 2007 |
| **Gross profit margin** | % | % | % | % | % |
| Sale of oil palm products | (1)55 | 42 | 37 | 41 | 41 |
| Dividends from quoted investments | 100 | 100 | - | - | - |
| Agronomic services | *100 | *100 | *100 | *100 | *100 |
| Management services | - | - | - | - | - |
| **Average** | **55** | **42** | **37** | **41** | **41** |

**By company**

| | <-Financial year ended 31 December-> | | | For three (3) months period ended 31 March | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2006 | 2007 |
| **Gross profit margin** | % | % | % | % | % |
| SPB | 100 | 100 | 100 | 100 | 100 |
| SPAD | 56 | 44 | 37 | 41 | 41 |
| SPPH | - | - | - | - | - |
| SPS | *100 | *100 | *100 | *100 | *100 |
| Lionsun | - | - | - | - | - |
| Azaria | - | - | - | - | - |
| Cayamas | - | - | - | - | - |
| SPS Trading | - | - | - | - | - |
| TTSB^ | (470) | - | - | - | - |
| Wonderland | - | - | - | - | - |
| Sarateak | - | - | - | - | - |
| **Average** | **55** | **42** | **37** | **41** | **41** |

***Notes:***

* *The provision for agronomic service does not involve additional costs to be incurred other than the existing costs associated with the ordinary trading activities of our Group.*

^ *Gross loss of TTSB is resulted from the elimination of revenue at Group level as FFB in TTSB is mainly sold to SPAD.*

*(1)* *Included in gross profit margin for the sale of oil palm products in year 2004 was the gross loss of RM24,533 generated from the trading of rubber products from the 87 Ha unalienated rubber estate land in Melugu. We tapped rubber from this land only in 2004 and not in any other years up to the date of this Prospectus. The said rubber estate had been abandoned in 2005. However, the production of rubber latex is not the core business of our Group and its contribution to our Group's results was immaterial.*

### 14.7.5 Year on year/period on period review

**(i) Three (3) months period ended 31 March 2007 compared to three (3) months period ended 31 March 2006**

Revenue

Revenue increased by 13% from RM29.22 million in three (3) months period ended 31 March 2006 to RM32.94 million in three (3) months period ended 31 March 2007.

Higher revenue recorded in period 2007 was mainly attributed to the effect of increase in CPO and PK selling price, being partially offset by decrease in sales volume of CPO and PK.

Average selling price of CPO increased by 34% from RM1,392 per MT in period 2006 to RM1,863 per MT in period 2007. The average selling price of PK increased by 12% from RM897 per MT in period 2006 to RM1,009 per MT in period 2007. CPO and PK prices are largely driven by supply and demand of the global vegetable oil market.

Sales volume for CPO decreased by 19% from 17,614 MT in period 2006 to 14,344 MT in period 2007 whereas sales volume for PK decreased by 9% from 4,740 MT in period 2006 to 4,314 MT in period 2007. The decrease in sales volume was mainly due to the decrease in oil extraction rate for CPO and PK from 20.53% and 5.25% in period 2006 to 19.89% and 4.81% in period 2007, respectively and the decrease of yield per weighted average matured hectarage from 3.75 MT per Ha in period 2006 to 3.17 MT per Ha in period 2007.

Cost of sales

Cost of sales increased by 12% from RM17.30 million in period 2006 to RM19.31 million in period 2007 principally due to increase in estate and mill indirect costs, FFB purchase costs and depreciation charge which were partially offset by decrease in estate direct costs as follows:

(i) increase in estate and mill indirect costs by RM0.63 million was driven largely by salaries costs following higher recruitment related costs of employing workers in estates, the higher number of staff employed in period 2007 and higher mill administrative maintenance costs;

(ii) higher depreciation charge in cost of sales of RM2.33 million in period 2007 as compared to RM2.16 million in period 2006 following completion of housing projects and road upgrading works;

(iii) FFB purchase costs increased by 42% from RM3.95 million in period 2006 to RM5.62 million in period 2007, primarily due to average purchase price increased by 11% from RM343 per MT in period 2006 to RM382 per MT in period 2007. Increase in FFB price was in tandem with the increase in CPO price; and

(iv) decrease in estate direct costs by 8% from RM6.89 million in period 2006 to RM6.32 million in period 2007 following the decline in manuring costs as a result of less manuring application. In addition, lower harvesting cost in line with lower FFB production in period 2007 also contributed to the decrease in estate direct costs.

Gross profit

Our Group's gross profit increased by 14% from RM11.92 million in period 2006 to RM13.63 million in period 2007. Our Group recorded a gross profit margin of 41% in period 2007, consistent with gross profit margin of 41% in period 2006.

Other operating income

Other operating income mainly consists of interest income from short term deposits, rental income and other miscellaneous income.

Other operating income increased from RM0.66 million in period 2006 to RM0.96 million in period 2007 mainly due to the increase in interest income of RM0.26 million derived from the subsequent placement of surplus funds in short term deposits.

Distribution costs

Distribution costs increased by 64% from RM1.07 million in period 2006 to RM1.75 million in period 2007 primarily resulted from the increase in state sales tax in line with the higher CPO prices during the period 2007.

Administrative expenses

Administrative expenses increased by 39% from RM2.99 million in period 2006 to RM4.16 million in period 2007 principally as a result of higher accruals of staff performance incentive in period 2007.

Replanting expenditure

Replanting expenditure in period 2007 mainly related to maintenance of the existing immature replanting areas previously replanted in 2004. There was no significant variance for replanting expenditure incurred in period 2007 as compared to period 2006.

Finance costs

Finance costs in period 2006 was mainly related to term loan interest whilst finance costs in period 2007 was mainly related to revolving credit interest. There was minimal term loan interest in period 2007 following the full settlement of term loan in January 2007.

PBT

PBT of our Group decreased significantly from RM68.89 million in period 2006 to RM6.98 million in period 2007, a decline of 90% primarily due to the gain on Disposal of Investments in Quoted Securities in PPB Oil Palm Berhad of RM62.17 million in period 2006.

Taxation

Effective tax rate in period 2007 of 19% is lower than the statutory tax rate of 27% principally due to utilisation of agricultural allowances being partially offset by the non deductible expenses for tax purposes.

Effective tax rate in period 2006 of 2% is significantly lower than the statutory tax rate of 28% principally due to the non taxable capital gain from the disposal of its investments in quoted securities in PPB Oil Palm Berhad and utilisation of agricultural allowances, being partially offset by the non deductible expenses for tax purposes.

PATAMI

PATAMI decreased by 92% from RM67.46 million in period 2006 to RM5.54 million in period 2007 in line with decrease in PBT.

**(ii) Financial year ended 31 December 2006 compared to financial year ended 31 December 2005**

Revenue

Revenue decreased by 5% from RM149.69 million in year 2005 to RM142.37 million in year 2006.

Lower revenue recorded in year 2006 was mainly attributed to combined effects of the decrease in sales volume of CPO and PK and decline in PK selling price and partially being mitigated by higher CPO selling price.

