

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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5.2 Proforma consolidated income statements (continued)

	<----- Financial years ended ----->				<----- Six-month period ended ----->		
	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent	31.7.06* RM'000
Effective tax rate (%)	26.48	26.87	22.07	22.07	26.00	26.00	27.40
Trade receivables turnover period (months)	0.55	0.34	0.66	0.66	0.39	0.39	#
Trade payables turnover period (months)	0.88	0.75	0.79	0.79	0.81	0.81	#
Inventories turnover period (months)	2.98	2.56	2.26	2.26	1.94	1.94	#

Notes:

- (i) Profit before tax divided by the number of shares assumed in issue during the year/period.
(ii) Profit after tax divided by the number of shares assumed in issue during the year/period.
(iii) There were no extraordinary items for the financial years and periods under review.
(iv) There were no exceptional items for the financial years and periods under review except for a gain of RM4.58 million arising from disposal of non-core properties in the financial year ended 31 January 2005, which was included in other operating income.

* Reviewed in accordance with AI 2400.

Not available.

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)

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5.3 Proforma consolidated statements of changes in equity

We set out below the proforma consolidated statements of changes in equity of the Group as at 31 July 2007, after incorporating such adjustments as we considered necessary, assuming that the Group has been in existence as at that date. The proforma consolidated statement of changes in equity is prepared based on the audited financial statements of HSP Group on the assumption that the Proposals have been completed on that date.

Year/Period ended	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
At 1 February 2007	-	-	-	-
Share issued upon Acquisitions	750,000	600,000	-	1,350,000
Negative goodwill	-	-	55,889	55,889
Public Issue	50,000	82,500	-	132,500
Listing expenses	-	(9,000)	-	(9,000)
At 31 July 2007	800,000	673,500	55,889	1,529,389

The financial information presented in USD below is for illustrative purposes only and the exchange rate used is USD1 : RM3.42.

Year/Period ended	Share capital ^USD'000 equivalent	Share premium ^USD'000 equivalent	Retained earnings ^USD'000 equivalent	Total equity ^USD'000 equivalent
At 1 February 2007				
Share issued upon Acquisitions	219,298	175,438	-	394,736
Negative goodwill	-	-	16,342	16,342
Public Issue	14,620	24,123	-	38,743
Listing expenses	-	(2,631)	-	(2,631)
At 31 July 2007	233,918	196,930	16,342	447,190

14. ACCOUNTANTS' REPORT (Cont'd)



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5.4 Proforma consolidated cash flow statements

We set out below the proforma consolidated cash flow statements of the Group for the financial year ended 31 January 2007 and the six-month period ended 31 July 2007, after incorporating such adjustments as we considered necessary, assuming that the Group has been in existence throughout the financial year and period under review.

The proforma consolidated cash flow statements for the financial year ended 31 January 2007 and the six-month period ended 31 July 2007 are prepared based on the audited financial statements of the Subsidiaries and the audited financial statements of HSP for the period from 18 April 2007 (date of incorporation) to 31 July 2007.

	Financial year ended <----- 31.1.2007 ----->		Six-month period ended <----- 31.7.2007 ----->	
	RM'000	^USD'000 equivalent	RM'000	^USD'000 equivalent
Cash flow from operating activities				
Profit before tax	129,534	37,875	82,811	24,214
Adjustments for:				
Amortisation of prepaid lease payments	987	289	509	149
Depreciation of property, plant and equipment	16,304	4,767	8,506	2,487
Gain on disposal of property, plant and equipment	(54)	(16)	-	-
Interest expense	25	7	-	-
Interest income	(7,771)	(2,272)	(4,602)	(1,346)
Property, plant and equipment written off	340	100	33	10
Operating profit before changes in working capital	139,365	40,750	87,257	25,514
Inventories	3,045	890	3,148	920
Receivables, deposits and prepayments	(6,346)	(1,855)	4,177	1,221
Payables and accruals	2,059	602	(5,052)	(1,477)
Related companies' balances	10	3	-	-
Cash generated from operations	138,133	40,390	89,530	26,178
Tax paid	(30,376)	(8,882)	(11,953)	(3,495)
Real property gains tax paid	(33)	(10)	-	-
Net cash generated from operating activities	107,724	31,498	77,577	22,683
Cash flow from investing activities				
Additions of property, plant and equipment	(31,586)	(9,236)	(12,662)	(3,703)
Additions of biological assets	(69)	(20)	(116)	(34)
Proceeds from disposal of property, plant and equipment	215	63	-	-
Interest received	7,771	2,272	4,602	1,346
Related companies' balances	(22,984)	(6,720)	-	-
Net cash used in investing activities	(46,653)	(13,641)	(8,176)	(2,391)
Cash flow from financing activities				
Related companies' balances	(7,612)	(2,226)	(23,575)	(6,893)
Interest paid	(25)	(7)	-	-
Dividend paid	(54,180)	(15,842)	(5,391)	(1,576)
Net cash used in financing activities	(61,817)	(18,075)	(28,966)	(8,469)
Net (decrease)/increase in cash and cash equivalents	(746)	(218)	40,435	11,823
Cash and cash equivalents at beginning of the year/period	1,763	515	1,017	297
Cash and cash equivalents at end of the year/period	1,017	297	41,452	12,120

Note:

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



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6. Financial information of Subsidiaries

The financial information of Subsidiaries have been restated:

- i. as a result of the adoption of new accounting standards by the MASB for entities other than private entities, also referred to as Financial Reporting Standard ("FRS"), over the periods under review. The financial information as presented below are in compliance with the FRS which are effective and applicable to the financial period commencing 1 February 2007; and
- ii. to ensure the consistency of presentation between each of the financial period under review for comparability purposes.

The new standards which have become effective over the periods under review and have resulted in the restatement of the financial information of the Subsidiaries are as follows:

- i. FRS 117 – Leases

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight line basis over the lease term. Prior to 1 February 2007, leasehold land was classified as property, plant and equipment and stated at cost or valuation less accumulated depreciation and impairment losses.

Arising from the adoption of FRS 117 with effect from 1 February 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively by restating the balance sheets presentation as at 1 February 2004.

- ii. FRS 101 – Presentation of Financial Statements

Prior to 1 February 2006, all direct expenditure incurred in the development and maintenance of immature areas of the oil palm capitalised under plantation development expenditure were included under property, plant and equipment.

Arising from the adoption of the revised FRS 101 with effect from 1 February 2006, the plantation development expenditure is presented separately as biological assets on the face of balance sheet. The reclassification of plantation development expenditure as biological assets was effected retrospectively by restating the balance sheets presentation as at 1 February 2004.

The reclassifications to the audited financial statements are disclosed in the respective sections below.

14. ACCOUNTANTS' REPORT (Cont'd)



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7. River Estates

7.1 Balance sheets

The following balance sheets of River Estates were extracted from the audited financial statements of River Estates for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

As at	Note	31.1.05 RM'000 restated	31.1.06 RM'000 restated	<----- 31.1.07 -----> RM'000 restated	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Assets							
Property, plant and equipment	7.1.1.1	100,698	100,626	105,155	30,747	106,710	31,202
Biological assets	7.1.1.2	201,216	201,404	201,483	58,913	201,631	58,956
Prepaid lease payments	7.1.1.3	27,777	27,454	27,130	7,933	26,968	7,885
Investment in subsidiaries		17,078	17,078	17,078	4,994	17,078	4,994
Total non-current assets		346,769	346,562	350,846	102,587	352,387	103,037
Receivables, deposits and prepayments		6,140	4,699	10,661	3,117	15,075	4,408
Inventories		17,777	17,038	16,651	4,869	14,971	4,377
Cash and cash equivalents		286	1,462	764	223	27,504	8,042
Total current assets		24,203	23,199	28,076	8,209	57,550	16,827
Total assets		370,972	369,761	378,922	110,796	409,937	119,864
Equity							
Share capital		30,807	30,807	30,807	9,008	30,807	9,008
Reserves		255,836	260,670	269,356	78,759	303,390	88,711
Total equity		286,643	291,477	300,163	87,767	334,197	97,719
Liabilities							
Deferred tax liabilities		54,615	55,434	52,917	15,473	54,687	15,990
Total non current liabilities		54,615	55,434	52,917	15,473	54,687	15,990
Payables and accruals		22,832	20,469	22,205	6,493	13,210	3,862
Current tax liabilities		6,882	2,381	3,637	1,063	7,843	2,293
Total current liabilities		29,714	22,850	25,842	7,556	21,053	6,155
Total liabilities		84,329	78,284	78,759	23,029	75,740	22,145
Total equity and liabilities		370,972	369,761	378,922	110,796	409,937	119,864
Ratios							
NTA		286,643	291,477	300,163	87,767	334,197	97,719
NTA per share		RM9.30	RM9.46	RM9.74	USD2.85	RM10.85	USD3.17
Current ratio (times)		0.81	1.02	1.09	1.09	2.73	2.73
After tax return on shareholders' funds ⁽ⁱ⁾ (%)		22.52	16.12	17.11	17.11	10.18	10.18

