
ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

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Hap Seng Plantations (River Estates) Sdn Bhd

(Company No.: 40531 - P)

(Incorporated in Malaysia)

6. Investment in subsidiaries

	Unaudited 31.7.2006 RM'000	Audited 31.1.2006 RM'000
Unquoted shares, at cost	17,078	17,078

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Effective ownership interest	
		Unaudited 31.7.2006	Audited 31.1.2006
Hap Seng Plantations (Wecan) Sdn Bhd	Cultivation of oil palm	100%	100%
Hap Seng Plantations (Tampilit) Sdn Bhd	Cultivation of oil palm	100%	100%
Hap Seng Plantations (Ladang Kawa) Sdn Bhd	Cultivation of oil palm	100%	100%

7. Receivables, deposits and prepayments

	Unaudited 31.7.2006 RM'000	Audited 31.1.2006 RM'000
Trade		
Trade receivables	6,323	3,322
Amount due from subsidiaries	--	20
	<u>6,323</u>	<u>3,342</u>
Non-trade		
Other receivables, deposits and prepayments	1,573	1,968
Amount due from immediate holding company	3,541	--
Amount due from subsidiaries	1,901	38
Amount due from related companies	--	106
	<u>13,338</u>	<u>5,454</u>
Less: Allowance for doubtful debts	(755)	(755)
	<u>12,583</u>	<u>4,699</u>

The trade balance due from subsidiaries is interest free and receivable in accordance with normal trade terms.

The non-trade balances due from immediate holding company, subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment. The non-trade amount due from immediate holding company was subsequently fully received.

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8. Inventories

	Unaudited 31.7.2006 RM'000	Audited 31.1.2006 RM'000
At cost:		
Consumables stores	12,447	14,524
Planting materials	364	247
Produce stocks	2,676	2,267
	<u>15,487</u>	<u>17,038</u>

9. Cash and cash equivalents

	Unaudited 31.7.2006 RM'000	Audited 31.1.2006 RM'000
Cash and bank balances	<u>342</u>	<u>1,462</u>

10. Capital and reserves

	Unaudited		Audited	
	<-----31.7.2006----->		<-----31.1.2006----->	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Share capital				
Authorised:				
Ordinary shares of RM1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:				
Ordinary shares of RM1 each	<u>30,807</u>	<u>30,807</u>	<u>30,807</u>	<u>30,807</u>
Reserves				
			Unaudited 31.7.2006 RM'000	Audited 31.1.2006 RM'000
Non-distributable				
Revaluation reserve			46,075	46,075
Distributable				
Retained earnings			<u>229,576</u>	<u>214,595</u>
			<u>275,651</u>	<u>260,670</u>

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10. Capital and reserves (continued)**Section 108 tax credit**

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank approximately RM73,838,000 (31.1.2006: RM54,079,000) of its distributable reserves at 31 July 2006, if paid out as dividends.

11. Deferred tax liabilities

The recognised deferred tax liabilities are as follows:

	Unaudited 31.7.2006 RM'000	Audited 31.1.2006 RM'000
Property, plant and equipment - capital and agriculture allowances	55,296	54,631
Biological assets - revaluation	803	803
	<u>56,099</u>	<u>55,434</u>

12. Payables and accruals

	Unaudited 31.7.2006 RM'000	Audited 31.1.2006 RM'000
Trade		
Trade payables	1,314	1,294
Amount due to immediate holding company	163	--
Amount due to subsidiaries	1,942	611
Amount due to related companies	907	5,952
	<u>4,326</u>	<u>7,857</u>
Non-trade		
Other payables and accruals	6,230	7,268
Amount due to immediate holding company	--	5,344
Amount due to related companies	2,806	--
	<u>9,036</u>	<u>12,612</u>
	<u>13,362</u>	<u>20,469</u>

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12. Payables and accruals (continued)

The trade balances due to immediate holding company, subsidiaries and related companies are interest free and payable in accordance with normal trade terms.

The non-trade balance due to related companies is unsecured, interest free and has no fixed terms of repayment.

The non-trade balance due to immediate holding company in the previous year was unsecured and had no fixed terms of repayment. Interest was charged based on recovery of borrowing costs incurred by the immediate holding company.

13. Revenue

Revenue represents sales of crude palm oil and palm kernels.

14. Profit before tax

	Unaudited six months period ended 31.7.2006 RM'000	Audited year ended 31.1.2006 RM'000
Profit before tax is arrived at after charging:		
Allowance for doubtful debts	--	1
Amortisation of prepaid lease payments	162	323
Auditors' remuneration	23	45
Bad debts written off	--	1
Depreciation of property, plant and equipment	5,053	9,908
Equipment hiring charges	1,791	5,069
Personnel expenses (including key management personnel):		
- Contributions to Employees' Provident Fund	436	1,488
- Wages, salaries and others	10,456	21,964
Plant and equipment written off	174	295
Rental expenses	36	84
Replanting expenses	1,412	3,190
	<u> </u>	<u> </u>
And after crediting:		
Hire income of plant and machinery	143	302
Gain on disposal of property, plant and equipment	53	1
Plantation management fee income	2,350	4,763
Rental income	46	116
	<u> </u>	<u> </u>

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

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15. Key management personnel compensation

The key management personnel compensations are as follows:

	Unaudited six months period ended 31.7.2006 RM'000	Audited year ended 31.1.2006 RM'000
Directors		
- Fees	26	24
- Remuneration	457	1,309
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	72	139
	<u>555</u>	<u>1,472</u>
Other key management personnel:		
- Remuneration	801	2,218
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	50	115
	<u>851</u>	<u>2,333</u>

Other key management personnel comprises persons other than the Directors of the Company having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

16. Tax expense

	Unaudited six months period ended 31.7.2006 RM'000	Audited year ended 31.1.2006 RM'000
Current tax expense		
- Current period's/year's provisions	5,183	16,664
- Over provision in prior year	--	(233)
	<u>5,183</u>	<u>16,431</u>
Deferred tax expense		
- Origination of temporary differences	665	1,441
- Over provision in prior year	--	(622)
	<u>665</u>	<u>819</u>
Real property gains tax	33	29
Total tax expense	<u>5,881</u>	<u>17,279</u>

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

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Hap Seng Plantations (River Estates) Sdn Bhd

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16. Tax expense (continued)

	Unaudited six months period ended 31.7.2006 RM'000	Audited year ended 31.1.2006 RM'000
Reconciliation of effective tax expense		
Profit before tax	20,862	64,257
Tax calculated using Malaysian tax rate of 28%	5,841	17,992
Non-deductible expenses	7	113
Real property gains tax	33	29
	5,881	18,134
Over provision of current tax in prior year	--	(233)
Over provision of deferred tax in prior year	--	(622)
	5,881	17,279

17. Dividends

No dividends was declared and paid during the six month period ended 31 July 2006.