In addition, there was no dividend income earned from quoted investment in year 2006 following the Disposal of Investments in Quoted Securities in February 2006.

Sales volume for CPO decreased by 10% from 90,497 MT in year 2005 to 81,520 MT in year 2006 whereas sales volume for PK decreased by 20% from 23,836 MT in year 2005 to 19,077 MT in year 2006. The decrease in sales volume was mainly due to the decrease in OER for CPO and PK from 20.78% and 5.42% in year 2005 to 20.71% and 5.13% in year 2006, respectively.

In addition, the lower yield of FFB had also contributed to the decrease in sales volume. Yield per matured hectarage decreased from 19.07 MT per Ha in year 2005 to 17.47 MT per Ha in year 2006 primarily due to commencement of replanting programme in old mature areas coupled with downward trend due to the impact of production stress of the palm during the year. Please refer to section 5.3.3 for further details of production stress.

Average selling price of CPO increased by 9% from RM1,365 per MT to RM1,485 per MT whilst the average selling price of PK decreased by 12% from RM923 per MT to RM811 per MT. CPO and PK prices are largely driven by supply and demand of the global edible oil market.

Cost of sales

Cost of sales increased by 3% from RM86.83 million in year 2005 to RM89.24 million in year 2006 principally due to the following:

(i) Increase in estate direct costs by 1% from RM38.53 million in year 2005 to RM38.96 million in year 2006 was mainly due to higher weeding cost coupled with road and maintenance expenditure incurred to improve accessibility for harvesting and mechanisation in year 2006;

(ii) Increase in estate indirect costs by RM2.89 million was driven largely by recruitment related costs of employing workers in estates, the higher number of staff employed in year 2006 and the increase in transportation costs following the rising of fuel prices and utilities costs;

(iii) Increase in mill direct costs by RM0.9 million was mainly attributable to the higher maintenance costs and consumables for Niah Mill by 24% from the previous year for maintenance of the plant due to more replacement of parts incurred in year 2006; and

(iv) FFB purchase costs increased by 26% from RM16.40 million in year 2005 to RM20.72 million in year 2006 as a result of more FFB purchase in year 2006 as compared to year 2005. FFB purchase increased by 17% from 62,884 MT in year 2005 to 73,583 MT in year 2006 whereas average purchase price increased by 8% from RM261 per MT in year 2005 to RM282 per MT in year 2006. Increase in FFB price was in tandem with the increase in CPO price.

Gross profit

Our Group's gross profit decreased by 15% from RM62.86 million in year 2005 to RM53.13 million in year 2006. Our Group recorded a gross profit margin of 37% in year 2006, a decline of 5% as compared to gross profit margin of 42% in year 2005. The decline in gross profit as well as gross profit margin were mainly due to the combined effects of decrease in revenue and increase in cost of sales as set out above.

Other operating income

Other operating income mainly consists of interest income from short term deposits, rental income and other miscellaneous income.

Other operating income increased from RM3.08 million in year 2005 to RM4.15 million in year 2006 mainly due to the increase in interest income of RM0.95 million following the placement of surplus funds in short term deposits.

Distribution costs

Distribution costs increased by 22% from RM5.31 million in year 2005 to RM6.46 million in year 2006 primarily due to the increase in state sales tax in line with the higher CPO prices during the year 2006.

Administrative expenses

Administrative expenses increased by 30% from RM29.29 million in year 2005 to RM38.05 million in year 2006 principally as a result of the impairment loss of RM8.37 million (including RM0.08 million of write-down of inventories) recognised in respect of the Group's assets coupled with additional allowance of RM16.67 million made on deposits paid for the acquisition of the 30% equity interest in four (4) plantation companies. An allowance of RM15.53 million was previously made in year 2005.

Replanting expenditure

Replanting expenditure in year 2006 mainly related to maintenance of the existing immature areas previously replanted in 2004. Decrease in replanting expenditure by 42% from RM11.41 million in year 2005 to RM6.59 million in year 2006 was in tandem with the no new areas under replanting during the year 2006 as compared to year 2005.

Gain on Disposal of Investment in Quoted Securities

In February 2006, there was a gain on Disposal of Investment in Quoted Securities by us for a total net cash proceeds of RM71.32 million resulting in a gain on disposal of RM62.17 million. No such gain occurred in the previous year.

Finance costs

Finance costs mainly related to term loan interest. Decrease in finance costs by RM0.88 million in year 2006 was primarily due to annual principal repayment of term loan.

PBT

PBT of our Group increased significantly from RM17.83 million in year 2005 to RM67.27 million in year 2006, an increase of 277% primarily due to the gain on Disposal of Investments in Quoted Securities of RM62.17 million and the decrease in replanting expenditure by 42% being partially offset by the decrease in gross profit by 15%.

Taxation

Effective tax rate in year 2006 of 6% is significantly lower than the statutory tax rate of 28% principally due to the non taxable capital gain from the Disposal of Investments in Quoted Securities. Effective tax rate in year 2005 of 50% is higher than the statutory tax rate of 28% primarily due to non-deductible expenses for tax purposes which included allowance made on deposits paid for the acquisitions of the 30% equity interest in four (4) plantation companies.

PATAMI

PATAMI increased by 498% from RM10.66 million in year 2005 to RM63.76 million in year 2006 is mainly due to increase in PBT and decrease in taxation.

**(iii) Financial year ended 31 December 2005 compared to financial year ended 31 December 2004**

Revenue

Our Group's revenue declined by 8% from RM162.23 million in year 2004 to RM149.69 million in year 2005, principally due to effect of the decrease in selling prices of CPO, PK and FFB being partially offset by the increase in sales volume for CPO and PK.

Average selling price of CPO, being the major product contributing the largest revenue to our Group's total revenue, fell by 15% from RM1,608 per MT in year 2004 to RM1,365 per MT in year 2005. The weakening of CPO average selling price was primarily in line with the softening of global vegetable oil price then. Similarly, average selling price of PK decreased by 5% from RM974 per MT in year 2004 to RM923 per MT in year 2005 whilst average selling price of FFB decreased by 22% from RM274 per MT in year 2004 to RM216 per MT in year 2005.

Sales volume for CPO increased by 6% from 85,089 MT in year 2004 to 90,497 MT in year 2005 principally driven by the improvement in FFB yield from 18.54 MT per Ha in year 2004 to 19.07 MT per Ha in year 2005. Increase in FFB yield was mainly attributed to increase in weighted average prime mature fields by 636 Ha from 11,395 Ha in year 2004 to 12,031 Ha in year 2005 following more young mature areas attaining prime age. In addition, slight improvement in OER also contributed to the increase in sales volume. OER improved from 20.74% in year 2004 to 20.78% in year 2005 resulted from better quality of FFB harvested.

Sales volume for PK increased by 16% from 20,529 MT in year 2004 to 23,836 MT in year 2005 as a result of improvement in FFB yield and KER, which increased from 5.07% to 5.42%.