Notes:

(i) $\frac{\text{Profit after tax for the year/period}}{\text{Shareholders' funds}}$

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

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14. ACCOUNTANTS' REPORT (Cont'd)

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7.1 Balance sheets (continued)**7.1.1 Restatement of balance sheets**

The restatement of balance sheets of River Estates arose from the adoption of new accounting standards by the MASB for entities other than private entities as mentioned in Section 6 above. The reconciliations of the audited financial statements to that presented in this report are set out below:

7.1.1.1 Property, plant and equipment

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000 ^USD'000 equivalent		<----- 31.7.07 -----> RM'000 ^USD'000 equivalent	
Per audited financial statements	329,691	329,484	132,285	38,680	106,710	31,202
Reclassified to:						
- Prepaid lease payments	(27,777)	(27,454)	(27,130)	(7,933)	-	-
- Biological assets	(201,216)	(201,404)	-	-	-	-
As restated	100,698	100,626	105,155	30,747	106,710	31,202

7.1.1.2 Biological assets

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000 ^USD'000 equivalent		<----- 31.7.07 -----> RM'000 ^USD'000 equivalent	
Per audited financial statements	-	-	201,483	58,913	201,631	58,956
Reclassified from:						
- Property, plant and equipment	201,216	201,404	-	-	-	-
As restated	201,216	201,404	201,483	58,913	201,631	58,956

7.1.1.3 Prepaid lease payments

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000 ^USD'000 equivalent		<----- 31.7.07 -----> RM'000 ^USD'000 equivalent	
Per audited financial statements	-	-	-	-	26,968	7,885
Reclassified from:						
- Property, plant and equipment	27,777	27,454	27,130	7,933	-	-
As restated	27,777	27,454	27,130	7,933	26,968	7,885

Note:

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



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7.2 Income statements

The following income statements of River Estates were extracted from the audited financial statements of River Estates for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

Note	Financial years ended				Six-month period ended	
	31.1.05 RM'000 restated	31.1.06 RM'000 restated	31.1.07 RM'000	^USD'000 equivalent	31.7.07 RM'000	^USD'000 equivalent
Revenue	168,358	161,375	164,168	48,002	101,276	29,613
Cost of sales	(73,946)	(82,567)	(83,018)	(24,274)	(44,417)	(12,987)
Gross profit	94,412	78,808	81,150	23,728	56,859	16,626
Other operating income	10,066	5,674	5,621	1,644	2,721	796
Distribution costs	(10,069)	(12,584)	(13,598)	(3,976)	(10,460)	(3,058)
Administrative expenses	(6,525)	(6,207)	(6,103)	(1,785)	(2,561)	(749)
Other operating expenses	(1,350)	(1,426)	(1,478)	(432)	(667)	(195)
Results from operating activities	86,534	64,265	65,592	19,179	45,892	13,420
Interest income	2	-	-	-	100	29
Interest expense	(91)	(8)	(15)	(4)	-	-
Profit before tax	86,445	64,257	65,577	19,175	45,992	13,449
Tax expense	(21,896)	(17,279)	(14,219)	(4,158)	(11,958)	(3,496)
Profit for the year	64,549	46,978	51,358	15,017	34,034	9,953
Number of shares in issue ('000)	30,807	30,807	30,807	30,807	30,807	30,807
Earnings per share :						
Gross ⁽ⁱ⁾	280.60 sen	208.58 sen	212.86 sen	62.24 cents	149.29 sen	43.66 cents
Net ⁽ⁱⁱ⁾	209.53 sen	152.49 sen	166.71 sen	48.75 cents	110.47 sen	32.31 cents
Gross profit margin (%)	56.08	48.84	49.43	49.43	56.14	56.14
Net profit margin (%)	38.34	29.11	31.28	31.28	33.61	33.61
EBIDTA	96,785	74,496	76,285	22,306	51,350	15,015
Effective tax rate (%)	25.33	26.89	21.68	21.68	26.00	26.00
Trade receivables turnover period (months)	0.39	0.25	0.72	0.72	0.34	0.34
Trade payables turnover period (months)	0.77	1.14	0.83	0.83	0.64	0.64
Inventories turnover period (months)	2.88	2.48	2.41	2.41	2.02	2.02

Notes:

- (i) Profit before tax divided by the number of shares in issue during the year/period.
(ii) Profit after tax divided by the number of shares in issue during the year/period.
(iii) There were no extraordinary items for all financial years and period under review.
(iv) There were no exceptional items for the financial years and period under review except for a gain of RM4.58 million arising from disposal of non-core properties in the financial year ended 31 January 2005, which was included in other operating income.
(v) The effective tax rate for financial year ended 31 January 2005 was lower than the applicable statutory tax rate due to gain arising from disposal of property, plant and equipment which was not subject to tax. The effective tax rate for financial year ended 31 January 2007 was lower than the applicable statutory tax rate mainly attributable to reversal of deferred tax liabilities following the reduction in corporate income tax rate to 26% for the year of assessment 2008.

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)

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7.2 Income statements (continued)**7.2.1 Reclassifications of income statements**

The reclassifications of income statements of River Estates were made to reflect more appropriately the nature of the items and to ensure consistency of presentation throughout the financial years under review. The reconciliations of the audited financial statements to that presented in this report are set out below:

7.2.1.1 Cost of sales

Year ended	31.1.05	31.1.06
	RM'000	RM'000
Per audited financial statements	71,050	78,879
Reclassified from:		
- Distribution costs	2,896	3,688
As restated	<u>73,946</u>	<u>82,567</u>

7.2.1.2 Distribution costs

Year ended	31.1.05	31.1.06
	RM'000	RM'000
Per audited financial statements	12,451	16,272
Reclassified (to)/from:		
- Cost of sales	(2,896)	(3,688)
- Administrative expenses	514	-
As restated	<u>10,069</u>	<u>12,584</u>

7.2.1.3 Administrative expenses

Year ended	31.1.05	31.1.06
	RM'000	RM'000
Per audited financial statements	7,139	6,502
Reclassified to:		
- Distribution costs	(514)	-
- Other operating expenses	(100)	(295)
As restated	<u>6,525</u>	<u>6,207</u>

14. ACCOUNTANTS' REPORT (Cont'd)



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7.2 Income statements (continued)**7.2.1.4 Other operating expenses**

Year ended	31.1.05	31.1.06
	RM'000	RM'000
Per audited financial statements	1,250	1,131
Reclassified from:		
- Administrative expenses	100	295
As restated	<u>1,350</u>	<u>1,426</u>

14. ACCOUNTANTS' REPORT (Cont'd)

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7.3 Statements of changes in equity

The following statement of changes in equity of River Estates was extracted from the audited financial statements of River Estates for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

Year/Period ended	Share capital RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 31 January 2004	30,807	46,075	189,574	266,456
Profit for the year	-	-	64,549	64,549
Dividends	-	-	(44,362)	(44,362)
At 31 January 2005	30,807	46,075	209,761	286,643
Profit for the year	-	-	46,978	46,978
Dividends	-	-	(42,144)	(42,144)
At 31 January 2006	30,807	46,075	214,595	291,477
Profit for the year	-	-	51,358	51,358
Dividends	-	-	(42,729)	(42,729)
Effect of changes in tax rates	-	57	-	57
At 31 January 2007	30,807	46,132	223,224	300,163
Profit for the period	-	-	34,034	34,034
At 31 July 2007	30,807	46,132	257,258	334,197

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7.4 Cash flow statements

The following summarised cash flow statements of River Estates were extracted from the audited financial statements of River Estates for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

	<----- Financial years ended ----->			Six-month period ended		
	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Net cash generated from operating activities	71,871	54,500	55,173	16,132	48,156	14,081
Net cash used in investing activities	(1,780)	(10,318)	(15,241)	(4,456)	(6,932)	(2,027)
Net cash used in financing activities	(69,978)	(43,006)	(40,630)	(11,880)	(14,484)	(4,235)
Net increase/(decrease) in cash and cash equivalents	113	1,176	(698)	(204)	26,740	7,819
Cash and cash equivalents at beginning of year/period	173	286	1,462	427	764	223
Cash and cash equivalents at end of year/period	286	1,462	764	223	27,504	8,042

Note:

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



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8. Jeroco

8.1 Balance sheets

The following balance sheets of Jeroco were extracted from the audited financial statements of Jeroco for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