Dividends declared and paid by the Company in the previous year were:

	Sen per share (Gross)	Total amount (Net) RM'000	Date of payments
Dividends in respect of financial year ended 31 January 2006			
First interim dividend less 28% tax	50	11,091	31 October 2005
Second interim dividend less 28% tax	140	31,053	26 January 2006
		42,144	

18. Financial instruments**Financial risk management objectives and policies**

The financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its credit and liquidity risks. The Company operates within clearly defined guidelines and it is the Company's policy not to engage in speculative transaction.

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

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Hap Seng Plantations (River Estates) Sdn Bhd

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18. Financial instruments (continued)**Credit risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on potential customers before entering into any contracts.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Liquidity risk

The Company maintains adequate funds to meet its obligations as and when they fall due.

Interest rate risk

Interest rate risk is minimal as the Company's interest bearing financial liability is in respect of its non trade balance due to the immediate holding company.

Effective interest rate and repricing analysis

The effective interest rate in respect of interest-bearing financial liability at the balance sheet date and the period in which it reprices or matures, whichever is earlier, is as follows:

	Unaudited <----- 31.7.2006 ----->		Audited <----- 31.1.2006 ----->	
	Effective interest rate per annum %	Total/ Within 1 year RM'000	Effective interest rate per annum %	Total/ Within 1 year RM'000
Financial liability				
Amount due to immediate holding company	*	--	*	5,344

* Interest is charged based on recovery of borrowing costs incurred by the immediate holding company. As at 31 July 2006, the amount has been fully settled.

Fair values**Recognised financial instruments**

In respect of cash and cash equivalents, receivables, deposits and prepayments and payables and accruals, the carrying amounts approximate their fair values due to the relatively short term nature of these financial instruments.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
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19. Capital commitments

	Unaudited	Audited
	31.7.2006	31.1.2006
	RM'000	RM'000
Capital expenditure:		
Contracted but not provided for Property, plant and equipment	8,881	8,903
Approved but not contracted for Property, plant and equipment	29,163	33,478
	<u>38,044</u>	<u>42,381</u>

20. Related parties**Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationships with its holding, subsidiaries and related companies.

Transactions with key management personnel**Key management personnel compensation**

Key management personnel compensation is disclosed in Note 15.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence was as follows:

	Transaction value		Balance outstanding		
	Unaudited	Audited	as at		
	six months	year	Unaudited	Audited	
	period ended	ended	31.7.2006	31.1.2006	
	31.7.2006	31.1.2006	31.7.2006	31.1.2006	
Transaction	RM'000	RM'000	RM'000	RM'000	
	Due to/(from)				
Company connected to Edward Lee Ming Foo, JP, a Director of the Company: Corporated International Consultant	Project consultancy fee payable	(82)	(121)	--	--
		<u>(82)</u>	<u>(121)</u>	<u>--</u>	<u>--</u>

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
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Hap Seng Plantations (River Estates) Sdn Bhd

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20. Related parties (continued)

Significant transactions and balances with related parties are as follows:

	Transaction value		Balance outstanding as at	
	Unaudited six months period ended 31.7.2006 RM'000	Audited year ended 31.1.2006 RM'000	Unaudited 31.7.2006 RM'000	Audited 31.1.2006 RM'000
			Due to/(from)	
Ultimate holding company,				
Gek Poh				
Insurance expenses	(525)	(874)	71	22
Immediate holding company,				
HSCB and its subsidiaries				
Sales commission expenses	(841)	(2,008)	163	97
Interest expense	(10)	(8)	--	4
Plantation management income	2,106	4,269	(329)	(329)
Purchase of bunch ash	(45)	(48)	11	--
Toll milling charges paid	(263)	(542)	--	46
Toll milling charges received	18	--	--	--
Rental expense	(53)	(212)	14	10
Purchase of plant and equipment	(1,431)	(256)	2	132
Purchase of fertilisers and chemicals	(8,609)	(21,205)	163	2,330
Contract expenses	(1,426)	(68)	348	71
Purchase of diesel, petrol and lubricant	(4,099)	(7,625)	427	445
Subsidiaries				
Equipment hire income	143	302	(23)	(27)
Plantation management income	240	480	(40)	(42)
Purchase of fresh fruit bunches	(3,310)	(7,899)	(567)	(611)

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

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Hap Seng Plantations (River Estates) Sdn Bhd

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21. Effects of adopting new and revised FRS (continued)**(a) 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 plantation capitalised under plantation development expenditure is included under property, plant and equipment.

With the adoption of FRS 101 as from 1 February 2006, the plantation development expenditure is required to be presented as biological assets on the face of balance sheet.

The reclassification of plantation development expenditure as biological assets has been accounted for retrospectively in accordance with FRS 101 by restating the balance sheet presentation as at 31 January 2006. However, there is no impact to the retained earnings as at 31 January 2006.

(b) 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 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 February 2006, 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 and certain comparative amounts as at 31 January 2006 have been reclassified as stated in Note 22.

22. Comparative figures

Certain comparative figures have been reclassified as a result of adoption of FRS 101 and FRS 117 as stated in Note 21 and to conform with the current year's presentation.

	As restated RM	As previously stated RM
Balance sheet		
Property, plant and equipment	100,626	329,484
Biological assets	201,404	--
Prepaid lease payments	27,454	--
Income statement		
Administrative expenses	6,207	6,502
Other operating expenses	1,426	1,131
	<u> </u>	<u> </u>

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
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Hap Seng Plantations (River Estates) Sdn Bhd

(Company No.: 40531 - P)

(Incorporated in Malaysia)

22. Comparative figures (continued)

	As restated RM	As previously stated RM
Cash flow statement		
Amortisation of prepaid lease payments	323	--
Depreciation of property, plant and equipment	9,908	10,231
	<u> </u>	<u> </u>

23. Post balance sheet events

On 16 May 2007, the shareholder of the Company entered into sale of shares agreements (“SSA”) for the disposal of the entire equity interest in the Company, to Hap Seng Plantations Holdings Berhad (formerly known as Hap Seng Plantations Holdings Sdn. Bhd.) (“HSP”), in conjunction with, and as an integral part of the listing of and quotation for the enlarged issued and paid-up capital of HSP on the Main Board of Bursa Malaysia Securities Berhad. The SSA was completed on 7 September 2007 and the new immediate, intermediate and ultimate holding companies are HSP, HSCB and Gek Poh respectively.