Cost of sales

Despite a lower revenue recorded in year 2005, cost of sales of our Group for the year 2005 increased by 20% from RM72.25 million in year 2004 to RM86.83 million in year 2005.

Higher cost of sales was mainly due to the increase in the following:

(i) manuring cost increased by RM2.84 million from RM13.69 million in year 2004 to RM16.53 million in year 2005 resulting from significant price hike in fertilizer price in year 2005;

(ii) mill direct cost as a result of higher maintenance by RM0.58 million and consumable costs by RM0.61 million;

(iii) depreciation increased by RM3.02 million from RM7.61 million in year 2004 to RM10.63 million in year 2005 following additional acquisitions of assets; and

(iv) purchase costs increased by RM4.93 million from RM11.47 million in year 2004 to RM16.40 million in year 2005 in line with more volume of FFB purchased from third parties.

Gross profit

Our Group's gross profit recorded a decrease of 30% from RM89.98 million in year 2004 to RM62.86 million in year 2005. Our Group recorded a gross profit margin of 42% in year 2005, a decline of 13% as compared to gross profit margin of 55% in year 2004. The decline in gross profit as well as gross profit margin was in line with the decrease in revenue and increase in cost of sales as set out above.

Other operating income

Other operating income mainly consists of interest income from short term deposits, rental income and other miscellaneous income.

Our Group registered a slightly higher other operating income of 3% in year 2005 as compared to year 2004 principally due to the effect of higher interest income by RM0.56 million, while partially offset, by a non recurring waiver of interest charged by a creditor in year 2004 amounted to RM0.53 million.

Distribution costs

Decrease in distribution costs by 28% from year 2004 to year 2005 was mainly due to decrease in state sales tax in line with lower CPO prices in year 2005.

Administrative expenses

Administrative expenses increased from RM14.02 million in year 2004 to RM29.29 million in year 2005, an increase of RM15.27 million mainly attributed to an allowance of RM15.53 million made on deposits paid for the acquisition of the 30% equity interest in four (4) plantation companies.

Replanting expenditure

Higher replanting expenditure recorded in year 2005 was mainly due to additional area of 1,567 Ha under replanting during the year 2005 coupled with continuing maintenance costs for 3,077 Ha of already replanted in the year 2003 and 2004. In addition, 1,013 Ha had been cleared during the year 2005 for replanting purpose.

Finance costs

Finance costs mainly related to term loan interest. Finance costs increased by RM0.92 million in year 2005 principally as a result of non capitalisation of term loan interest to plantation development expenditure following full maturity of the palms.

PBT

PBT of our Group dropped from RM61.00 million in year 2004 to RM17.83 million in year 2005, a decrease of 71%. The decline in PBT was in tandem with the decrease in gross profit following decline in CPO, PK and FFB prices coupled with higher cost of sales. In addition, the decrease in PBT was also due to allowance made on deposits paid for acquisitions of the 30% equity interest in four (4) plantation companies.

Taxation

Our Group recorded an effective tax rate of 50% in year 2005 as compared to 23% in year 2004.

The higher effective tax rate in year 2005 was mainly due to non deductible expenses which included allowance made on deposits paid for the acquisitions of the 30% equity interest in four (4) plantation companies.

PATAMI

In tandem with the decline in PBT, PATAMI decreased by RM36.16 million from RM46.82 million in year 2004 to RM10.66 million in year 2005, a decrease of 77%.

**(iv) Financial year ended 31 December 2004 compared to financial year ended 31 December 2003**

Revenue

In 2004, our Group registered an increase of 25% in revenue from RM129.82 million in year 2003 to RM162.23 million in year 2004 following favourable CPO, PK and FFB average selling prices and increase in sales volume of CPO and PK.

Average selling price of CPO increased by 7% from RM1,509 per MT in year 2003 to RM1,608 per MT in year 2004. Similarly average selling price of PK increased by 44% from RM678 per MT in year 2003 to RM974 MT in year 2004 whereas average selling price of FFB increased by 8% from RM253 per MT in year 2003 to RM274 per MT in year 2004.

Sales volume for CPO increased by 15% from 73,766 MT in year 2003 to 85,089 MT in year 2004 principally due to improvement in FFB yield as well as OER.

FFB yield increased from 15.59 MT per Ha in year 2003 to 18.54 MT per Ha in year 2004 mainly attributed to increase of prime mature fields by 1,845 Ha from 9,550 Ha in year 2003 to 11,395 Ha in year 2004 following more young mature areas attaining prime age. OER increased from 20.36% to 20.74% resulted from better quality of FFB harvested and higher percentage of loose fruit collection by 49% between the two (2) years.

Sales volume for PK increased by 6% from 19,451 MT in year 2003 to 20,529 MT in year 2004 primarily due to improvement in FFB yield although being partially offset by fall in KER from 5.29% in year 2003 to 5.07% in year 2004. Fall in KER was mainly because of high percentage of small kernel sizes from young palms.

Cost of sales

Cost of sales of our Group increased by 13% from RM63.90 million in year 2003 to RM72.25 million in year 2004.

Higher cost of sales was mainly due to the increase in the following:

(i) estate direct costs increased by RM5.55 million from RM29.25 million in year 2003 to RM34.80 million in year 2004 following increase in manuring, upkeep and harvesting costs in line with higher FFB production;

(ii) depreciation increased by RM1.02 million from RM6.59 million in year 2003 to RM7.61 million in year 2004 following additional acquisition of assets and upgrading works;

(iii) purchase costs increased by RM0.73 million following higher FFB purchase price from RM242 per MT in year 2003 to RM287 per MT in year 2004;

(iv) estate indirect costs increased by RM2.07 million from RM6.57 million in year 2003 to RM8.64 million in year 2004 following increase in estate workers and staff costs as well as professional fees relating to estate perimeter survey; and

(v) mill indirect costs increased by RM1.49 million from RM5.79 million in year 2003 to RM7.28 million in year 2004 following higher labour cost, mill administration, processing department expenses and MPOB cess payments.

Gross profit

In year 2004, gross profit of our Group increased by 36% from RM65.92 million in year 2003 to RM89.98 million in year 2004. Our Group achieved a gross profit margin of 55% in year 2004 as compared to 50% in year 2003, an increase of 5%. The increase in gross profit margin was mainly attributed to favourable CPO and PK prices, increase in sales volume contributed by higher production volume, which in turn resulted in lower unit overhead cost. These factors consequently resulted in the higher gross profit margin.

Other operating income

Other operating income mainly consists of interest income from short term deposits, rental income and other miscellaneous income.

Increase in other operating income of RM0.32 million from RM2.68 million in year 2003 to RM3.00 million in year 2004 mainly attributed to higher interest income by RM0.28 million following more surplus fund available for placement in short term deposits, a non recurring waiver of interest charged by a creditor of RM0.53 million in year 2004 and higher rental income although being offsetted notably by the decrease in sale of seedings by RM0.40 million.