As at	Note	31.1.05 RM'000 restated	31.1.06 RM'000 restated	<----- 31.1.07 -----> RM'000 restated	^USD'000 equivalent	<----- 31.7.07 -----> RM'000 restated	^USD'000 equivalent
Assets							
Property, plant and equipment	8.1.1.1	78,335	78,420	88,857	25,982	91,374	26,718
Biological assets	8.1.1.2	159,885	160,013	160,017	46,789	160,019	46,789
Prepaid lease payments	8.1.1.3	39,289	38,761	38,233	11,179	37,969	11,102
Total non-current assets		277,509	277,194	287,107	83,950	289,362	84,609
Receivables, deposits and prepayments		216,536	236,428	259,569	75,897	258,951	75,717
Inventories		10,111	9,516	6,844	2,001	5,453	1,594
Current tax assets		-	404	-	-	-	-
Cash and cash equivalents		273	179	140	41	13,319	3,894
Total current assets		226,920	246,527	266,553	77,939	277,723	81,205
Total assets		504,429	523,721	553,660	161,889	567,085	165,814
Equity							
Share capital		121,432	121,432	121,432	35,507	121,432	35,507
Reserves		291,831	320,502	351,594	102,805	366,141	107,059
Total equity		413,263	441,934	473,026	138,312	487,573	142,566
Liabilities							
Deferred tax liabilities		74,731	74,388	69,061	20,193	70,651	20,658
Total non current liabilities		74,731	74,388	69,061	20,193	70,651	20,658
Payables and accruals		11,437	7,399	9,475	2,771	6,547	1,913
Current tax liabilities		4,998	-	2,098	613	2,314	677
Total current liabilities		16,435	7,399	11,573	3,384	8,861	2,590
Total liabilities		91,166	81,787	80,634	23,577	79,512	23,248
Total equity and liabilities		504,429	523,721	553,660	161,889	567,085	165,814
Ratios							
NTA		413,263	441,934	473,026	138,312	487,573	142,566
NTA per share		RM3.40	RM3.64	RM3.90	USD1.14	RM4.02	USD1.18
Current ratio (times)		13.81	33.32	23.03	23.03	31.34	31.34
After tax return on shareholders' funds ⁽ⁱ⁾ (%)		12.05	9.06	8.66	8.66	4.09	4.09

Notes:

(i) Profit after tax for the year/period
Shareholders' funds

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)

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8.1 Balance sheets (continued)**8.1.1 Restatement of balance sheets**

The restatement of balance sheets of Jeroco arose from the adoption of new accounting standards by the MASB for entities other than private entities as mentioned in Section 6 above. The reconciliations of the audited financial statements to that presented in this report are set out below:

8.1.1.1 Property, plant and equipment

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000 ^USD'000 equivalent		<----- 31.7.07 -----> RM'000 ^USD'000 equivalent	
Per audited financial statements	277,509	277,194	127,090	37,161	91,374	26,718
Reclassified to:						
- Prepaid lease payments	(39,289)	(38,761)	(38,233)	(11,179)	-	-
- Biological assets	(159,885)	(160,013)	-	-	-	-
As restated	78,335	78,420	88,857	25,982	91,374	26,718

8.1.1.2 Biological assets

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000 ^USD'000 Equivalent		<----- 31.7.07 -----> RM'000 ^USD'000 equivalent	
Per audited financial statements	-	-	160,017	46,789	160,019	46,789
Reclassified from:						
- Property, plant and equipment	159,885	160,013	-	-	-	-
As restated	159,885	160,013	160,017	46,789	160,019	46,789

8.1.1.3 Prepaid lease payment

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000 ^USD'000 Equivalent		<----- 31.7.07 -----> RM'000 ^USD'000 equivalent	
Per audited financial statements	-	-	-	-	37,969	11,102
Reclassified from:						
- Property, plant and equipment	39,289	38,761	38,233	11,179	-	-
As restated	39,289	38,761	38,233	11,179	37,969	11,102

Note:

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



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8.2 Income statements

The following income statements of Jeroco were extracted from the audited financial statements of Jeroco for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

	Financial years ended				Six-month period ended	
	31.1.05	31.1.06	31.1.07	^USD'000 equivalent	31.7.07	^USD'000 equivalent
	RM'000	RM'000	RM'000		RM'000	
Revenue	117,162	106,303	103,196	30,174	54,020	15,795
Cost of sales	(45,051)	(48,718)	(49,285)	(14,411)	(24,748)	(7,236)
Gross profit	72,111	57,585	53,911	15,763	29,272	8,559
Other operating income	275	491	597	175	51	15
Distribution costs	(6,919)	(8,265)	(8,458)	(2,473)	(6,275)	(1,835)
Administrative expenses	(289)	(283)	(274)	(80)	(200)	(58)
Other operating expenses	(929)	(840)	(766)	(224)	(407)	(119)
Results from operating activities	64,249	48,688	45,010	13,161	22,441	6,562
Interest income	4,975	5,825	7,771	2,272	4,502	1,316
Profit before tax	69,224	54,513	52,781	15,433	26,943	7,878
Tax expense	(19,407)	(14,476)	(11,823)	(3,457)	(7,005)	(2,048)
Profit for the year	49,817	40,037	40,958	11,976	19,938	5,830
Number of shares in issue ('000)	121,432	121,432	121,432	121,432	121,432	121,432
Earnings per share:						
Gross ⁽ⁱ⁾	57.01 sen	44.89 sen	43.47 sen	12.71 cents	22.19 sen	6.49 cents
Net ⁽ⁱⁱ⁾	41.02 sen	32.97 sen	33.73 sen	9.86 cents	16.42 sen	4.80 cents
Gross profit margin (%)	61.55	54.17	52.24	52.24	54.19	54.19
Net profit margin (%)	42.52	37.66	39.69	39.69	36.91	36.91
EBIDTA	71,157	54,206	51,163	14,960	25,743	7,527
Effective tax rate (%)	28.04	26.56	22.40	22.40	26.00	26.00
Trade receivables turnover period (months)	0.80	0.49	0.55	0.55	0.34	0.34
Trade payables turnover period (months)	1.92	0.82	1.12	1.12	0.81	0.81
Inventories turnover period (months)	2.69	2.34	1.67	1.67	1.32	1.32

Notes:

- (i) Profit before tax divided by the number of shares in issue during the year/period.
(ii) Profit after tax divided by the number of shares in issue during the year/period.
(iii) There were no extraordinary or exceptional items for all financial years and period under review.
(iv) The effective tax rate for the financial year ended 31 January 2007 was lower than the applicable statutory rate mainly due to reversal of deferred tax liabilities following the reduction in corporate income tax rate to 26% for year of assessment 2008.

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)

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8.3 Statements of changes in equity

The following statement of changes in equity of Jeroco was extracted from the audited financial statements of Jeroco for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

Year/Period ended	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 31 January 2004	121,432	1,194	14,081	6,127	231,978	374,812
Profit for the year	-	-	-	-	49,817	49,817
Dividends	-	-	-	-	(11,366)	(11,366)
At 31 January 2005	121,432	1,194	14,081	6,127	270,429	413,263
Profit for the year	-	-	-	-	40,037	40,037
Dividends	-	-	-	-	(11,366)	(11,366)
At 31 January 2006	121,432	1,194	14,081	6,127	299,100	441,934
Effect of changes in tax rates	-	-	1,585	-	-	1,585
Profit for the year	-	-	-	-	40,958	40,958
Dividends	-	-	-	-	(11,451)	(11,451)
At 31 January 2007	121,432	1,194	15,666	6,127	328,607	473,026
Profit for the period	-	-	-	-	19,938	19,938
Dividends	-	-	-	-	(5,391)	(5,391)
At 31 July 2007	121,432	1,194	15,666	6,127	343,154	487,573

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
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8.4 Cash flow statements

The following summarised cash flow statements of Jeroco were extracted from the audited financial statements of Jeroco for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

	<----- Financial years ended ----->			Six-month period ended		
	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000 ^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent	
Net cash generated from operating activities	48,837	34,564	42,713	12,489	20,555	6,010
Net cash used in investing activities	(37,365)	797	(8,317)	(2,432)	(1,055)	(308)
Net cash used in financing activities	(11,366)	(35,455)	(34,435)	(10,069)	(6,321)	(1,848)
Net increase/(decrease) in cash and cash equivalents	106	(94)	(39)	(12)	13,179	3,854
Cash and cash equivalents at beginning of year/period	167	273	179	52	140	40
Cash and cash equivalents at end of year/period	273	179	140	40	13,319	3,894

Note:

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



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9. Ladang Kawa

9.1 Balance sheets

The following summarised balance sheets of Ladang Kawa were extracted from the audited financial statements of Ladang Kawa for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