Prior to the completion of the acquisition by HSP, the Company undertook the following:

- i) Amendment to the Memorandum of Association of the Company to divide the authorised share capital of RM50,000,000 comprising 50,000,000 ordinary shares of RM1 each to that of 49,995,200 ordinary shares of RM1 each and 480,000 redeemable preference shares of RM0.01 each as disclosed in Note 10.

The 480,000 redeemable preference share of RM0.01 each were allotted on 22 August 2007 as a bonus issue at a premium of RM199.99 each to the shareholder of the Company, and subsequently redeemed on 10 September 2007 via the issuance of 4,800 ordinary shares of RM1 each and the balance via the drawdown of borrowings and internally generated funds.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Audited financial statements of Jeroco for the six (6)-month period ended 31 July 2007



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**Report of the auditors to the Board of Directors of
Jeroco Plantations Sdn. Bhd.**

(Company No.: 59340 - P)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 4 to 30. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with your instruction and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements are properly drawn up in accordance with the applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Company at 31 July 2007 and of its results and cash flows for the period ended on that date.

KPMG
Firm Number: AF 0758
Chartered Accountants

Lee Hean Kok
Partner
Approval Number: 2700/12/07(J)

Kuala Lumpur

15 September 2007

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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(Company No.: 59340 - P)

(Incorporated in Malaysia)

Balance sheet at 31 July 2007

	Note	31.7.2007 RM'000	Restated 31.1.2007 RM'000
Assets			
Property, plant and equipment	3	91,374	88,857
Biological assets	4	160,019	160,017
Prepaid lease payments	5	37,969	38,233
Total non-current assets		<u>289,362</u>	<u>287,107</u>
Receivables, deposits and prepayments	6	258,951	259,569
Inventories	7	5,453	6,844
Cash and cash equivalents	8	13,319	140
Total current assets		<u>277,723</u>	<u>266,553</u>
Total assets		<u><u>567,085</u></u>	<u><u>553,660</u></u>
Equity			
Share capital	9	121,432	121,432
Reserves	9	366,141	351,594
Total equity		<u>487,573</u>	<u>473,026</u>
Liabilities			
Deferred tax liabilities	10	70,651	69,061
Payables and accruals	11	6,547	9,475
Current tax liabilities		2,314	2,098
Total current liabilities		<u>8,861</u>	<u>11,573</u>
Total liabilities		<u>79,512</u>	<u>80,634</u>
Total equity and liabilities		<u><u>567,085</u></u>	<u><u>553,660</u></u>

The notes on pages 8 to 30 are an integral part of these financial statements.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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(Company No.: 59340 - P)

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Income statement for the period ended 31 July 2007

	Note	Six months period ended 31.7.2007 RM'000	Year ended 31.1.2007 RM'000
Revenue	12	54,020	103,196
Cost of sales		(24,748)	(49,285)
Gross profit		<u>29,272</u>	<u>53,911</u>
Other operating income		51	597
Distribution costs		(6,275)	(8,458)
Administrative expenses		(200)	(274)
Other operating expenses		(407)	(766)
Results from operating activities		<u>22,441</u>	<u>45,010</u>
Interest income		4,502	7,771
Profit before tax	13	<u>26,943</u>	<u>52,781</u>
Tax expense	15	(7,005)	(11,823)
Profit for the period/year		<u><u>19,938</u></u>	<u><u>40,958</u></u>
Dividend per ordinary share – gross (sen)	16	<u><u>--</u></u>	<u><u>13</u></u>

The notes on pages 8 to 30 are an integral part of these financial statements.

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

Jeroco Plantations Sdn. Bhd.
(Company No. 59340 - P)
(Incorporated in Malaysia)

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Statement of changes in equity for the period ended 31 July 2007

	Note	Non-distributable			Distributable			Total equity RM'000
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Retained earnings RM'000		
At 1 February 2006		121,432	1,194	14,081	6,127	299,100	441,934	
Profit for the year		--	--	--	--	40,958	40,958	
Effect of change in Malaysian income tax rate		--	--	1,585	--	--	1,585	
Dividends – 31.1.2006 final	16	--	--	--	--	(5,246)	(5,246)	
Dividends – 31.1.2007 interim	16	--	--	--	--	(6,205)	(6,205)	
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 – 31.1.2007 final	16	--	--	--	--	(5,391)	(5,391)	
At 31 July 2007		121,432	1,194	15,666	6,127	343,154	487,573	

The notes on pages 8 to 30 are an integral part of these financial statements.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
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Jeroco Plantations Sdn. Bhd.

(Company No.: 59340 - P)
(Incorporated in Malaysia)

Cash flow statement for the period ended 31 July 2007

	Note	Six months period ended 31.7.2007 RM'000	Restated Year ended 31.1.2007 RM'000
Cash flows from operating activities			
Profit before tax		26,943	52,781
Adjustments for:			
Amortisation of prepaid lease payment	5	264	528
Depreciation of property, plant and equipment	3	3,038	5,625
Interest income		(4,502)	(7,771)
Property, plant and equipment written off		--	22
		<hr/>	<hr/>
Operating profit before changes in working capital		25,743	51,185
Inventories		1,391	2,672
Payables and accruals		(2,930)	2,213
Receivables, deposits and prepayments		1,550	(294)
		<hr/>	<hr/>
Cash generated from operations		25,754	55,776
Tax paid		(5,199)	(13,063)
		<hr/>	<hr/>
Net cash generated from operating activities		20,555	42,713
		<hr/>	<hr/>
Cash flows from investing activities			
Additions of biological assets		(2)	(4)
Interest received		4,502	7,771
Proceeds from disposal of property, plant and equipment		--	9
Purchase of property, plant and equipment		(5,555)	(16,093)
		<hr/>	<hr/>
Net cash used in investing activities		(1,055)	(8,317)
		<hr/>	<hr/>
Cash flows from financing activities			
Advances to immediate holding company		(2,118)	(23,750)
Dividends paid to shareholders of the Company – net		(5,391)	(11,451)
Repayment from related companies		1,188	766
		<hr/>	<hr/>
Net cash used in financing activities		(6,321)	(34,435)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		13,179	(39)
Cash and cash equivalents at 1 February		140	179
		<hr/>	<hr/>
Cash and cash equivalents at 31 July/31 January	8	13,319	140
		<hr/>	<hr/>

The notes on pages 8 to 30 are an integral part of these financial statements.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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(Company No.: 59340 - P)
(Incorporated in Malaysia)

Notes to the financial statements

Jeroco Plantations Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of its registered office and principal place of business are as follows:

Registered office:

1A, Jalan 205
46050 Petaling Jaya
Selangor Darul Ehsan

Principal place of business:

Mile 34, Jalan Jeroco
Off Sandakan/Lahad Datu Highway
Kinabatangan District, Sabah

The Company is principally engaged in the cultivation of oil palm and processing of fresh fruit bunches.