Distribution costs

Distribution costs increased by 18% from RM6.24 million in year 2003 to RM7.34 million in year 2004 due mainly to increase in state sales tax in line with favourable CPO prices in year 2004.

Administrative expenses

Administrative expenses decreased by 11% from RM15.70 million in year 2003 to RM14.02 million in year 2004 mainly due to decrease in head office expenses of RM1.55 million in year 2004.

Replanting expenditure

Replanting expenditure increased significantly by 270% from RM2.66 million to RM9.85 million between years 2003 and 2004 mainly due to additional area of 1,916 Ha under replanting during year 2004 coupled with continuing maintenance costs for 1,161 Ha of already replanted in year 2003. In addition, 3,274 Ha had been cleared during the year 2004 for replanting purpose.

Finance costs

Finance costs increased slightly by RM0.09 million principally as a result of non capitalisation of term loan interest to plantation development expenditure following full maturity of the palms.

PBT

In tandem with the increase in gross profit, PBT of our Group increased from RM43.30 million in year 2003 to RM61.00 mllion in year 2004, an increase of 41%. The increase in PBT was a result of the improvement in revenue following favourable CPO and PK prices, increase in sales volume of CPO and PK as a result of increase in production volume, which in turn resulted in lower unit overhead costs, coupled with increase in other operating income and reduction in administrative expenses.

Taxation

Our Group recorded an effective tax rate of 23% in year 2004 as compared to 28% in year 2003.

The lower effective tax rate in year 2004 was mainly due to utilisation of agriculture allowances and reinvestment allowances to set off against the taxable profit for the year.

PATAMI

PATAMI moved in tandem with PBT, which recorded an increase of RM15.14 million from RM31.68 million in year 2003 to RM46.82 million in year 2004. PATAMI increased at a faster pace, which was 48% as compared to PBT at 41%, mainly attributed to the lower effective tax rate resulted from utilisation of agriculture allowances and reinvestment allowances.

## 15. FUTURE FINANCIAL INFORMATION

### 15.1 Consolidated profit forecast

Our Directors forecast that our consolidated profit forecast for the financial year ending 31 December 2007 will be as follows:

| **Financial year ending 31 December** | **Forecast 2007 RM 000** |
|---|---|
| Revenue | 222,246 |
| Consolidated PBT | 78,176 |
| Taxation | (8,782) |
| Profit for the financial year | 69,394 |
| Attributable to: | |
| Equity holders of our Company/PATAMI | 67,211 |
| MI | 2,183 |
| Profit for the financial year | 69,394 |
| Based on enlarged share capital upon Listing[1] (000) | 280,000 |
| Gross EPS[1] (sen) | 27.92 |
| Net EPS[1] (sen) | 24.00 |
| Gross PE Multiple *(based on the IPO Price of RM3.00 per Share)* (times) | 10.74 |
| Net PE Multiple *(based on the IPO Price of RM3.00 per Share)* (times) | 12.50 |

***Note:***

*(1) Based on our enlarged issued and paid-up share capital of 280,000,000 Shares.*

Please refer to Section 15.5 of this Prospectus for detailed information on the principal assumptions upon which the consolidated profit forecast have been prepared.

## 15.2 Dividend forecast and policy

Our Company has declared for the financial year ended 31 December 2005 a final gross dividend of approximately 94 sen per ordinary share, less income tax of 28%, amounting to RM91.7 million and approximately 25 sen per ordinary share, tax exempt, amounting to RM33.3 million. In addition, our Company has declared for the financial year ended 31 December 2006 a dividend of approximately 15 sen per ordinary share, less income tax of 28%, amounting to RM15 million. The total net dividend declared is RM140 million of which all of it has been paid to the existing shareholders prior to the IPO. Other than the said dividends, our Company has not declared or paid any dividends since our incorporation.

It is the policy of our Directors in recommending dividends to allow shareholders to participate in the profits of our Group as well as retaining adequate reserves for our future growth.

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. The actual dividend that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Directors.

In considering the level of dividend payments, if any, upon recommendation by our Directors, we intend to take into account various factors including:

(i) the level of our cash, marketable financial assets and level of indebtedness;

(ii) required and expected interest expense, cash flows, our profits and return on equity and retained earnings;

(iii) our expected results of operations; and

(iv) our projected levels of capital expenditure and other investment plans.

In addition, the level of franking credits or exempt account income available to us to distribute dividends in a tax efficient manner may also limit the amount of dividends.

Notwithstanding the above, our Directors have full discretion to propose the waiver of any future dividend payment as and when deemed necessary, if it is in the best interest of our Company.

## 15.3 Sensitivity analysis

The consolidated forecast of our Group for the financial year ending 31 December 2007 are sensitive to four (4) key variables; FFB production, fertilizer costs, selling prices of CPO and selling prices of PK. As these key variables are areas that are material and are subject to a high probability of variation or high degree of uncertainty, sensitivity analysis has been prepared based on these key variables.

Due care should be taken in interpreting the sensitivity analysis set out below. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables to illustrate the likely impact on the consolidated profit forecast for the financial year ending 31 December 2007. In practice, changes in variables may offset each other or may be additive, and it is likely than our Group would respond to any adverse change in one variable by taking action to minimise the net effect on our Group's results.

The principal bases and assumptions upon which the sensitivity analysis on our Group's profit have been made as follows:

(i) The selected variable will vary +5% and –5% from the base case; and

(ii) Except for the selected variable items, the same assumptions for the other items in the base case shall apply.

The following scenarios attempt to show the impact on profit resulting from changes in FFB production, fertilizer costs, selling prices of CPO and selling prices of PK.

**(i) Change in FFB production**

**Consolidated profit forecast for the financial year ending 31 December 2007**

| | -15%<br>RM 000 | -10%<br>RM 000 | -5%<br>RM 000 | 0%<br>RM 000 | +5%<br>RM 000 | +10%<br>RM 000 | +15%<br>RM 000 |
|---|---|---|---|---|---|---|---|
| Profit for the financial year | 47,836 | 55,127 | 62,421 | 69,394 | 74,829 | 80,264 | 85,702 |
| PATAMI | 46,190 | 53,302 | 60,417 | 67,211 | 72,467 | 77,723 | 82,981 |

**Comments:**

The sensitivity analysis is prepared based on the following assumptions:

(i) Movement in both directions in FFB production by 5%, 10% and 15% respectively;

(ii) The revenue and the related cost of sales fluctuate by the same percentages; and

(iii) All other components assumed to remain constant/unchanged.

**(ii) Change in fertilizer costs**

**Consolidated profit forecast for the financial year ending 31 December 2007**

| | -15%<br>RM 000 | -10%<br>RM 000 | -5%<br>RM 000 | 0%<br>RM 000 | +5%<br>RM 000 | +10%<br>RM 000 | +15%<br>RM 000 |
|---|---|---|---|---|---|---|---|
| Profit for the financial year | 71,753 | 70,961 | 70,169 | 69,394 | 68,619 | 67,827 | 67,035 |
| PATAMI | 69,499 | 68,733 | 67,966 | 67,211 | 66,456 | 65,689 | 64,923 |

**Comments:**

The sensitivity analysis is prepared based on the following assumptions:

(i) Movement in both directions in fertilizer costs by 5%, 10% and 15% respectively; and

(ii) All other components assumed to remain constant/unchanged.