As at	Note	31.1.05 RM'000 restated	31.1.06 RM'000 restated	<----- 31.1.07 -----> RM'000 restated	<----- 31.1.07 -----> ^USD'000 equivalent	<----- 31.7.07 -----> RM'000	<----- 31.7.07 -----> ^USD'000 equivalent
Assets							
Property, plant and equipment	9.1.1.1	3,844	3,615	3,415	999	3,432	1,004
Biological assets	9.1.1.2	5,781	5,781	5,781	1,690	5,781	1,690
Prepaid lease payments	9.1.1.3	6,492	6,378	6,264	1,831	6,207	1,815
Total non-current assets		16,117	15,774	15,460	4,520	15,420	4,509
Receivables, deposits and prepayments		2,317	6,018	11,618	3,397	16,996	4,969
Inventories		333	511	526	154	448	131
Cash and cash equivalents		67	122	113	33	629	184
Total current assets		2,717	6,651	12,257	3,584	18,073	5,284
Total assets		18,834	22,425	27,717	8,104	33,493	9,793
Equity							
Share capital		20,000	20,000	20,000	5,848	20,000	5,848
Reserves		(3,614)	185	5,332	1,559	9,560	2,795
Total equity		16,386	20,185	25,332	7,407	29,560	8,643
Liabilities							
Deferred tax liabilities		1,240	1,437	1,361	398	1,381	404
Total non current liabilities		1,240	1,437	1,361	398	1,381	404
Payables and accruals		791	745	681	199	1,314	384
Current tax liabilities		417	58	343	100	1,238	362
Total current liabilities		1,208	803	1,024	299	2,552	746
Total liabilities		2,448	2,240	2,385	697	3,933	1,150
Total equity and liabilities		18,834	22,425	27,717	8,104	33,493	9,793
Ratios							
NTA		16,386	20,185	25,332	7,407	29,560	8,643
NTA per share		RM0.82	RM1.01	RM1.27	USD0.37	RM1.48	USD0.43
Current ratio (times)		2.25	8.28	11.97	11.97	7.08	7.08
After tax return on shareholders' funds ⁽ⁱ⁾ (%)		31.58	18.82	20.32	20.32	14.30	14.30

Notes:

(i) *Profit after tax for the year/period*
Shareholders' funds

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)

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9.1 Balance sheets (continued)**9.1.1 Restatement of balance sheets**

The restatement of balance sheets of Ladang Kawa arose from the adoption of new accounting standards by the MASB for entities other than private entities as mentioned in Section 6 above. The reconciliations of the audited financial statements to that presented in this report are set out below:

9.1.1.1 Property, plant and equipment

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Per audited financial statements	16,117	15,774	9,679	2,830	3,432	1,004
Reclassified to:						
- Prepaid lease payments	(6,492)	(6,378)	(6,264)	(1,831)	-	-
- Biological assets	(5,781)	(5,781)	-	-	-	-
As restated	<u>3,844</u>	<u>3,615</u>	<u>3,415</u>	<u>999</u>	<u>3,432</u>	<u>1,004</u>

9.1.1.2 Biological assets

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Per audited financial statements	-	-	5,781	1,690	5,781	1,690
Reclassified from:						
- Property, plant and equipment	5,781	5,781	-	-	-	-
As restated	<u>5,781</u>	<u>5,781</u>	<u>5,781</u>	<u>1,690</u>	<u>5,781</u>	<u>1,690</u>

9.1.1.3 Prepaid lease payment

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Per audited financial statements	-	-	-	-	6,207	1,815
Reclassified from:						
- Property, plant and equipment	6,492	6,378	6,264	1,831	-	-
As restated	<u>6,492</u>	<u>6,378</u>	<u>6,264</u>	<u>1,831</u>	<u>6,207</u>	<u>1,815</u>

Note:

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



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9.2 Income statements

The following income statements of Ladang Kawa were extracted from the audited financial statements of Ladang Kawa for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

	Financial years ended				Six-month period ended	
	31.1.05	31.1.06	31.1.07		31.7.07	
	RM'000	RM'000	RM'000	^USD'000 equivalent	RM'000	^USD'000 equivalent
Revenue	11,407	10,426	11,521	3,368	8,181	2,392
Cost of sales	(4,564)	(5,080)	(4,574)	(1,337)	(2,231)	(652)
Gross profit	6,843	5,346	6,947	2,031	5,950	1,740
Other operating income	16	4	85	25	11	3
Distribution expenses	-	-	-	-	(163)	(48)
Administration expenses	(17)	(15)	(21)	(6)	(15)	(4)
Other operating expenses	-	-	(140)	(41)	(70)	(20)
Results from operating activities	6,842	5,335	6,871	2,009	5,713	1,671
Interest expense	(10)	-	-	-	-	-
Profit before tax	6,832	5,335	6,871	2,009	5,713	1,671
Tax expense	(1,657)	(1,536)	(1,724)	(504)	(1,485)	(434)
Profit for the year	5,175	3,799	5,147	1,505	4,228	1,237
Number of shares in issue ('000)	20,000	20,000	20,000	20,000	20,000	20,000
Earnings per share:						
Gross ⁽ⁱ⁾	34.16 sen	26.68 sen	34.36 sen	10.05 cents	28.57 sen	8.36 cents
Net ⁽ⁱⁱ⁾	25.88 sen	19.00 sen	25.74 sen	7.53 cents	21.14 sen	6.19 cents
Gross profit margin (%)	59.99	51.28	60.30	60.30	72.73	72.73
Net profit margin (%)	45.37	36.44	44.67	44.67	51.68	51.68
EBIDTA	7,306	5,808	7,296	2,133	5,942	1,737
Effective tax rate (%)	24.25	28.79	25.09	25.09	25.99	25.99
Trade receivables turnover period (months)	0.40	0.31	0.60	0.60	1.44	1.44
Trade payables turnover period (months)	0.72	1.00	0.87	0.87	1.94	1.94
Inventories turnover period (months)	0.88	1.21	1.38	1.38	1.20	1.20

Notes:

- (i) Profit before tax divided by the number of shares in issue during the year/period.
(ii) Profit after tax divided by the number of shares in issue during the year/period.
(iii) There were no extraordinary or exceptional items for all financial years and period under review.
(iv) The effective tax rate for financial year ended 31 January 2005 was generally lower than the applicable statutory tax rate due to utilisation of previously unrecognised deferred tax assets. The effective tax rate for financial year ended 31 January 2007 was lower than the applicable statutory tax rate mainly attributed to reversal of deferred tax liabilities following the reduction in corporate income tax rate to 26% for year of assessment 2008.

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)

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9.3 Statements of changes in equity

The following statement of changes in equity of Ladang Kawa was extracted from the audited financial statements of Ladang Kawa for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

Year/Period ended	Share capital RM'000	(Accumulated losses)/Retained earnings RM'000	Total equity RM'000
At 31 January 2004	20,000	(8,789)	11,211
Profit for the year	-	5,175	5,175
At 31 January 2005	20,000	(3,614)	16,386
Profit for the year	-	3,799	3,799
At 31 January 2006	20,000	185	20,185
Profit for the year	-	5,147	5,147
At 31 January 2007	20,000	5,332	25,332
Profit for the period	-	4,228	4,228
At 31 July 2007	20,000	9,560	29,560

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
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9.4 Cash flow statements

The following summarised cash flow statements of Ladang Kawa were extracted from the audited financial statements of Ladang Kawa for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

	<----- Financial years ended ----->			Six-month period ended		
	31.1.05 RM'000	31.1.06 RM'000	<---- 31.1.07 ----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Net cash generated from operating activities	7,370	3,660	5,586	1,633	4,188	1,224
Net cash used in investing activities	(292)	(130)	(111)	(32)	(189)	(55)
Net cash used in financing activities	(7,061)	(3,475)	(5,484)	(1,604)	(3,483)	(1,018)
Net increase/(decrease) in cash and cash equivalents	17	55	(9)	(3)	516	151
Cash and cash equivalents at beginning of year/period	50	67	122	36	113	33
Cash and cash equivalents at end of year/period	67	122	113	33	629	184

Note:

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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10. Tampilit

10.1 Balance sheets

The following balance sheets of Tampilit were extracted from the audited financial statements of Tampilit for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

As at	Note	31.1.05 RM'000 restated	31.1.06 RM'000 restated	<----- 31.1.07 -----> RM'000 restated	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Assets							
Biological assets	10.1.1.2	1,639	1,639	1,639	479	1,639	479
Prepaid lease payments	10.1.1.3	882	879	875	256	870	254
Total non-current assets		2,521	2,518	2,514	735	2,509	733
Receivables, deposits and prepayments		99	116	-	-	604	177
Total current assets		99	116	-	-	604	177
Total assets		2,620	2,634	2,514	735	3,113	910
Equity							
Share capital		16	16	16	4	16	4
Reserves		845	1,253	1,804	528	2,261	661
Total equity		861	1,269	1,820	532	2,277	665
Liabilities							
Payables and accruals		1,407	777	31	9	-	-
Deferred tax liabilities		343	507	641	187	662	194
Total non-current liabilities		1,750	1,284	672	196	662	194
Payables and accruals		9	81	15	5	27	8
Current tax liabilities		-	-	7	2	147	43
Total current liabilities		9	81	22	7	174	51
Total liabilities		1,759	1,365	694	203	836	245
Total equity and liabilities		2,620	2,634	2,514	735	3,113	910
Ratios							
NTA		861	1,269	1,820	532	2,277	665
NTA per share		RM53.81	RM79.31	RM113.75	USD33.26	RM142.31	USD41.61
Current ratio (times)		11.00	1.43	-	-	3.47	3.47
After tax return on shareholders' funds ⁽ⁱ⁾ (%)		65.97	32.15	30.16	30.16	20.07	20.07