The immediate holding company is Hap Seng Consolidated Berhad (“HCSB”) and ultimate holding company is Gek Poh (Holdings) Sdn. Bhd.. (“Gek Poh”). All the aforementioned companies are incorporated in Malaysia.

1. Basis of preparation**(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (“MASB”) and accounting principles generally accepted in Malaysia.

The MASB has issued the following new and revised Financial Reporting Standards (“FRS”) 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, <i>Scope of FRS 2</i>	1 July 2007
FRS 107, <i>Cash Flows Statements</i>	1 July 2007
FRS 112, <i>Income Taxes</i>	1 July 2007
FRS 118, <i>Revenue</i>	1 July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	--

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

Jeroco Plantations Sdn. Bhd.

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(Company No.: 59340 - P)
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1. Basis of preparation (continued)**(a) Statement of compliance (continued)**

The Company 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 Company upon their initial application.

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

Standard / IC Interpretation	Effective for periods beginning on or after
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
FRS 111, <i>Construction Contracts</i>	1 July 2007
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007
Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation</i>	1 July 2007
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007

The financial statements were approved for issuance by the Board of Directors on 15 September 2007.

(b) Basis of measurement

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

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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(Company No.: 59340 - P)
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1. Basis of preparation (continued)

(c) 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.

(d) 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.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company, except for the adoption of the following:

- (i) FRS 117, Leases; and
- (ii) FRS 124, Related party disclosure.

In addition to the new policies and extended disclosures where required by these new standards, the effects of the changes on adoption of the above FRSS are disclosed in Note 20 to these financial statements.

Certain comparative amounts have been reclassified to conform to the current period’s presentation (see Note 21).

(a) Property, plant and equipment

(i) Recognition and measurement

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

The Company has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain road and infrastructures were revalued in 1995 and no later valuation has been recorded for these property, plant and equipment.

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.

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

Jeroco Plantations Sdn. Bhd.

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2. Significant accounting policies (continued)**(a) Property, plant and equipment (continued)****(i) Recognition and measurement (continued)**

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 Company 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.

(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:

Road and infrastructure	1.2% - 4%
Buildings	4%
Machineries, vehicles and tugboats	7% - 25%
Furniture, fittings and equipment	10% - 15%

The depreciable amount is determined after deducting the residual value.

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

(b) Biological assets

In accordance with paragraph 68 of FRS 101, the Company 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.

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

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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2. Significant accounting policies (continued)**(b) Biological assets (continued)**

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 period when it is incurred.

Certain plantation development expenditure were revalued in 1995 and no later valuation has been recorded for the biological assets. The Company has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998, the applicable accounting standards for the plantation development expenditure at that time.

(c) 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 Company 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 Company treats such a lease as an operating lease, with the unamortised carrying amounts classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

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

Revalued leasehold land

The Company had previously revalued its leasehold land and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.67A. Such prepaid lease payments are amortised over the lease term.

The Company has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain leasehold land were revalued in 1995 and no later valuation has been recorded for these prepaid lease payments.

(d) 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.

The cost of produce stocks includes estate production cost, mill processing cost, overhead expenses and depreciation.

The cost of consumable stores consist of purchase cost and incidental cost while planting materials cost includes purchase seedlings cost and direct nursery cost.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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(Company No.: 59340 - P)
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2. Significant accounting policies (continued)

(d) Inventories (continued)

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

(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, if any.

Receivables are not held for the purpose of trading.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with a licensed bank.

(g) Impairment of assets

The carrying amount of assets, other than financial assets and inventories 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 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 period 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.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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(Company No.: 59340 - P)
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2. Significant accounting policies (continued)

(h) 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 Company's contributions to the Employees' Provident Fund are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(i) 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.

(j) 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.

(k) Interest income

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

(l) 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 period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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 the taxation purposes. Deferred tax is not recognised for temporary differences arising from 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 by the balance sheet date.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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(Company No.: 59340 - P)

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2. Significant accounting policies (continued)

(l) 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 utilised. 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 recognised.

(m) Capital reserve

Sums received from the sale of timber salvaged in the course of clearing the Company's leasehold lands for plantation development are capital sums received in mitigation of further capital expenditure in developing the plantation. Such surplus is accordingly credited to the capital reserve account in the balance sheet.

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

Jeroco Plantations Sdn. Bhd.
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3. Property, plant and equipment

Cost/Valuation	Long term leasehold land RM'000	Road & infrastructure RM'000	Buildings RM'000	Machinery, vehicles & tugboats RM'000	Furniture, fittings & equipment RM'000	Capital work-in- progress RM'000	Total RM'000
At 1 February 2006	45,073	26,565	60,202	51,494	2,147	2,942	188,423
- as previously stated	(45,073)	--	--	--	--	--	(45,073)
- transfer to prepaid lease payments	--	--	--	--	--	--	--
At 1 February 2006 - restated	--	26,565	60,202	51,494	2,147	2,942	143,350
Additions	--	--	--	264	5	15,824	16,093
Disposals	--	--	(13)	(137)	(8)	--	(158)
Write off	--	--	(690)	(76)	(238)	--	(1,004)
Transfer	--	3,369	1,454	2,587	153	(7,563)	--
At 31 January 2007 - restated	--	29,934	60,953	54,132	2,059	11,203	158,281
Additions	--	--	86	512	27	4,930	5,555
Write off	--	--	--	--	(8)	--	(8)
Transfer	--	214	280	145	--	(639)	--
At 31 July 2007	--	30,148	61,319	54,789	2,078	15,494	163,828
Representing items:							
At cost	--	7,207	61,319	54,789	2,078	15,494	140,887
At Directors' valuation	--	22,941	--	--	--	--	22,941
	--	30,148	61,319	54,789	2,078	15,494	163,828

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

Jeroco Plantations Sdn. Bhd.
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3. Property, plant and equipment (continued)

	Long term leasehold land RM'000	Road & infrastructure RM'000	Buildings RM'000	Machinery, vehicles & tugboats RM'000	Furniture, fittings & equipment RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation							
At 1 February 2006	6,312	2,955	26,465	33,879	1,631	--	71,242
- as previously stated	(6,312)	--	--	--	--	--	(6,312)
- transfer to prepaid lease payments	--	--	--	--	--	--	--
At 1 February 2006 - restated	--	2,955	26,465	33,879	1,631	--	64,930
Charge for the year	--	367	2,529	2,589	140	--	5,625
Disposals	--	--	(4)	(137)	(8)	--	(149)
Write off	--	--	(691)	(76)	(215)	--	(982)
At 31 January 2007 - restated	--	3,322	28,299	36,255	1,548	--	69,424
Charge for the period	--	276	1,284	1,415	63	--	3,038
Write off	--	--	--	--	(8)	--	(8)
At 31 July 2007	--	3,598	29,583	37,670	1,603	--	72,454
Carrying amounts							
At 1 February 2006 - restated	--	23,610	33,737	17,615	516	2,942	78,420
At 31 January 2007 - restated	--	26,612	32,654	17,877	511	11,203	88,857
At 31 July 2007	--	26,550	31,736	17,119	475	15,494	91,374

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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3. Property, plant and equipment (continued)**Revaluation**

The road and infrastructure is stated at Directors' valuation based on professional valuations on the open market basis conducted in 1995.