**(iii) Change in CPO prices**

**Consolidated profit forecast for the financial year ending 31 December 2007**

| | -15% RM 000 | -10% RM 000 | -5% RM 000 | 0% RM 000 | +5% RM 000 | +10% RM 000 | +15% RM 000 |
|---|---|---|---|---|---|---|---|
| Profit for the financial year | 48,405 | 55,327 | 62,754 | 69,394 | 74,584 | 80,117 | 85,278 |
| PATAMI | 46,764 | 53,504 | 60,740 | 67,211 | 72,207 | 77,550 | 82,529 |

**Comments:**

The sensitivity analysis is prepared based on the following assumptions:

(i) Movement in both directions in CPO prices by 5%, 10% and 15% respectively; and

(ii) All other components assumed to remain constant/unchanged.

**(iv) Change in PK prices**

**Consolidated profit forecast for the financial year ending 31 December 2007**

| | -15% RM 000 | -10% RM 000 | -5% RM 000 | 0% RM 000 | +5% RM 000 | +10% RM 000 | +15% RM 000 |
|---|---|---|---|---|---|---|---|
| Profit for the financial year | 65,993 | 67,237 | 68,471 | 69,394 | 70,265 | 71,188 | 72,108 |
| PATAMI | 63,893 | 65,109 | 66,316 | 67,211 | 68,054 | 68,950 | 69,842 |

**Comments:**

The sensitivity analysis is prepared based on the following assumptions:

(i) Movement in both directions in PK prices by 5%, 10% and 15% respectively; and

(ii) All other components assumed to remain constant/unchanged.

## 15.4 Directors' analysis and commentary on our consolidated profit forecast

Our Directors have reviewed and analysed the bases and assumptions used in arriving at the consolidated profit forecast of our Group for the financial year ending 31 December 2007 and are of the opinion that the consolidated profit forecast are fair and reasonable in light of the future prospects of the industry, future plans, strategies and prospects of our Group as set out in Sections 6, 8.10 and 8.11 and after taking into consideration forecast gearing levels and the liquidity and working capital requirements of our Group.

**Comments on profit forecast for the financial year ending 31 December 2007**

Considering the prospects of the oil palm industry and continuous efforts of our Group to expand the business and to increase our productivity and efficiency, we forecast a growth in revenue by RM79.88 million, an increase of 56% from RM142.37 million in year 2006 to RM222.25 million in forecast year 2007, mainly due to the following factors:

(i) forecasted favourable CPO and PK prices which are expected to increase from an average of RM1,485 per MT and RM811 per MT in 2006 to an average of RM2,250 per MT and RM1,250 per MT in year 2007 respectively; and

(ii) forecasted increase in sales volume of PK from 19,077 MT in year 2006 to 21,653 MT in year 2007.

PATAMI is forecasted at RM67.21 million for forecast year 2007, which is higher than the PATAMI for the year 2006 of RM63.76 million primarily because of higher CPO and PK prices despite a one-off gain on Disposal of Investment in Quoted Securities of RM62.17 million in year 2006 although being partially offset by allowance made on deposits paid for acquisition of four (4) plantation companies of RM16.67 million.

Excluding the gain on disposal and allowance made on deposits as mentioned above, PATAMI for year 2006 is RM18.26 million. The expected PATAMI increase from RM18.26 million in year 2006 to RM67.21 million in forecast year 2007 is primarily due to the following factors:

(i) the forecasted favourable CPO and PK prices as mentioned above;

(ii) the forecasted increase in sales volume of PK as mentioned above;

(iii) tax savings of RM1.39 million and RM8.23 million arising from agricultural allowances and reinvestment allowance respectively to be claimed on new planting expenditure and upgrading at Niah Mill in year 2007 which is expected to contribute to the improvement of PATAMI in that year; and

(iv) the impairment loss made in respect of Melugu and Lambir quarters and plantation development expenditure incurred on unalienated lands amounting to RM8.37 million (including RM0.08 million of write down of inventories) in year 2006.

Our Group's revenue is not dependent on any secured contracts or orders.

Nevertheless, these bases and assumptions cover future periods for which there are inherent risks, and therefore, should be treated with caution. These bases and assumptions are subject to significant uncertainties and contingencies, which are often outside our control. Therefore, certain assumptions used in the preparations of the consolidated profit forecast may differ significantly from the actual situation after the date of these profit forecast.

## 15.5 Reporting Accountants' Letter on the consolidated profit forecast

*(Prepared for inclusion in this Prospectus)*

PRICEWATERHOUSECOOPERS

**PricewaterhouseCoopers**
**(AF 1146)**
**Chartered Accountants**
9th Floor Bangunan BINAMAS
Jalan Padungan
P O Box 2864
93756 Kuching, Sarawak, Malaysia
Telephone: 082-413 957/413 958
Facsimile: 082-412 644

The Board of Directors
Sarawak Plantation Berhad
8th Floor, Wisma Naim
Jalan Rock
93200 Kuching
Sarawak

11 July 2007

PwC/JR/TCK/maz/1594j

Dear Sirs

**SARAWAK PLANTATION BERHAD**
**CONSOLIDATED PROFIT FORECAST**
**FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007**

We have reviewed the consolidated profit forecast of Sarawak Plantation Berhad ("SPB") and its subsidiaries ("SPB group") for the financial year ending 31 December 2007 as set out in the accompanying statement (which we have stamped for the purpose of identification), as referred to in Appendix I, in accordance with ISAE 3400 "The Examination of Prospective Financial Information" applicable to the review of the forecast.

The consolidated profit forecast has been prepared for inclusion in the Prospectus to be dated 7 August 2007 in connection with the listing of SPB on the Main Board of Bursa Malaysia Securities Berhad. The consolidated profit forecast should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by SPB in their audited interim financial statements for the financial period ended 31 March 2007 other than the adoption of a new accounting policy as set out in Note 2 in Appendix I of this letter. The Directors of SPB are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based on.

A forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

PRICEWATERHOUSECOOPERS

**The Board of Directors**
**Sarawak Plantation Berhad**
**PwC/JR/TCK/maz/1594j**
**11 July 2007**

As shown in the summary of sensitivity analysis set out in Note 4 in Appendix I, the consolidated profit forecast for the financial year and profit after tax and after minority interest are sensitive to a number of key variables which are commodity prices, Fresh Fruit Bunches ("FFB") production and fertilizer costs. The changes in these key variables and the resulting sensitivity analysis are set out in Note 4. These changes in key variables could have material impact on the consolidated profit forecast for the financial year ending 31 December 2007.