Notes:

(i) Profit after tax for the year/period
Shareholders' funds

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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10.1 Balance sheets (continued)

10.1.1 Restatement of balance sheets

The restatement of balance sheets of Tampilit arose from the adoption of new accounting standards by the MASB for entities other than private entities as mentioned in Section 6 above. The reconciliations of the audited financial statements to that presented in this report are set out below:

10.1.1.1 Property, plant and equipment

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Per audited financial statements	2,521	2,518	875	256	-	-
Reclassified to:						
- Prepaid lease payments	(882)	(879)	(875)	(256)	-	-
- Biological assets	(1,639)	(1,639)	-	-	-	-
As restated	-	-	-	-	-	-

10.1.1.2 Biological assets

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Per audited financial statements	-	-	1,639	479	1,639	479
Reclassified from:						
- Property, plant and equipment	1,639	1,639	-	-	-	-
As restated	1,639	1,639	1,639	479	1,639	479

10.1.1.3 Prepaid lease payment

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Per audited financial statements	-	-	-	-	870	254
Reclassified from:						
- Property, plant and equipment	882	879	875	256	-	-
As restated	882	879	875	256	870	254

Note:
^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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10.2 Income statements

The following income statements of Tampilit were extracted from the audited financial statements of Tampilit for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

Note	Financial years ended				Six-month period ended	
	31.1.05 RM'000 restated	31.1.06 RM'000 restated	31.1.07 RM'000 ^USD'000 equivalent		31.7.07 RM'000 ^USD'000 equivalent	
Revenue	1,303	1,268	1,309	383	980	287
Cost of sales	(454)	(614)	(530)	(155)	(301)	(88)
Gross profit	849	654	779	228	679	199
Other operating income	-	-	-	-	-	-
Distribution costs	(43)	(63)	(72)	(21)	(57)	(17)
Administrative expenses	10.2.1.1 (6)	(7)	(7)	(2)	(3)	(1)
Other operating expenses	10.2.1.2 (3)	(3)	(3)	(1)	(1)	-
Results from operating activities	797	581	697	204	618	181
Interest expense	(8)	(10)	(4)	(1)	-	-
Profit before tax	789	571	693	203	618	181
Tax expense	(221)	(163)	(144)	(42)	(161)	(47)
Profit for the year	568	408	549	161	457	134
Number of shares in issue ('000)	16	16	16	16	16	16
Earnings per share:						
Gross ⁽ⁱ⁾	4,931.25 sen	3,568.75 sen	4,331.25 sen	1,268.75 cents	3,862.50 sen	1,131.25 cents
Net ⁽ⁱⁱ⁾	3,550.00 sen	2,550.00 sen	3,431.25 sen	1,006.25 cents	2,856.25 sen	837.50 cents
Gross profit margin (%)	65.16	51.58	59.51	59.51	69.29	69.29
Net profit margin (%)	43.59	32.18	41.94	41.94	46.63	46.63
EBIDTA	800	584	700	205	624	182
Effective tax rate (%)	28.01	28.55	20.78	20.78	26.05	26.05
Trade receivables turnover period (months)	0.88	1.10	-	-	-	-

Notes:

- (i) Profit before tax divided by the number of shares in issue during the year/period.
(ii) Profit after tax divided by the number of shares in issue during the year/period.
(iii) There were no extraordinary or exceptional items for all financial years and period under review.
(iv) The effective tax rate for financial year ended 31 January 2006 was higher than the applicable statutory tax rate mainly due to certain expenses being disallowed for tax purposes. In financial year ended 31 January 2007, the effective tax was lower than statutory tax rate mainly due to reversal of deferred tax liabilities following the reduction in corporate income tax rate to 26% for year of assessment 2008.

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
Accountants' Report

10.2 Income statements (continued)**10.2.1 Reclassifications of income statements**

The reclassifications of income statements of Tampilit were made to reflect more appropriately the nature of the items and to ensure consistency of presentation throughout the financial years under review. The reconciliations of the audited financial statements to that presented in this report are set out below:

10.2.1.1 Administrative expenses

Year ended	31.1.05 RM'000	31.1.06 RM'000
Per audited financial statements	9	10
Reclassified to:		
- Other operating expenses	(3)	(3)
As restated	<u>6</u>	<u>7</u>

10.2.1.2 Other operating expenses

Year ended	31.1.05 RM'000	31.1.06 RM'000
Per audited financial statements	-	-
Reclassified from:		
- Administrative expenses	3	3
As restated	<u>3</u>	<u>3</u>

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
Accountants' Report

10.3 Statements of changes in equity

The following statement of changes in equity of Tampilit was extracted from the audited financial statements of Tampilit for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

Year/Period ended	Share capital RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 31 January 2004	16	200	77	293
Profit for the year	-	-	568	568
At 31 January 2005	16	200	645	861
Profit for the year	-	-	408	408
At 31 January 2006	16	200	1,053	1,269
Effect of changes in tax rates	-	2	-	2
Profit for the year	-	-	549	549
At 31 January 2007	16	202	1,602	1,820
Profit for the period	-	-	457	457
At 31 July 2007	16	202	2,059	2,277

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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10.4 Cash flow statements

The following summarised cash flow statements of Tampilit were extracted from the audited financial statements of Tampilit for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

	<----- Financial years ended ----->			Six-month period ended		
	31.1.05	31.1.06	<----- 31.1.07 ----->	<----- 31.7.07 ----->		
	RM'000	RM'000	RM'000	^USD'000	RM'000	^USD'000
				equivalent		equivalent
Net cash generated from operating activities	704	641	750	219	633	185
Net cash used in financing activities	(704)	(641)	(750)	(219)	(633)	(185)
Net change in cash and cash equivalents	-	-	-	-	-	-
Cash and cash equivalents at beginning of year/period	-	-	-	-	-	-
Cash and cash equivalents at end of year/period	-	-	-	-	-	-

Note:

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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11. Wecan

11.1 Balance sheets

The following summarised balance sheets of Wecan were extracted from the audited financial statements of Wecan for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

As at	Note	31.1.05 RM'000 restated	31.1.06 RM'000 restated	<----- 31.1.07 -----> RM'000 restated	<----- 31.1.07 -----> ^USD'000 equivalent	<----- 31.7.07 -----> RM'000	<----- 31.7.07 -----> ^USD'000 equivalent
Assets							
Biological assets	11.1.1.2	10,806	10,806	10,806	3,160	10,806	3,160
Prepaid lease payments	11.1.1.3	3,360	3,342	3,324	972	3,303	966
Total non-current assets		14,166	14,148	14,130	4,132	14,109	4,126
Receivables, deposits and prepayments		619	506	1,625	475	5,040	1,473
Total current assets		619	506	1,625	475	5,040	1,473
Total assets		14,785	14,654	15,755	4,607	19,149	5,599
Equity							
Share capital		124	124	124	36	124	36
Reserves		6,578	8,911	11,849	3,465	14,472	4,232
Total equity		6,702	9,035	11,973	3,501	14,596	4,268
Liabilities							
Payables and accruals		5,479	1,872	-	-	-	-
Deferred tax liabilities		2,594	3,506	3,608	1,055	3,608	1,055
Total non-current liabilities		8,073	5,378	3,608	1,055	3,608	1,055
Payables and accruals		10	241	9	3	59	17
Current tax liabilities		-	-	165	48	886	259
Total current liabilities		10	241	174	51	945	276
Total liabilities		8,083	5,619	3,782	1,106	4,553	1,331
Total equity and liabilities		14,785	14,654	15,755	4,607	19,149	5,599
Ratios							
NTA		6,702	9,035	11,973	3,501	14,596	4,268
NTA per share		RM54.05	RM72.86	RM96.56	USD28.23	RM117.71	USD34.42
Current ratio (times)		61.90	2.10	9.34	9.34	5.34	5.34
After tax return on shareholders' funds ⁽ⁱ⁾ (%)		42.15	25.82	24.44	24.44	17.97	17.97

Notes:

(i) Profit after tax for the year/period
Shareholders' funds

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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11.1 Balance sheets (continued)

11.1.1 Restatement of balance sheets

The restatement of balance sheets of Wecan arose from the adoption of new accounting standards by the MASB for entities other than private entities as mentioned in Section 6 above. The reconciliations of the audited financial statements to that presented in this report are set out below:

11.1.1.1 Property, plant and equipment

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Per audited financial statements	14,166	14,148	3,324	972	-	-
Reclassified to:						
- Prepaid lease payments	(3,360)	(3,342)	(3,324)	(972)	-	-
- Biological assets	(10,806)	(10,806)	-	-	-	-
As restated	-	-	-	-	-	-