Had the road and infrastructure been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the period is RM15,049,000 (31.1.2007: RM15,156,000).

4. Biological assets

	31.7.2007	31.1.2007
	RM'000	RM'000
Cost / Valuation		
At 1 February	160,017	160,013
Additions	2	4
	<hr/>	<hr/>
At 31 July / 31 January	<u>160,019</u>	<u>160,017</u>
Representing items:		
At cost	20,838	20,836
At Directors' valuation	139,181	139,181
	<hr/>	<hr/>
At 31 July/31 January	<u>160,019</u>	<u>160,017</u>

The biological assets are stated at Directors' valuation based on professional valuations on the open market basis conducted in 1995.

Had the biological assets been carried at historical cost, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the period is RM109,241,000 (31.1.2007: RM109,241,000).

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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5. Prepaid lease payments

	Unexpired period more than 50 years	
	31.7.2007	Restated 31.1.2007
	RM'000	RM'000
Cost		
At 1 February 2007 / 2006	45,073	--
Effect of adopting FRS 117	--	45,073
	<hr/>	<hr/>
At 1 February 2007 / 2006 - restated	45,073	45,073
Additions	--	--
	<hr/>	<hr/>
At 31 July 2007 / 31 January 2007	<u>45,073</u>	<u>45,073</u>
Amortisation		
At 1 February 2007 / 2006	6,840	--
Effect of adopting FRS 117	--	6,312
	<hr/>	<hr/>
At 1 February 2007 / 2006 - restated	6,840	6,312
Amortisation for the period / year	264	528
	<hr/>	<hr/>
At 31 July 2007 / 31 January 2007	<u>7,104</u>	<u>6,840</u>
Carrying amounts		
At 1 February 2007 / 2006 - restated	<u>38,233</u>	<u>38,761</u>
At 31 July 2007 / 31 January 2007	<u>37,969</u>	<u>38,233</u>

The prepaid lease payments represent leasehold land stated at Directors' valuation based on professional valuations on the open market basis conducted in 1995. With the adoption of the revised FRS 117 as mentioned in Note 20, the unamortised carrying value is now recognised as the surrogate carrying amount of prepaid lease payments.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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6. Receivables, deposits and prepayments

	31.7.2007	31.1.2007
	RM'000	RM'000
Trade		
Trade receivables	2,952	4,879
Amount due from a related company	71	--
Amount due to immediate holding company	--	(137)
Non-trade		
Other receivables, deposits and prepayments	304	135
Amount due from immediate holding company	254,496	252,378
Amount due from related companies	1,128	2,314
	<u>258,951</u>	<u>259,569</u>

The trade balance due from a related company is interest free and receivable in accordance with normal trade terms.

The non-trade balance due from immediate holding company is unsecured, bears interest at 3.5% (31.1.2007: 2.75% to 3.5%) per annum and has no fixed terms of repayment. The amount has been fully received subsequent to period end.

The non-trade balance due from related companies is unsecured, interest free and has no fixed terms of repayment.

7. Inventories

	31.7.2007	31.1.2007
	RM'000	RM'000
At cost:		
Consumable stores	4,529	6,073
Planting materials	449	461
Produce stocks	475	310
	<u>5,453</u>	<u>6,844</u>

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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8. Cash and cash equivalents

	31.7.2007	31.1.2007
	RM'000	RM'000
Deposits with a licensed bank	11,500	--
Cash and bank balances	1,819	140
	<u>13,319</u>	<u>140</u>

9. Capital and reserves

	<---- 31.7.2007 ---->		<---- 31.1.2007 ---->	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Share capital				
Authorised:				
Ordinary shares of RM1 each				
As at 1 February	150,000	150,000	150,000	150,000
Reduced during the period (Note 22)	(3)	(3)*	--	--
	<u>149,997</u>	<u>149,997</u>	<u>150,000</u>	<u>150,000</u>
As at 31 July / 31 January	149,997	149,997	150,000	150,000
Redeemable preference shares of RM0.01 each				
As at 1 February	--	--	--	--
Created during the period (Note 22)	270	3**	--	--
	<u>270</u>	<u>3</u>	<u>--</u>	<u>--</u>
As at 31 July / 31 January	270	3	--	--
	<u>150,267</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
Ordinary shares of RM1 each	121,432	121,432	121,432	121,432

* Represents 2,700 ordinary shares of RM1.00 each

** Represents 270,000 preference shares of RM0.01 each

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The redeemable preference shares ("RPS") shall confer on the holders thereof the following rights and privileges and be subject to the following conditions:

- i) In the distribution of capital in a winding up of the Company, the preference shareholders shall be entitled to repayment of the capital paid up in respect of such shares and all accrued but unpaid dividends in priority to any repayment of capital to any other member,

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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9. Capital and reserves (continued)

- ii) The holding of the preference shares shall entitle the shareholders to participate in the surplus assets and profits of the Company,
- iii) The RPS are not convertible into ordinary shares,
- iv) The RPS are redeemable at RM200.00 (comprising par value of RM0.01 and premium of RM199.99) per RPS at the discretion of the Company, and
- v) The RPS shall rank equally with each other, are not transferable and will not be listed on any stock exchange.

	31.7.2007	31.1.2007
	RM'000	RM'000
Reserves		
Non-distributable		
Revaluation reserve	15,666	15,666
Share premium	1,194	1,194
	<u>16,860</u>	<u>16,860</u>
Distributable		
Retained earnings	343,154	328,607
Capital reserve	6,127	6,127
	<u>349,281</u>	<u>334,734</u>
	<u>366,141</u>	<u>351,594</u>

Tax exempt account

At 31 July 2007, subject to agreement by the Inland Revenue Board, the available tax exempt account from which dividends can be distributed without incurring any tax liability approximate RM1,816,000 (31.1.2007: RM1,816,000).