Subject to the matter stated in the preceding paragraph:

(i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in Appendix I, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and

(ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by SPB in their audited interim financial statements for the financial period ended 31 March 2007 other than the adoption of a new accounting policy as set out in Note 2 in Appendix I of this letter.

Yours faithfully

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

JAYARAJAN a/l U. RATHINASAMY
(No. 2059/06/08 (J))
Partner of the firm

(2)

**APPENDIX I**
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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007

The Directors of Sarawak Plantation Berhad ("SPB") barring unforeseen circumstances, forecast that the consolidated profit for the financial year and profit after tax and minority interest of SPB and its subsidiaries ("SPB Group") for the financial year ending 31 December 2007, will be as follows:

| | RM'000 |
|---|---|
| Revenue | 222,246 |
| Profit before tax | 78,176 |
| Tax | (8,782) |
| Profit for the financial year | 69,394 |
| Attributable to : | |
| - Equity holders of the Company/profit after tax and minority interest | 67,211 |
| - Minority interest | 2,183 |
| Profit for the financial year | 69,394 |
| Weighted average shares in issue – Basic ('000) | 262,500 |
| Basic earnings per share (sen) | 26* |

* The basic earnings per share of the Group for 2007 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue adjusted for the bonus issue of shares on the basis of about 0.85 shares for every one share held.

The consolidated profit forecast of SPB Group for the financial year ending 31 December 2007 is prepared based on the Directors' assessment of the present economic and operating conditions, and a number of best estimate assumptions regarding future events and actions which, at the date the forecast was approved, the Directors expect to take place. These future events may or may not take place. The principal assumptions and the risk factors which may impact their achievement are set out in the notes to the consolidated profit forecast.

A forecast, by its very nature, is subject to uncertainties and unexpected events, many of which are outside the control of the SPB Group and its Directors. Also, events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the forecast, and the differences may be material. Accordingly, the Directors cannot and do not guarantee the achievement of the forecast.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST

**1 Listing Scheme**

1.1 The consolidated profit forecast is prepared for Sarawak Plantation Berhad ("SPB") and its subsidiaries ("SPB Group") for the financial year ending 31 December 2007 respectively in connection with the listing of SPB on the Main Board of Bursa Malaysia Securities Berhad.

Completed Transactions

1.2.1 Dividend

SPB Group had recommended a net dividend of RM125,000,000 for the financial year ended 31 December 2005. The Company had recommended an additional dividend of RM15,000,000 after the approval of the Securities Commission ("SC"), to make up to a total of RM140,000,000.

A net dividend of RM80,000,000 had been paid to SPB's existing shareholders on 8 August 2006 during the financial year ended 31 December 2006. As such, the remaining net dividend of RM60,000,000 forms part of SPB's listing scheme which was approved by the SC via its letter dated 2 February 2007. The remaining net dividend of RM60,000,000 had been paid on 21 May 2007.

1.2.2 Employee Share Scheme

Cermat Ceria Sdn Bhd ("CCSB"), State Financial Secretary ("SFS") and Sarawak Land Development Board ("SLDB"), collectively known as the Offerors, together with SPB implemented a share scheme for the employees of SPB and its subsidiaries. The Employee Share Scheme ("ESS") involved the sale of 135,000 ordinary shares of RM1.00 each of SPB by the Offerors, on a proportionate basis to their then existing shareholdings in SPB to the eligible employees of SPB and its subsidiaries.

The Offerors offered a total of 135,000 ordinary shares of RM1.00 each to certain employees of SPB and its subsidiaries at the offer price of RM1.90 per ordinary share as part of a reward and incentive scheme for employees.

The ordinary shares under the ESS are not entitled to the Dividend as disclosed in Note 1.2.1 but entitled to the Bonus Issue as disclosed in Note 1.2.4.

These employees will not be eligible to participate in the Offer for Sale on those shares allocated for employees of SPB and its subsidiaries.

The ESS was completed on 18 June 2007.

## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

**1 Listing Scheme (continued)**

Completed Transactions (continued)

1.2.3 State Financial Secretary Divestment (SFS Divestment)

One of SPB's substantial shareholders, SFS, had on 19 June 2007 (which is after the Dividend and ESS have been completed but prior to the implementation of the Bonus Issue), disposed of its 18,800,001 ordinary shares of RM1.00 each to the following persons at the price of RM2.00 per share:

| | No. of ordinary shares of RM1.00 each |
|---|---|
| Dayak Cultural Foundation | 6,266,667 |
| Yayasan Budaya Melayu Sarawak | 6,266,667 |
| Yayasan Sarawak | 6,266,667 |
| | 18,800,001 |

The ordinary shares under the SFS Divestment are not entitled to the Dividend as disclosed in Note 1.2.1 but entitled to the Bonus Issue as disclosed in Note 1.2.4.These shareholders will not participate in the Offer for Sale.

1.2.4 Bonus Issue

Subsequent to the ESS and SFS Divestment, SPB had implemented a Bonus Issue of 115,000,000 new ordinary shares of RM1.00 each to be issued to all the shareholders of SPB then on the basis of about 0.85 bonus share for every one (1) ordinary share held.

After the completion of the Bonus Issue, the issued and paid-up share capital of SPB increased from RM135,000,000 comprising 135,000,000 ordinary shares of RM1.00 each to RM250,000,000 comprising 250,000,000 ordinary shares of RM1.00 each.

The Bonus Issue was capitalised partly from the share premium and retained earnings of SPB.

The bonus shares rank equally in all respects with the existing ordinary shares of the Company.

The Bonus Issue was completed on 5 July 2007.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

**1 Listing Scheme (continued)**

Proposals

1.3.1 Initial Public Offering ("IPO")

(i) Offer for Sale

The Offerors are undertaking an offer for sale of a total of 39,750,000 ordinary shares of RM1.00 each in SPB at an offer price of RM3.00 per ordinary share.

The Offer for Sale will be carried out concurrently with the Public Issue.

(ii) Public Issue

The Public Issue comprises the issuance of 30,000,000 new ordinary shares of RM1.00 each in SPB at an issue price of RM3.00 per ordinary share. The gross proceeds from the Public Issue of RM90,000,000, will be received on the date of listing of SPB shares on the Main Board of Bursa Malaysia Securities Berhad, expected to be on 28 August 2007. The proceeds from the Public Issue of RM90,000,000, will be used for the following purposes:

| Description | RM | RM |
|---|---|---|
| **Capital Expenditure** | | |
| Construction of staff quarters and other buildings | 5,000,000 | |
| Construction of estate infrastructure including roads and drainage | 5,000,000 | |
| Plantation development expenditure | 20,000,000 | 30,000,000 |
| Working capital purposes of the Group's core business | | *55,500,000 |
| Estimated share issue expenses | | *4,500,000 |
| | | 90,000,000 |

Note:

* For any increase or decrease in the utilisation of proceeds relating to capital expenditure and/or estimated share issue expenses, utilisation for working capital purposes of the Group's core business will increase or decrease correspondingly. The estimated share issue expenses of RM4,500,000 will be debited against the share premium account.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

**1 Listing Scheme (continued)**

Proposals (continued)

1.3.2 Listing

Upon completion of the Dividend, ESS, SFS Divestment, Bonus Issue and Initial Public Offering, the entire enlarged issued and paid-up share capital of SPB of RM280,000,000 comprising 280,000,000 ordinary shares of RM1.00 each are to be listed and quoted on the Main Board of Bursa Malaysia Securities Berhad.