11.1.1.2 Biological assets

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Per audited financial statements	-	-	10,806	3,160	10,806	3,160
Reclassified from:						
- Property, plant and equipment	10,806	10,806	-	-	-	-
As restated	10,806	10,806	10,806	3,160	10,806	3,160

11.1.1.3 Prepaid lease payment

As at	31.1.05 RM'000	31.1.06 RM'000	<----- 31.1.07 -----> RM'000	^USD'000 equivalent	<----- 31.7.07 -----> RM'000	^USD'000 equivalent
Per audited financial statements	-	-	-	-	3,303	966
Reclassified from:						
- Property, plant and equipment	3,360	3,342	3,324	972	-	-
As restated	3,360	3,342	3,324	972	3,303	966

Note:

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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11.2 Income statements

The following income statements of Wecan were extracted from the audited financial statements of Wecan for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

Note	Financial years ended				Six-month period ended	
	31.1.05 RM'000 restated	31.1.06 RM'000 restated	31.1.07 RM'000	^USD'000 equivalent	31.7.07 RM'000	^USD'000 equivalent
Revenue	7,032	6,631	7,077	2,069	5,480	1,602
Cost of sales	(2,710)	(2,928)	(3,031)	(886)	(1,641)	(480)
Gross profit	4,322	3,703	4,046	1,183	3,839	1,122
Other operating income	-	-	-	-	-	-
Distribution costs	(342)	(402)	(411)	(120)	(282)	(82)
Administrative expenses	11.2.1.1 (6)	(6)	1	-	(3)	(1)
Other operating expenses	11.2.1.2 (18)	(18)	(18)	(5)	(9)	(3)
Results from operating activities	3,956	3,277	3,618	1,058	3,545	1,036
Interest expense	(33)	(32)	(6)	(2)	-	-
Profit before tax	3,923	3,245	3,612	1,056	3,545	1,036
Tax expense	(1,098)	(912)	(686)	(201)	(922)	(269)
Profit for the year	2,825	2,333	2,926	855	2,623	767
Number of shares in issue ('000)	124	124	124	124	124	124
Earnings per share:						
Gross ⁽ⁱ⁾	3,163.71 sen	2,616.94 sen	2,912.90 sen	851.61 cents	2,858.87 sen	835.48 cents
Net ⁽ⁱⁱ⁾	2,278.23 sen	1,881.45 sen	2,359.68 sen	689.52 cents	2,115.32 sen	618.55 cents
Gross profit margin (%)	61.46	55.84	57.17	57.17	70.05	70.05
Net profit margin (%)	40.17	35.18	41.35	41.35	47.86	47.86
EBIDTA	3,974	3,295	3,636	1,063	3,566	1,043
Effective tax rate (%)	27.99	28.10	18.99	18.99	26.01	26.01
Trade receivables turnover period (months)	1.06	0.90	-	-	-	-

Notes:

- (i) Profit before tax divided by the number of shares in issue during the year/period.
(ii) Profit after tax divided by the number of shares in issue during the year/period.
(iii) There were no extraordinary or exceptional items for all financial years and period under review.
(iv) For financial year ended 31 January 2007, the effective tax rate was lower than the applicable statutory tax rate mainly due to reversal of deferred tax liabilities following the reduction in corporate income tax rate to 26% for year of assessment 2008.

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



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11.2 Income statements (continued)**11.2.1 Reclassifications of income statements**

The reclassifications of income statements of Wecan were made to reflect more appropriately the nature of the items and to ensure consistency of presentation throughout the financial years under review. The reconciliations of the audited financial statements to that presented in this report are set out below:

11.2.1.1 Administrative expenses

Year ended	31.1.05 RM'000	31.1.06 RM'000
Per audited financial statements	24	24
Reclassified to:		
- Other operating expenses	(18)	(18)
As restated	6	6

11.2.1.2 Other operating expenses

Year ended	31.1.05 RM'000	31.1.06 RM'000
Per audited financial statements	-	-
Reclassified from:		
- Administrative expenses	18	18
As restated	18	18

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
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11.3 Statements of changes in equity

The following statement of changes in equity of Wecan was extracted from the audited financial statements of Wecan for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

Year/Period ended	Share capital RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 31 January 2004	124	1,045	2,708	3,877
Profit for the year	-	-	2,825	2,825
At 31 January 2005	124	1,045	5,533	6,702
Profit for the year	-	-	2,333	2,333
At 31 January 2006	124	1,045	7,866	9,035
Effect of changes in tax rates	-	12	-	12
Profit for the year	-	-	2,926	2,926
At 31 January 2007	124	1,057	10,792	11,973
Profit for the period	-	-	2,623	2,623
At 31 July 2007	124	1,057	13,415	14,596

14. ACCOUNTANTS' REPORT (Cont'd)



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11.4 Cash flow statements

The following summarised cash flow statements of Wecan were extracted from the audited financial statements of Wecan for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007.

	<----- Financial years ended ----->			Six-month period ended	
	31.1.05 RM'000	31.1.06 RM'000	31.1.07 RM'000	31.7.07 RM'000	31.7.07 ^USD'000 equivalent
Net cash generated from operating activities	3,359	3,638	3,502	1,024	995
Net cash used in financing activities	(3,359)	(3,638)	(3,502)	(1,024)	(995)
Net change in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at beginning of year/period	-	-	-	-	-
Cash and cash equivalents at end of year/period	-	-	-	-	-

Note:

^ For illustrative purposes only and the exchange rate used is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
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12. Dividends

No dividend has been paid or declared by HSP since the date of incorporation. The dividends paid or declared by the subsidiaries of HSP for the financial years or period under review were as follows:

Year/Period ended	Type of dividend	Gross dividend rate (%)	Gross dividend RM'000	Tax rate (%)	Net dividend RM'000
River Estates					
31 January 2005	First interim	100	30,807	28	22,181
	Second interim	100	30,807	28	22,181
31 January 2006	First interim	50	15,404	28	11,091
	Second interim	140	43,129	28	31,053
31 January 2007	First interim	190	58,533	27	42,729
Jeroco					
31 January 2005	Interim	4	4,857	28	3,497
	Special interim	3	3,643	28	2,623
	Final	4	4,857	28	3,497
	Special final	2	2,429	28	1,749
31 January 2006	Interim	4	4,857	28	3,497
	Special interim	3	3,643	28	2,623
	Final	4	4,857	28	3,497
	Special final	2	2,429	28	1,749
31 January 2007	Interim	4	4,857	27	3,546
	Special interim	3	3,643	27	2,659
	Final	4	4,857	26	3,594
	Special final	2	2,429	26	1,797

No dividend was paid or declared by the subsidiaries of HSP for the six-month period ended 31 July 2007.

Subsequent to the six-month period ended 31 July 2007, a parting dividend of RM229.49 million was paid to the previous shareholders prior to the completion of the Acquisitions.

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
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13. Significant accounting policies**13.1 Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the MASB, accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The MASB has issued the following FRSs and Issues Committee Interpretations ("IC Interpretations") that are effective for annual periods beginning on or after 1 July 2007 and that have not been early adopted in preparing these financial statements:

Standard / IC Interpretation	Effective for periods beginning on or after
IC Interpretation 8, Scope of FRS 2	1 July 2007
FRS 107, Cash flow Statements	1 July 2007
FRS 112, Income Taxes	1 July 2007
FRS 118, Revenue	1 July 2007
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139, Financial Instruments: Recognition and Measurement	-

The Group plans to apply the above-mentioned FRSs and IC Interpretations for the annual period beginning 1 February 2008 except for FRS 139, the effective date of which has yet to be announced. The said standards and interpretations are not expected to have any material impact on the financial statements of the Group and of the Company upon their initial application.

The following FRSs and IC Interpretations are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

Standard / IC Interpretation	Effective for periods beginning on or after
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
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13.1 Statement of compliance (continued)

Standard / IC Interpretation	Effective for periods beginning on or after
IC Interpretation 7, Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 111, Construction Contracts	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 July 2007

13.1.1 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

13.1.2 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

13.1.3 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

13.2 Significant accounting policies

The accounting policies set out below are adopted by the Group and are consistently applied throughout the period.

(a) Basis of consolidation**(i) Subsidiaries**

Subsidiaries are entities, including unincorporated entities, if any, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

14. ACCOUNTANTS' REPORT (Cont'd)

**13.2 Significant accounting policies (continued)****(a) Basis of consolidation (continued)****(i) Subsidiaries (continued)**

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Property, plant and equipment**(i) Recognition and measurement**

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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13.2 Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Capital work-in-progress is not depreciated until the assets are ready for their intended use.

Other assets are depreciated over their estimated useful lives by equal annual instalments at the following rates:

Buildings	10 – 50 years
Roads and infrastructure	25 – 83 years
Plant, machinery and vehicles	4 – 14 years
Furniture, fittings and equipment	3 – 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(c) Biological assets

In accordance with paragraph 68 of FRS 101, the Group has presented plantation development expenditure as biological assets.