Section 108 tax credit

Subject to the agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank approximately RM201,345,000 (31.1.2007: RM191,943,000) of its distributable reserves at 31 July 2007, if paid out as dividends.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd.

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10. Deferred tax liabilities

The recognised deferred tax liabilities are as follows:

	31.7.2007	31.1.2007
	RM'000	RM'000
Property, plant and equipment		
- capital and agriculture allowances	18,113	12,496
- revaluation	18,718	18,717
Biological assets	33,820	37,848
	<u>70,651</u>	<u>69,061</u>

11. Payables and accruals

	31.7.2007	31.1.2007
	RM'000	RM'000
Trade		
Trade payables	1,788	1,994
Amount due to immediate holding company	118	--
Amount due to related companies	1,427	2,589
	<u>3,333</u>	<u>4,583</u>
Non-trade		
Other payables and accruals	3,212	4,892
Amount due to a related company	2	--
	<u>3,214</u>	<u>4,892</u>
	<u>6,547</u>	<u>9,475</u>

The trade balances due to immediate holding company and related companies are interest free and payable in accordance with normal trade terms.

The non-trade balance due to a related company is unsecured, interest free and has no fixed terms of repayment.

12. Revenue

Revenue represents sales of crude palm oil and palm kernels.

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13. Profit before tax

	Six months period ended 31.7.2007 RM'000	Year ended 31.1.2007 RM'000
Profit before tax is arrived at after charging:		
Amortisation of prepaid lease payments	264	528
Auditors' remuneration	17	35
Depreciation of property, plant and equipment	3,038	5,625
Plantation management fees	2,051	4,153
Personnel expenses (including key management personnel):		
- Contributions to Employees' Provident Fund	211	490
- Wages, salaries and others	6,048	13,067
Property, plant and equipment written off	--	22
Replanting expenses	1,831	5,538
	<u> </u>	<u> </u>
And after crediting:		
Rental income from properties	18	35
Interest income		
- from immediate holding company	4,395	7,771
- from fixed deposits	107	--
	<u> </u>	<u> </u>

14. Key management personnel compensation

The key management personnel compensations are as follows:

	Six months period ended 31.7.2007 RM'000	Year ended 31.1.2007 RM'000
Directors		
- Fees	48	96
	<u> </u>	<u> </u>
Other key management personnel:		
- Remuneration	214	549
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	14	31
	<u> </u>	<u> </u>
	<u>228</u>	<u>580</u>

Other key management personnel comprises persons other than the Directors of the Company having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

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15. Tax expense

	Six months period ended 31.7.2007 RM'000	Year ended 31.1.2007 RM'000
Current tax expense		
- Current period's/year's provisions	5,415	14,184
- Under provision in prior year	--	1,381
	<u>5,415</u>	<u>15,565</u>
Deferred tax expense		
- Origination of temporary differences	1,590	121
- Effect of change in tax rate*	--	(3,863)
	<u>1,590</u>	<u>(3,742)</u>
Total tax expense	<u>7,005</u>	<u>11,823</u>
Reconciliation of effective tax expense		
Profit before tax	<u>26,943</u>	<u>52,781</u>
Tax calculated using Malaysian tax rate of 26% (31.1.2007: 27%)	7,005	14,251
Effect of change in tax rate*	--	(3,863)
Non-deductible expenses	7	9
Other items	(7)	45
	<u>7,005</u>	<u>10,442</u>
Under provision of current tax in prior year	--	1,381
	<u>7,005</u>	<u>11,823</u>

* In the Malaysian Budget 2007, it was announced that the corporate income tax rate will be reduced to 27% for year of assessment 2007 and to 26% for year of assessment 2008. Consequently, deferred tax liabilities are measured using these tax rates.

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

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16. Dividends

Dividends declared and paid by the Company are:

Six months period ended 31.7.2007	Sen per share (Gross)	Total amount (Net) RM'000	Date of payments
Dividends in respect of financial year ended 31 January 2007			
Final dividend	4.0	3,594	27 June 2007
Special final dividend	2.0	1,797	27 June 2007
	6.0	5,391	
	6.0	5,391	
Year ended 31.1.2007			
Dividends in respect of financial year ended 31 January 2007			
Interim dividend	4.0	3,546	29 September 2006
Special interim dividend	3.0	2,659	29 September 2006
Dividends in respect of financial year ended 31 January 2006			
Final dividend	4.0	3,497	29 June 2006
Special final dividend	2.0	1,749	29 June 2006
	13.0	11,451	
	13.0	11,451	

17. Financial instruments**Financial risk management objectives and policies**

The financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its credit and liquidity risks. The Company operates within clearly defined guidelines and it is the Company's policy not to engage in speculative transaction.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on potential customers before entering into any contracts.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

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17. Financial instruments (continued)**Liquidity risk**

The Company maintains adequate funds to meet its obligations as and when they fall due.

Interest rate risk

The Company makes advances to its immediate holding company and charges interest to the immediate holding company. The Company also places excess funds with a reputable licensed bank to generate interest income for the Company. The Company manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

Effective interest rate and repricing analysis

The effective interest rates in respect of interest-earning financial assets at the balance sheet date and the periods in which they reprice or mature, whichever is earlier, are as follows:

	<-----31.7.2007----->		<-----31.1.2007----->	
	Effective interest rate per annum %	Total/ Within 1 year RM'000	Effective interest rate per annum %	Total/ Within 1 year RM'000
<i>Financial assets</i>				
Amount due from immediate holding company	3.50	254,496	3.50	252,378
Deposits with a licensed bank	3.10	11,500	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Fair values**Recognised financial instruments**

In respect of cash and cash equivalents, receivables, deposits and prepayments and payables and accruals, the carrying amounts approximate their fair values due to the relatively short term nature of these financial instruments.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

Jeroco Plantations Sdn. Bhd. 28
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18. Capital commitments

	31.7.2007	31.1.2007
	RM'000	RM'000
Capital expenditure:		
Contracted but not provided for Property, plant and equipment	6,213	8,414
Approved but not contracted for Property, plant and equipment	7,169	8,957
	<u>13,382</u>	<u>17,371</u>

19. Related parties**Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationships with its holding companies and related companies.