**2 Basis of preparation**

The consolidated profit forecast has been prepared using SPB's Group accounting policies which were adopted in the preparation of the audited interim financial statements for the financial period ended 31 March 2007 and a new accounting policy adopted to comply with the approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board for Entities other than Private Entities as set out below:

FRS 2: Share based payment

To comply with FRS 2: Share based payment, the Group has recognised a reserve upon the sale of shares in SPB by its shareholders to employees in respect of the ESS. This new policy has been adopted in respect of the ESS.

The reserve and expense recognized in the profit and loss is the difference in the fair value of the shares granted to employees and the fair value received by the Offerors, in exchange for the shares.

The adoption of FRS 2 does not have a material impact on the consolidated profit forecast.

## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

**3 Basis of preparation of consolidated profit forecast**

The principal basis and assumptions upon which the consolidated profit forecast has been prepared are as follows:

3.1 General Assumptions

(i) The change in accounting policies for the financial year ending 31 December 2007 to comply with the approved Financial Reporting Standards ("FRS"), which is applicable to entities with financial periods beginning on or after 1 January 2007 will not have any material impact on the consolidated profit forecast of SPB Group.

(ii) There will be no material changes to the Group structure and no material acquisitions for the financial year ending 31 December 2007 except for the incorporation of a 60% equity interest in a subsidiary, to undertake the oil palm plantation at the new areas to be acquired by the Group. The newly incorporated entity will be established during the financial year ending 31 December 2007, and its operations will not have any material impact to the consolidated profit forecast of the SPB Group for the financial year ending 31 December 2007.

(iii) There will be no significant changes in principal activities and services, existing strategic and operating policies, and composition of existing key management personnel that will adversely affect the activities and performance of the SPB Group.

(iv) There will be no material changes in the present legislation or governmental regulations in Malaysia, or in other jurisdictions or other markets, especially legislations or regulations that affect the plantation industry which will adversely affect the activities and performance of the SPB Group.

(v) There will be no material changes in prevailing political and economic conditions in Malaysia, or in other jurisdictions or other markets, especially those conditions that affect the plantation industry, which will adversely affect the activities and performance of the SPB Group.

(vi) The prevailing rates and the bases of taxation applicable to the SPB Group for the financial year ending 31 December 2007 is 27%.

(vii) There will be no major disruptions or disputes in the operations of the plantation industry and there will be no other events and abnormal factors, including war, terrorist attacks, breakdown in the manufacturing facilities and equipment and disturbances by the locals living within the estate vicinity, which will adversely affect the operations of the SPB Group.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

**3 Basis of preparation of consolidated profit forecast (continued)**

3.1 General Assumptions (continued)

(viii) There will be no material adverse changes in the competitive operating environment in Malaysia and in other markets where the SPB Group has targeted. The rate of inflation will not vary significantly from the current level.

(ix) There will be no significant changes in the payment trend of debtors balances and allowances made for trade receivables for the financial year ending 31 December 2007.

(x) Existing trading relationship with major suppliers will be maintained. There will be no delays in their services that will significantly affect the operations and activities of the SPB Group.

(xi) There will be no unfavourable weather conditions, natural disasters or major disruption in the planting, harvesting and estate works arising from industrial disputes, labour shortage, or any abnormal circumstances that will adversely affect the production, yield, oil and kernel extraction of SPB's Group's Fresh Fruit Bunches ("FFB").

(xii) There will be no significant changes from the present levels in the cost of materials, labour, transportation costs, mill and general overheads used in the operations and activities of the SPB Group.

(xiii) The SPB Group will be able to obtain additional financing facilities as and when required at interest rates approximating those in the forecast and that existing and future financing facilities will remain available at prevailing interest rates.

(xiv) There will be no material contingent liabilities and litigation which will likely give rise to any legal proceedings which might materially affect the Group's financial position and operations.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

**3 Basis of preparation of consolidated profit forecast (continued)**

3.2 Specific Assumptions

(i) The forecasted 2007 volume of Crude Palm Oil ("CPO") and Palm Kernel ("PK") production are as follows:

| | MT |
|---|---|
| CPO | 78,075 |
| PK | 19,979 |

(ii) The commodity prices of CPO, PK and FFB are expected to fluctuate but it is forecasted to average in 2007 as follows:

| | RM/tonne |
|---|---|
| Average CPO price | 2,250 |
| Average PK price | 1,250 |
| Average FFB price | 436 |

(iii) The FFB production, average FFB yield per hectare, average oil extraction rates and sales volume forecasted for 2007 are as follows:

| | |
|---|---|
| FFB production (MT) | 330,000 |
| Average FFB yield per hectare (MT) | 15.50 |
| | |
| Average oil extraction rate (%) | |
| - CPO | 20.80 |
| - PK | 5.32 |
| | |
| Sales volume (MT) | |
| - CPO | 81,069 |
| - PK | 21,653 |
| - FFB | 27,900 |

(iv) The forecasted average palm oil cess payable by SPB, which was proposed to be imposed, is forecasted to be RM3,897,611.

(v) There will be no difficulties by the SPB Group in procuring 73,320 MT of FFB from third parties to meet its forecasted CPO and PK production for the financial year ending 31 December 2007 as disclosed in Note 3.2(i).

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

**3 Basis of preparation of consolidated profit forecast (continued)**

3.2 Specific Assumptions (continued)

(vi) The maturity profile of the oil palm trees forecasted in 2007 are as follows:

| | Ha |
|---|---|
| Old mature (more than 27 years) | 2,521 |
| Prime mature (7 years to 27 years) | 16,653 |
| Young mature (3 years to 6 years) | 3,543 |
| Total mature | 22,717 |

(vii) Capital expenditure in respect of new planting development expenditure and replanting expenditure will be implemented and incurred as planned and is expected to provide sufficient capacity to support the forecast activities. The forecasted new planting development expenditure and replanting development expenditure for 2007 are as follows:

| | RM'000 |
|---|---|
| New planting development expenditure | 10,845 |
| Replanting expenditure | 5,123 |

It is assumed that the State Government would approve the alienation of land to the Group as forecasted since any delay in implementation of the new planting activities in forecast year 2007 would affect the availability of agricultural allowances claimed for tax purposes on the new planting development expenditures by the Group.

(viii) Capital expenditure in respect of the purchase of property, plant and equipment and leasehold land are forecasted to be RM112,222,628 in 2007. The capital expenditure programme will be implemented, incurred and put into operation as planned and it is expected to provide sufficient capacity to support the operations of the SPB Group. There will be no significant disposals of property, plant and equipment as set out in the consolidated profit forecast.