New planting which include land clearing, planting, field upkeep and maintenance of oil palm plantings to maturity are capitalised as plantation development expenditure. Oil palm plantings are considered mature 30 months after the date of planting. Expenditures incurred after maturity of crops are charged to the income statement. Estate overhead expenditure is apportioned to revenue and plantation development expenditure on the basis of the proportion of mature and immature areas.

The cost of biological assets recognised as a result of a business combination is based on fair value at acquisition date. The fair value of biological assets is the estimated amount for which biological assets could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Net income from scout harvesting prior to maturity is offset against plantation development expenditure.

No amortisation is considered necessary for plantation development expenditure as the estate is maintained through replanting programmes and replanting expenditure is written off to the income statement during the year when it is incurred.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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13.2 Significant accounting policies (continued)**(d) Prepaid lease payments**

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as long term leasehold land within its property, plant and equipment. Upon the adoption of FRS 117, Leases, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

Long term leasehold land are amortised over the tenure of the leases.

(e) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow moving items. Cost is determined principally with the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Produce stocks are valued at the lower of cost and net realisable value. Cost includes estate production cost, mill processing cost, overhead expenses and depreciation.

Consumable stores consist of purchase cost and incidental charges while planting materials cost includes purchase seedling cost and direct nursery cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with licensed financial institutions.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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13.2 Significant accounting policies (continued)

(h) Impairment of assets

The carrying amounts of assets except for financial assets, investment properties, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in the income statement if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(i) Share capital

Shares issue expenses

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

(j) Bank borrowings

Bank borrowings are recorded at the amount of proceeds received, net of transaction costs.

(k) Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

The Group's contributions to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
Accountants' Report

13.2 Significant accounting policies (continued)**(l) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(n) Revenue

Revenue from the sale of goods is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(o) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

(p) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
Accountants' Report

13.2 Significant accounting policies (continued)

(p) **Tax expense (continued)**

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be recognised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

14. Audited consolidated financial statements

No audited consolidated financial statements for HSP Group have been prepared since its incorporation on 18 April 2007.

15. Events subsequent to balance sheet date

Other than the Proposals as set out in Section 2.3 and the estimated listing expenses of RM9,000,000 (USD2,632,000), no events have arisen subsequent to the balance sheet date which would require disclosure in this report.

Yours faithfully

KPMG

Firm Number: AF 0758
Chartered Accountants

Lee Hean Kok

Partner

Approval Number: 2700/12/07 (J)

15. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

15.1 Related Party Transactions

"Related party transactions" are defined in the Listing Requirements as transactions entered into by a listed issuer or its subsidiaries that involve the interest, direct or indirect, of a related party. A "related party" means a director or a major shareholder of the corporation or its subsidiaries and any person connected with a director or major shareholder of the listed issuer or its subsidiaries, including a person who was a director, major shareholder or person connected with such director or major shareholder within the preceding six (6) months before the transaction was entered into. A "person connected with a director or major shareholder" is defined under Section 122A of the Act and, when read together with the Listing Requirements, includes a body corporate whose voting shares are not less than 15.0% controlled by such director or major shareholder of the corporation or its subsidiaries. "Major shareholder" means a shareholder with a shareholding of 5.0% or more.

15.2 Recurrent Related Party Transactions

"Recurrent related party transactions" are defined in the Listing Requirement as transactions of a revenue or trading nature necessary for day-to-day operations, where the consideration, value or cost is equal to or exceeds RM1.0 million, or where any of the percentage ratios as stipulated in the Listing Requirements is equivalent to or exceeds 1.0% whichever is the lower. Our Group, in the ordinary course of business, enters into transactions that are of revenue or trading in nature with related parties ("**Recurrent Related Transactions**"), which are necessary for our day-to-day operations. Our Directors confirm that such Recurrent Related Transactions are carried out and will be carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and which will not be detrimental to our minority shareholders.

We will make disclosures in our annual report of the aggregate value of Recurrent Related Transactions entered into by us conducted based on the nature of transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

Set forth below are the Recurrent Related Transactions that we have entered into with our related parties for three (3) financial years ended 31 January 2007 and our proposed Recurrent Related Transactions for the financial year ending 31 January 2008. Save as disclosed below, there are no existing or potential Recurrent Related Transactions that we have entered into in respect of which rights and obligations are existing and/or proposed as at the date of this Prospectus.

Transacting parties	Companies within the Group	Nature of Relationship	Nature of transaction	Transaction value for the			
				Financial years ended 31 January			6-month period ended
				2005 RM 000	2006 RM 000	2007 RM 000	31 July 2007 RM 000
Gek Poh	<ul style="list-style-type: none"> • Jeroco • River Estates • Ladang Kawa 	Gek Poh is the ultimate holding company of HSP Group	Insurance premium	1,465	1,440	1,396	685

15. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Transacting parties	Companies within the Group	Nature of Relationship	Nature of transaction	Transaction value for the			
				Financial years ended 31 January			6-month period ended
				2005 RM 000	2006 RM 000	2007 RM 000	31 July 2007 RM 000
Corporated International Consultants	<ul style="list-style-type: none"> • River Estates • Jeroco 	Chiew Kim Hua, a partner in Corporated International Consultants, is the husband of Helen Lee Yun Oi, the sister of Edward Lee Ming Foo, a director of HSP and HSCB	Fees on consultancy services rendered for the design and periodical supervision of works of a civil and structural nature and co-ordination work	69	121	420	462

All the trading activities between our Subsidiaries with HSCB and its other subsidiaries are not related party transactions for purpose of the Listing Requirements prior to the completion of the Acquisitions. Details of the Recurrent Related Transactions for the financial year ending 31 January 2008 are set out below.

Transacting parties	Companies within the Group	Interested related parties	Nature of transaction	Transaction value forecast for the financial year ending 31 January 2008
				RM 000
Gek Poh	<ul style="list-style-type: none"> • Jeroco • River Estates • Ladang Kawa 	Gek Poh is the ultimate holding company of HSP Group	Insurance premium	1,600
Corporated International Consultants	<ul style="list-style-type: none"> • Jeroco • River Estates 	Chiew Kim Hua, a partner in Corporated International Consultants, is the husband of Helen Lee Yun Oi, the sister of Edward Lee Ming Foo, a Director of HSP and HSCB	Fees on consultancy services rendered for the design and periodical supervision of works of a civil and structural nature and co-ordination work	500
Hap Seng (Oil & Transport) Sdn Bhd	<ul style="list-style-type: none"> • Jeroco • River Estates • Ladang Kawa 	Hap Seng (Oil & Transport) Sdn Bhd is the wholly-owned subsidiary of HSCB, our holding company	Purchase of diesel, petrol and lubricants	16,000
Hap Seng Fertilizers Sdn Bhd (formerly known as Hap Seng Sasco Fertilizers Sdn Bhd)	<ul style="list-style-type: none"> • River Estates • Jeroco • Kawa • Wecan • Tampilit 	Hap Seng Fertilizers Sdn Bhd is the wholly-owned subsidiary of HSCB, our holding company	Purchase of fertiliser and chemicals	26,000

15. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Transacting parties	Companies within the Group	Interested related parties	Nature of transaction	Transaction value forecast for the financial year ending 31 January 2008 RM 000
Si Khiong Industries Sdn Bhd	<ul style="list-style-type: none"> • River Estates • Jeroco 	Si Khiong Industries Sdn Bhd is the wholly-owned subsidiary of HSCB, our holding company	Purchase of vehicles and spare parts	2,300
Hap Seng Building Materials Sdn Bhd	<ul style="list-style-type: none"> • River Estates • Jeroco 	Hap Seng Building Materials Sdn Bhd is the wholly-owned subsidiary of HSCB, our holding company	Contract expenses	25,000
Hap Seng Properties Development Sdn Bhd	<ul style="list-style-type: none"> • River Estates 	Hap Seng Properties Development Sdn Bhd is the wholly-owned subsidiary of HSCB, our holding company	Plantation management fee income	(100)
Hap Seng Realty Sdn Bhd	<ul style="list-style-type: none"> • River Estates 	Hap Seng Realty Sdn Bhd is the wholly-owned subsidiary of HSCB, our holding company	Rental expenses	100
Hap Seng Management Services Sdn Bhd	<ul style="list-style-type: none"> • HSP Group 	Hap Seng Management Services Sdn Bhd is the wholly-owned subsidiary of HSCB, our holding company	Management fees	2,500

Our Directors are of the opinion that these transactions have been entered on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties.

15.3 Transactions Entered into that are Unusual in their Nature or Conditions

As at the Latest Practicable Date, we have not entered into any transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our parent or its subsidiaries was a party within the last three (3) financial years and the subsequent financial period immediately preceding the date of this Prospectus.

15.4 Acquisition of Assets within the Three (3) Financial Years and up to the Date of this Prospectus

Save for the Acquisitions, none of our Directors or our substantial shareholders has any interest, direct or indirect, in the promotion of, or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed or leased or proposed to be leased to our Group within the three (3) financial years ended 31 January 2007 and the beginning of the financial year ending 31 January 2008 up to the date of this Prospectus.

15. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**15.5 Outstanding Loans Made to or for the Benefit of Related Parties**

Save as disclosed below, there has been no outstanding loan (including guarantee of any kind), made by HSP or its Subsidiaries to or for the benefit of the related parties, in the three (3) financial years ended 31 January 2007 and the six (6)-month period ended 31 July 2007 and in the subsequent period up to the date of this Prospectus.

	←-----Financial years ended 31 January----->			6-month period ended 31 July
	2005 RM 000	2006 RM 000	2007 RM 000	2007 RM 000
Amount owing by HSCB to HSP Group	207,404	233,486	262,603	281,744

The amount owing by HSCB was fully settled on 29 August 2007.

15.6 Conflicts of Interest**15.6.1 Our Directors or Key Management's Relationships with Our Related Parties**

Save for Dato' Jorgen Bornhoft, Edward Lee Ming Foo, Soon Seong Keat, and Datuk Simon Shim Kong Yip, none of our Directors and/or key management is an officer and/or director and/or substantial shareholder of our related parties.

15.6.2 Our Directors or Substantial Shareholders' Interest, Directorships and/ or Shareholdings in other Businesses and Corporations carrying on a similar Trade as that of our Group

Save as disclose below, none of our Directors or substantial shareholders has any interest, direct or indirect, directorships and/ or shareholdings in other businesses and corporations carrying on a similar trade as that of our Group which would give rise to a situation of conflicts of interest as at the date of this Prospectus.

Save as disclosed below, as at the Latest Practicable Date, Innoprise does not have any interest, directly and/or indirectly, in any companies and businesses that are carrying on a similar trade as our Group.

	Date and Country of incorporation	Effective equity interest held (%)	Principal activities
1. Sabah Softwoods Berhad	24.12.1973 Malaysia	70.00	Reforestation, oil palm plantation and chipmill operation
2. Benta Wawasan Sdn Bhd	13.02.1996 Malaysia	100.00	Reforestation and cultivation of oil palm plantation
3. Samel Plantation Sdn Bhd	25.10.2004 Malaysia	50.00	Operation of oil palm plantation
4. B. W Plantations Sdn Bhd (formerly known as Fajar Bumi Juta Sdn Bhd)	13.01.2004 Malaysia	100.00	Development of forest and oil palm plantation
5. Serijaya Industri Sdn Bhd	04.08.2005 Malaysia	46.61	Log extraction and oil palm plantation
6. Regional Harvest Sdn Bhd	04.07.2001 Malaysia	28.00	Operation of CPO mill

15. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

The directors of Innoprise are, however of the view that Innoprise's interest in the above companies does not and will not give rise to any situation of conflicts of interest for the following reasons:

- (i) most of the operations and processes employed in oil palm plantations are standardised and there are no trade secrets or information that could easily be transferred for the benefit of other parties;
- (ii) all matters in connection with Innoprise's investment in our Company are handled by the Business Development Division of Innoprise which is separate from the Agro-plantation Division of Innoprise that manages and handles all matters in connection with the operations of the oil palm plantations within the Innoprise group;
- (iii) our Group does not compete with the Innoprise group for the supply of FFB, since each group obtains its respective FFB supply from its own plantations; and
- (iv) the directors of Innoprise foresee that the demand for CPO will be much greater than supply in the future and as such, our Group and Innoprise group are unlikely to compete with each other for customers for their CPO and in addition, CPO is a commodity and the prices of CPO are dependent on the demand and supply in the global oils and fats market.

15.6.3 Monitoring of Recurrent Related Transactions and Conflicts of Interest Situation

Generally, the prices, terms and conditions of the Recurrent Related Transactions are based on market rates, the availability of the amount/resources to be transacted and negotiated on a willing buyer-willing seller basis. Where practical and feasible, quotations and tenders will be obtained from third parties to ascertain appropriate prices.

The following internal review procedures have been established to ensure that the Recurrent Related Transactions are conducted at an arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders:

- (i) A list of the related parties mandated pursuant to the shareholders' mandate will be circulated within the HSP Group;
- (ii) A register has been created and will be maintained by our Group to capture notification of all Recurrent Related Transactions entered into;
- (iii) The shareholding interests of the related parties will be monitored continuously. Any changes in the shareholdings of the related parties will be duly notified to the respective subsidiary companies;
- (iv) A register will be kept by HSP to keep track of the appointment of Directors in HSP and its Subsidiaries and the major shareholders of HSP and its Subsidiaries. Additionally, the register will serve to capture the immediate disclosure required from the Directors of HSP's Subsidiaries on any interests in a corporation/partnership which transacts or is expected to transact with our Group. The respective management team of the Subsidiaries is required to update HSP on a quarterly basis;

15. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

- (v) The Recurrent Related Transactions will be reviewed quarterly by our management; and
- (vi) Our Group internal audit plan shall include a critical review of the Recurrent Related Transactions entered into pursuant to the shareholders' mandate to ensure that they are transacted on terms and conditions which are not more favourable to the related parties than those generally available to the third parties and are not to the detriment of the minority shareholders in the light of the circumstances concerned. Our Board of Directors and Audit Committee shall review the internal audit reports to ascertain that the review procedures established to monitor the Recurrent Related Transactions have been complied with.

15.7 Declaration by Advisers on Conflicts of Interest**15.7.1 Declaration by CIMB**

CIMB confirms that there is no conflict of interest in their capacity as the adviser for the IPO, Joint Global Co-ordinator and Joint Bookrunner for the Institutional Offering, sole Placement Agent for Special Offering and Bumiputera Offering and Managing Underwriter and Underwriter for the Retail Public Offering and Preferential Allocation Scheme.

15.7.2 Declaration by UBS

UBS and its affiliates engage in transactions with, and perform services for us and our affiliates in the ordinary course of business and have engaged, and in the future may engage, in private banking, commercial banking and investment banking with us and our affiliates, for which they have received, or may in the future receive, customary compensation.

UBS and its affiliates, in their capacity as principal or agent, are involved, and may in the future be involved, in a wide range of commercial banking and investment banking activities globally (including investment advisory, asset management, wealth management, research, securities issuance, trading (proprietary and customer) and brokerage) from which conflicting interests or duties may arise. In addition, in the ordinary course of business, UBS and/or its affiliates may trade the securities of the Company and/or its affiliates for UBS's and/or its affiliates' own account and for the accounts of customers, and may at any time hold a long or short position in such securities. Therefore, conflicts may arise between duties of UBS as a Joint Global Co-ordinator and Joint Bookrunner pursuant to the IPO and other duties or interest of UBS and its affiliates.

UBS confirms that save as disclosed above, there is no conflict of interest in their capacity as Joint Global Co-ordinator and Joint Bookrunner for the Institutional Offering.

15.7.3 Declaration by Messrs. Zul Rafique & Partners

Messrs. Zul Rafique & Partners confirm that their capacity as the legal counsel for our Company in relation to the IPO and as the solicitors to the Offeror in relation to the conduct of a limited legal due diligence on the contents of the Offeror's shareholders' circular and notice in connection to the extraordinary general meeting that was held on 5 September 2007, for the shareholders' approval of the Acquisitions, our IPO and all other matters related thereto. Messrs. Zul Rafique & Partners are of the view that there is no conflict of interest in their respective capacities stated above.

15. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

15.7.4 Declaration by Messrs. Shim Pang & Co.

Messrs. Shim Pang & Co is acting as the solicitors for the Promoter and Offeror in relation to the IPO. The Managing Partner of Messrs. Shim Pang & Co, Datuk Simon Shim Kong Yip, is a Non-Independent Non-Executive Director of HSCB and HSP.

Notwithstanding the above, Messrs. Shim Pang & Co is of the view that there would not be any conflict of interest issue in relation to their appointment as the solicitors for the Promoter and Offeror. Datuk Simon Shim Kong Yip had abstained in the deliberation and voting in relation to the appointment of Messrs. Shim Pang & Co as the solicitors for the Promoter and Offeror pertaining to the IPO.

15.7.5 Declaration by Messrs. Zaid Ibrahim & Co.

Messrs. Zaid Ibrahim & Co confirm that there is no conflict of interest in their capacity as Malaysian legal counsel to the Joint Global Co-ordinators and Joint Bookrunners, Placement Agent, Managing Underwriter and Underwriter as to Malaysian law.

15.7.6 Declaration by Messrs. KPMG

Messrs. KPMG confirms that there is no conflict of interest in its capacity as the Auditors and Reporting Accountants to the Company in relation to the IPO.

15.7.7 Declaration by Milbank, Tweed, Hadley & McCloy LLP

Milbank, Tweed, Hadley & McCloy LLP confirm that there is no conflict of interest in their capacity as the foreign legal counsel to the Joint Global Co-ordinators and Joint Bookrunners as to English law and US Federal Securities law.

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