Transactions with key management personnel**Key management personnel compensation**

Key management personnel compensation is disclosed in Note 14.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence are as follows:

	Transaction value		Balance outstanding		
	Six months	Year	as at		
	period ended	ended	31.7.2007	31.1.2007	
Transaction	RM'000	RM'000	RM'000	RM'000	
	Due to/(from)				
Company connected to Edward Lee Ming Foo, JP, a Director of the Company: Corporated International Consultant	Project consultancy fee payable	(289)	(208)	25	1
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

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19. Related parties (continued)

Significant transactions and balances with related parties are as follows:

	Transaction value		Balance outstanding	
	Six months	Year	as at	
	period ended	ended	31.7.2007	31.1.2007
	31.7.2007	31.1.2007	31.7.2007	31.1.2007
	RM'000	RM'000	RM'000	RM'000
	Due to/(from)			
Ultimate holding company,				
Gek Poh				
Insurance expenses	(126)	(538)	--	--
Immediate holding company,				
HSCB and its subsidiaries				
Dividends paid (net)	(3,562)	(7,565)	--	--
Sales commission paid	(675)	(1,290)	118	137
Interest income	4,395	7,771	--	(2,133)
Plantation management fees	(2,051)	(4,153)	320	320
Rental income	24	61	(12)	(15)
Sales of bunch ash	24	150	(11)	--
Toll milling charges received	560	273	(296)	--
Toll milling charges paid	--	(18)	--	--
Purchase of diesel, petrol and lubricant	(2,185)	(5,211)	288	321
Purchase of fertilisers and chemicals	(4,091)	(9,375)	1,022	2,148
Purchase of plant and equipment	(489)	(1,239)	7	2
Contract expenses	(3,483)	(7,075)	107	101
Pangkalan rental charges received	51	102	--	--

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

20. Effects of adopting new FRS***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 was stated at cost or valuation less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 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 and certain comparative amounts as at 31 January 2007 have been reclassified as stated in Note 21.

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

Jeroco Plantations Sdn. Bhd.

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21. Comparative figures

Certain comparative figures have been reclassified as a result of adoption of FRS 117 as stated in Note 20.

	As restated RM'000	As previously stated RM'000
Balance sheet		
Property, plant and equipment	88,857	127,090
Prepaid lease payments	38,233	--
	<u> </u>	<u> </u>
Cash flow statement		
Depreciation of property, plant and equipment	5,625	6,153
Amortisation of prepaid lease payments	528	--
	<u> </u>	<u> </u>

22. Significant events during the year

On 16 May 2007, the shareholders of the Company entered into sale of shares agreements ("SSA") for the disposal of the entire equity interest in the Company, to Hap Seng Plantations Holdings Berhad (formerly known as Hap Seng Plantations Holdings Sdn. Bhd.) ("HSP"), in conjunction with, and as an integral part of the listing of and quotation for the enlarged issued and paid-up capital of HSP on the Main Board of Bursa Malaysia Securities Berhad. The SSA was completed on 7 September 2007 and accordingly, the new immediate, intermediate and ultimate holding companies are HSP, HSCB and Gek Poh respectively.

Prior to the completion of the acquisitions by HSP, the Company undertook the following:

- i) Amendment to the Memorandum of Association of the Company to divide the authorised share capital of RM150,000,000 comprising 150,000,000 ordinary shares of RM1 each to that of 149,997,300 ordinary shares of RM1 each and 270,000 redeemable preference shares of RM0.01 each as disclosed in Note 9.

The 270,000 redeemable preference share of RM0.01 each were allotted on 22 August 2007 as a bonus issue at a premium of RM199.99 each to the shareholders of the Company, and subsequently redeemed on 10 September 2007 via the issuance of 2,700 ordinary shares of RM1 each and the balance via the drawdown of borrowings and internally generated funds.

- ii) Payment of a parting dividend of RM229,490,000 to its previous shareholders on 22 August 2007.

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

Audited financial statements of Jeroco for the financial year ended 31 January 2006



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KPMG (Firm No. AF 0758)
Chartered Accountants
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**Report of the auditors to the members of
Jeroco Plantations Sdn Bhd**
(Company No.: 59340 - P)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 8 to 27. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Company at 31 January 2006 and its results and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Lee Hean Kok
Partner
Approval Number: 2700/12/07 (J)

Sandakan

Date: 23 MAR 2006



KPMG, KPMG, a partnership established under Malaysian Law, is a member of KPMG International, a Swiss association.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

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Jeroco Plantations Sdn Bhd

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Balance sheet at 31 January 2006

	Note	2006 RM'000	2005 RM'000
Property, plant and equipment	2	277,194	277,509
Current assets			
Inventories	3	9,516	10,111
Trade and other receivables	4	4,720	7,921
Related companies' balances	5	231,528	208,418
Tax recoverable		404	--
Cash and cash equivalents		179	273
		<u>246,347</u>	<u>226,723</u>
Current liabilities			
Trade and other payables	6	6,263	9,305
Related companies' balances	5	956	1,935
Provision for taxation		--	4,998
		<u>7,219</u>	<u>16,238</u>
Net current assets		239,128	210,485
		<u>516,322</u>	<u>487,994</u>
Financed by:			
Capital and reserves			
Share capital	7	121,432	121,432
Reserves	8	320,502	291,831
Shareholders' funds		441,934	413,263
Deferred liability			
Deferred taxation	9	74,388	74,731
		<u>516,322</u>	<u>487,994</u>

The financial statements were approved and authorised for issue by the Board of Directors
on **23 MAR 2006**

*The notes set out on pages 13 to 27 form an integral part of,
and should be read in conjunction with, these financial statements.*

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

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Jeroco Plantations Sdn Bhd

(Company No.: 59340 - P)

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Income statement for the year ended 31 January 2006

	Note	2006 RM'000	2005 RM'000
Revenue	10	106,303	117,162
Cost of sales		(48,718)	(45,051)
Gross profit		<u>57,585</u>	<u>72,111</u>
Distribution costs		(8,265)	(6,919)
Administration expenses		(283)	(289)
Other operating expenses		(840)	(929)
Other operating income		491	275
Operating profit	11	<u>48,688</u>	<u>64,249</u>
Interest income	13	5,825	4,975
Profit before tax		<u>54,513</u>	<u>69,224</u>
Tax expense	14	(14,476)	(19,407)
Net profit for the year		<u><u>40,037</u></u>	<u><u>49,817</u></u>
Dividends per ordinary share – gross (sen)	15	<u><u>13.00</u></u>	<u><u>13.00</u></u>

*The notes set out on pages 13 to 27 form an integral part of,
and should be read in conjunction with, these financial statements.*

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

Jeroco Plantations Sdn Bhd
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Statement of changes in equity for the year ended 31 January 2006

	Note	Non-distributable				Distributable		Total RM'000
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Retained profits RM'000		
At 1 February 2004		121,432	1,194	14,081	6,127	231,978	374,812	
Net profit for the year		--	--	--	--	49,817	49,817	
Dividend – 2004 final	15	--	--	--	--	(5,246)	(5,246)	
Dividend – 2005 interim	15	--	--	--	--	(6,120)	(6,120)	
At 31 January 2005		121,432	1,194	14,081	6,127	270,429	413,263	
Net profit for the year		--	--	--	--	40,037	40,037	
Dividend – 2005 final	15	--	--	--	--	(5,246)	(5,246)	
Dividend – 2006 interim	15	--	--	--	--	(6,120)	(6,120)	
At 31 January 2006		121,432	1,194	14,081	6,127	299,100	441,934	

The notes set out on pages 13 to 27 form an integral part of, and should be read in conjunction with, these financial statements.