(ix) The Niah Palm Oil Mill upgrading works to increase capacity from 60 tonnes to 120 tonnes per hour is expected to be completed and commissioned in December 2007. This will result in a reduction in tax liabilities of approximately RM8,227,000 due to the utilisation of estimated tax incentive.

(x) The average manuring cost forecasted to be incurred will be RM754 per hectare in 2007 respectively. The usage of fertilizer will be in accordance with the forecasted manuring programme and there will be no difficulties by the SPB Group in procuring fertilizer from its current suppliers to meet its demand in accordance with the forecasted manuring programme.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

**3 Basis of preparation of consolidated profit forecast (continued)**

3.2 Specific Assumptions (continued)

(xi) The forecasted average number of employees for 2007 is 4,225 and there will be no difficulties by the SPB Group to source additional manpower requirements.

(xii) Based on the legal opinion rendered by legal counsel that SPB Group has strong merits in the case, the Board of Directors have taken the position that they will actively pursue all avenues to recover the deposit paid amounting to RM32,200,000 in respect of the acquisition of the four plantation companies, Kumpulan Kris Jati Sdn Bhd ("Kris Jati"), Empresa (M) Sdn Bhd. ("Empresa"), Sachiew Plantations Sdn Bhd ("Sachiew") and Bahtera Bahagia Sdn Bhd ("Bahtera"), for which full allowance has been made in 2006. However, the Board of Directors do not expect the recovery of the deposit paid to occur in year 2007, and hence there will be no write back of the allowance for the said deposits paid of RM32,200,000.

(xiii) There will be no write back of impairment in 2007 relating to property, plant and equipment and plantation development expenditure amounting to RM3,669,302 and RM4,615,874 respectively.

(xiv) There will be no additional impairment of staff quarters, infrastructure works and plantation development expenditure that were constructed or planted on unalienated land.

(xv) Surplus funds will be placed in fixed deposits and interest income shall be earned at the rate of 3% per annum. Interest income is calculated based on the average of cash and cash equivalents at the beginning and end of the financial year for 2007.

(xvi) Other than as disclosed in Note 1.2.1 there will be no dividend declared and paid in respect of ordinary shares in the period covered by the consolidated profit forecast.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

### 4 Sensitivity analysis

4.1 The consolidated profit forecast for the financial year and profit after tax and minority interest of SPB Group is sensitive to a number of key variables, which are commodity prices (CPO and PK), FFB production and fertilizer costs. As commodity prices, FFB production and fertilizer costs are areas that are material and are subject to a high probability of variation or high degree of uncertainty, the sensitivity analysis has been prepared based on these key variables.

4.2 Due care should be taken in interpreting the summary of sensitivities set out below. The forecasted impact of changes in each of the variables has been calculated in isolation from changes in other variables to illustrate the likely impact on the consolidated profit forecast. In practice, changes in variables may offset each other or may be additive, and it is likely that SPB Group's management would respond to any adverse change in one variable by taking action to minimise the net effect on SPB Group's results.

The following scenarios attempt to show the impact on consolidated profit forecast for the financial year and profit after tax and after minority interest (PATAMI) resulting from variation in:

(a) CPO Prices

| 2007 | -15% | -10% | -5% | 0% | +5% | +10% | +15% |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial year | 48,405 | 55,327 | 62,754 | 69,394 | 74,584 | 80,117 | 85,278 |
| PATAMI | 46,764 | 53,504 | 60,740 | 67,211 | 72,207 | 77,550 | 82,529 |

Comments

The sensitivity analysis is prepared based on the following assumptions:

(i) The change in CPO prices could be up to +/- 5%, +/-10% and +/- 15% and that the impact on forecast consolidated profit forecast would vary proportionately with the change;

(ii) The changes in CPO prices as set out above are not intended to be indicative of the complete range of variation that may be experienced;

(iii) All other components are assumed to remain constant / unchanged.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

**NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)**

**4 Sensitivity analysis (continued)**

(b) PK Prices

2007

| | -15% | -10% | -5% | 0% | +5% | +10% | +15% |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial year | 65,993 | 67,237 | 68,471 | 69,394 | 70,265 | 71,188 | 72,108 |
| PATAMI | 63,893 | 65,109 | 66,316 | 67,211 | 68,054 | 68,950 | 69,842 |

Comments

The sensitivity analysis is prepared based on the following assumptions:

(i) The change in PK prices could be up to +/- 5%, +/-10% and +/- 15% and that the impact on the consolidated profit forecast would vary proportionately with the change;

(ii) The changes in PK prices as set out above are not intended to be indicative of the complete range of variation that may be experienced;

(iii) All other components are assumed to remain constant / unchanged.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

**4 Sensitivity analysis (continued)**

(c) FFB production

2007

| | -15% | -10% | -5% | 0% | +5% | +10% | +15% |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial year | 47,836 | 55,127 | 62,421 | 69,394 | 74,829 | 80,264 | 85,702 |
| PATAMI | 46,190 | 53,302 | 60,417 | 67,211 | 72,467 | 77,723 | 82,981 |

Comments

The sensitivity analysis is prepared based on the following assumptions:

(i) The change in FFB production could be up to +/- 5%, +/-10% and +/- 15% and that the impact on the consolidated profit forecast would vary proportionately with the change;

(ii) The change in FFB production as set out above are not intended to be indicative of the complete range of variation that may be experienced;

(iii) All other components are assumed to remain constant/unchanged.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### NOTES TO THE CONSOLIDATED PROFIT FORECAST (CONTINUED)

**4 Sensitivity analysis (continued)**

(d) Fertilizer costs

2007

| | -15% | -10% | -5% | 0% | +5% | +10% | +15% |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial year | 71,753 | 70,961 | 70,169 | 69,394 | 68,619 | 67,827 | 67,035 |
| PATAMI | 69,499 | 68,733 | 67,966 | 67,211 | 66,456 | 65,689 | 64,923 |

Comments

The sensitivity analysis is prepared based on the following assumptions:

(i) The change in fertilizer costs could be up to +/- 5%, +/-10% and +/- 15% and that the impact on the consolidated profit forecast would vary proportionately with the change;

(ii) The change in fertilizer costs as set out above are not intended to be indicative of the complete range of variation that may be experienced;

(iii) All other components are assumed to remain constant/unchanged.

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## SARAWAK PLANTATION BERHAD

## CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007 (CONTINUED)

### APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Sarawak Plantation Berhad in accordance with a resolution dated 11 July 2007.

| | |
|---|---|
| DATUK HASMI BIN HASNAN<br>CHAIRMAN<br>SARAWAK PLANTATION BERHAD | HAJI MOHAMAD BOLHAIR BIN REDUAN<br>GROUP MANAGING DIRECTOR<br>SARAWAK PLANTATION BERHAD |