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

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Jeroco Plantations Sdn Bhd

(Company No.: 59340 - P)

(Incorporated in Malaysia)

Cash flow statement for the year ended 31 January 2006

	2006 RM'000	2005 RM'000
Cash flows from operating activities		
Profit before tax	54,513	69,224
Adjustments for:		
Depreciation and amortisation	5,518	6,908
Property, plant and equipment written off	88	178
Gain on disposal of property, plant and equipment	(263)	(142)
Interest income	(5,825)	(4,975)
Operating profit before working capital changes	54,031	71,193
(Increase)/Decrease in working capital:		
Inventories	595	(1,027)
Trade and other receivables	3,201	(7,304)
Trade and other payables	(3,042)	3,187
Immediate holding and related companies (trade)	(996)	919
Cash generated from operations	53,789	66,968
Income tax paid	(20,221)	(18,131)
Net cash generated from operating activities	33,568	48,837
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	330	142
Purchase of property, plant and equipment	(5,237)	(3,329)
Plantation development expenditure (net of depreciation capitalised)	(121)	(275)
Interest received	5,825	4,975
Advances to immediate holding company	(22,939)	(36,217)
Advances to related companies	(154)	(2,661)
Net cash used in investing activities	(22,296)	(37,365)

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

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Jeroco Plantations Sdn Bhd

(Company No.: 59340 - P)

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Cash flow statement for the year ended 31 January 2006 (continued)

	2006 RM'000	2005 RM'000
Cash flows from financing activities		
Dividend paid – net	(11,366)	(11,366)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(94)	106
Cash and cash equivalents at beginning of year	273	167
	-----	-----
Cash and cash equivalents at end of year	179	273
	=====	=====

*The notes set out on pages 13 to 27 form an integral part of,
and should be read in conjunction with, these financial statements.*

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
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Jeroco Plantations Sdn Bhd

(Company No.: 59340 - P)

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1. Summary of significant accounting policies

The following accounting policies are adopted by the Company and are consistent with those adopted in previous years.

1.1 Basis of accounting

The financial statements of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

1.2 Property, plant and equipment

Property, plant and equipment except for long term leasehold estate are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any.

Land and plantation development expenditure that are stated at Directors' valuation are based on professional valuations on the open market basis conducted in 1995. In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board ("MASB") upon adoption of International Accounting Standard No. 16 (Revised) – Property, Plant and Equipment, the valuation of these assets has not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation. Additions of land and plantation development expenditure subsequent to the revaluation are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the Income Statement.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

1.3 Plantation development expenditure

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.

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

ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR SUBSIDIARIES (Cont'd)

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Company No.: 59340 - P

1.4 Amortisation and depreciation

The leasehold land and roads included in the leasehold estates are amortised in equal instalments over the remaining period of the lease of 85 to 93 years.

No amortisation is considered necessary for estate development 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. Capital work-in-progress is not depreciated.

The straight line method is used to write off the cost of other assets over the term of their estimated useful lives at the following principal annual rates:

Buildings	4%
Machineries, vehicles and tugboats	7% - 25%
Furniture, fittings and equipment	10% - 15%

1.5 Inventories

Produce stocks are valued at the lower of cost and net realisable value. Cost is determined principally on the weighted average basis and comprises estate production cost, processing and transport charges.

Consumable stores are valued at cost principally based on the weighted average method. Cost consists of purchase cost and incidental charges.

Planting materials are valued at cost of purchase of seedlings and direct nursery costs.

1.6 Receivables

Trade and other receivables and related companies' balances are stated at cost less allowance for doubtful debts, if any.

1.7 Employee benefits*(i) Short term employee benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by the employees of the Company. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

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Company No.: 59340 - P

1.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

1.9 Liabilities

Trade and other payables and related companies' balances are stated at cost.

1.10 Impairment

The carrying amount of the Company's assets, other than inventories (refer note 1.5) and financial assets, are reviewed at each balance sheet 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 whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In respect of other assets, 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 determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

1.11 Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax 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 expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

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Company No.: 59340 - P

1.11 Income tax (continued)

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

1.12 Capital reserve

Net sums received from the sale of timber logs, extracted in the course of clearing the Company's leasehold land for plantation development, are capital in nature and have been accordingly credited to capital reserve account in the Balance Sheet.

1.13 Revenue

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer.

1.14 Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets.

**ANNEXURE – FINANCIAL STATEMENTS OF RIVER ESTATES AND JEROCO, OUR MAJOR
SUBSIDIARIES (Cont'd)**

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Company No.: 59340 - P

2. Property, plant and equipment

	Long term leasehold estate RM'000	Buildings RM'000	Machineries, vehicles & tugboats RM'000	Furniture, fittings & equipment RM'000	Capital work-in- progress RM'000	Total RM'000
Cost/Valuation						
Opening balance	228,286	62,009	49,666	2,081	2,607	344,649
Additions	128	7	299	4	4,927	5,365
Disposal	--	--	(549)	--	--	(549)
Write off	--	(557)	(310)	(162)	--	(1,029)
Transfer	--	1,980	2,388	224	(4,592)	--
Closing balance	228,414	63,439	51,494	2,147	2,942	348,436
Representing items at:						
Cost	45,856	63,439	51,494	2,147	2,942	165,878
Director's valuation	182,558	--	--	--	--	182,558
	228,414	63,439	51,494	2,147	2,942	348,436
Accumulated amortisation/ depreciation						
Opening balance	8,236	25,090	32,160	1,654	--	67,140
Charge for the year	751	2,137	2,511	126	--	5,525
Disposal	--	--	(482)	--	--	(482)
Write off	--	(482)	(310)	(149)	--	(941)
Closing balance	8,987	26,745	33,879	1,631	--	71,242
Net book value						
At 31.1.2006	219,427	36,694	17,615	516	2,942	277,194
At 31.1.2005	220,050	36,919	17,506	427	2,607	277,509
For the year ended 31.1.2005						
Amortisation/ depreciation charge	755	3,182	2,853	124	--	6,914