
12. FUTURE FINANCIAL INFORMATION (Cont'd)

**HAP SENG PLANTATIONS HOLDINGS BERHAD
AND ITS SUBSIDIARIES (“HSP GROUP”)**

**CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 JANUARY 2008**

1. Details of the Proposals (continued)

1.1 Acquisitions (continued)

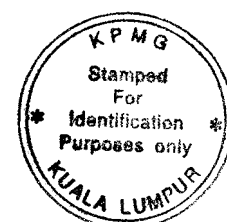
- b. Acquisition of the entire equity interests in River Estates, comprising 30,807,000 ordinary shares of RM1.00 each (“River Estates Shares”), for a total purchase consideration of RM949.75 million satisfied by the issuance of 474,872,998 new HSP Shares at an issue price of RM1.80 per share credited as fully paid-up and a cash consideration of approximately RM94.98 million.

The cash considerations for the above Acquisitions were financed by bank borrowings.

The total purchase consideration for the Acquisitions of RM1,500 million was arrived at on a willing buyer-willing seller basis after taking into consideration the audited profit after taxation of Jeroco and River Estates for the financial year ended 31 January 2007 and their potential future earnings.

The entire equity interests in Jeroco and River Estates were acquired free from all charges, mortgages, liens, debentures and other encumbrances.

The Acquisitions have been completed on 7 September 2007 (“Completion Date”).



12. FUTURE FINANCIAL INFORMATION (Cont'd)

**HAP SENG PLANTATIONS HOLDINGS BERHAD
AND ITS SUBSIDIARIES (“HSP GROUP”)**

**CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 JANUARY 2008**

1. Details of the Proposals (continued)

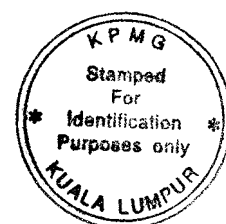
1.2 Public Issue

HSP is undertaking a public offering of 50,000,000 HSP Shares (“Issue Shares”) at an issue price of RM2.65 per HSP Share being the initial price payable, subject to adjustment (“IPO Price”), and the Issue Shares will be allocated in the following manner:

- a. 15,104,000 Issue Shares, representing 1.89% of the enlarged issued and paid-up share capital of HSP, for application by the eligible directors and employees of HSP Group, HSCB Group and Gek Poh (Holdings) Sdn. Bhd..

The aforesaid 15,104,000 Issue Shares will be allocated in the following manner:

- i. 4,747,000 Issue Shares for application by eligible directors and employees of HSP Group and HSCB; and
- ii. 10,357,000 Issue Shares for application by eligible directors and employees of the subsidiaries of HSCB and Gek Poh (Holdings) Sdn. Bhd.;
- b. 4,896,000 Issue Shares, representing 0.61% of the enlarged issued and paid-up share capital of HSP, for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions (“Retail Offering”); and
- c. 30,000,000 Issue Shares, representing 3.75% of the enlarged issued and paid-up share capital of HSP, by way of placement to Bumiputera investors identified and approved by the Ministry of International Trade and Industry (“MITI”).



12. FUTURE FINANCIAL INFORMATION (Cont'd)

**HAP SENG PLANTATIONS HOLDINGS BERHAD
AND ITS SUBSIDIARIES (“HSP GROUP”)**

**CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 JANUARY 2008**

1. Details of the Proposals (continued)

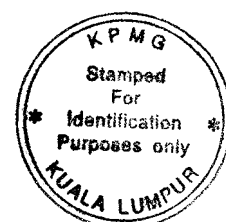
1.3 Offer for Sale

Concurrent with the Public Issue, HSCB is undertaking an offer for sale of up to 250,000,000 HSP Shares (“Offer Shares”) in the following manner:

- a. 37,440,000 Offer Shares, representing 4.68% of the enlarged issued and paid-up share capital of HSP, by way of placement to Innoprise at the IPO Price;
- b. 47,749,000 Offer Shares, representing 5.97% of the enlarged issued and paid-up share capital of HSP, by way of placement to Bumiputera investors identified and approved by the MITI at the IPO Price;
- c. 124,473,000 Offer Shares, representing 15.56% of the enlarged issued and paid-up share capital of HSP, to foreign and Malaysian institutional and selected investors at an Institutional Price to be determined by way of bookbuilding; and
- d. Up to 40,338,000 Offer Shares, representing 5.04% of the enlarged issued and paid-up share capital of HSP, for application by HSCB shareholders other than Gek Poh (Holdings) Sdn. Bhd. and Pembangunan Melati Sdn. Bhd. at the IPO Price by way of rights on the basis of one (1) Offer Share for every six (6) ordinary shares of RM1.00 each held in HSCB on the entitlement date.

1.4 Listing

Upon completion of the Public Issue and Offer for Sale, HSP will seek the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 800,000,000 HSP Shares on the Main Board of Bursa Securities.



12. FUTURE FINANCIAL INFORMATION (Cont'd)**HAP SENG PLANTATIONS HOLDINGS BERHAD
AND ITS SUBSIDIARIES ("HSP GROUP")****CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 JANUARY 2008****2. Basis of preparation**

The consolidated profit forecast of HSP Group for the financial year ending 31 January 2008 has been prepared based on the Directors' assessment of the present economic and operating conditions, and a number of best estimate assumptions regarding future events and actions which, at the date the forecast was prepared, the Directors expect to take place. These future events may or may not take place.

The consolidated profit forecast of HSP Group has been prepared using applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board as at 31 July 2007 and consistent with the accounting principles and bases adopted by HSP Group.

3. Basis of preparation of consolidated profit forecast

The principal bases and assumptions upon which the consolidated full year profit forecast for the financial year ending 31 January 2008 has been prepared are set out below:

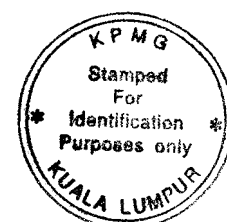
3.1 Revenue assumptions

- a. Assumptions on average selling prices, sales volume, extraction rates and yield per hectare are as follows:

| | 2008 |
|-------------------------------|-----------------|
| Average selling prices | RM/tonne |
| - Crude palm oil ("CPO") | 1,998* |
| - Palm kernel ("PK") | 1,200 |
| - Fresh fruit bunches ("FFB") | 462 |

* Derived after taking into consideration the selling price on committed sales and forecast selling price of RM2,200 per tonne on uncommitted sales.

| | 2008 |
|---|-------------|
| Sales volume (tonne) | |
| - CPO | 171,467 |
| - PK | 36,618 |
| - FFB | 38,510 |
| Extraction rates (%) | |
| - Oil extraction rate | 22.38 |
| - Kernel extraction rate | 4.78 |
| Yield per hectare of FFB (tonne) | 25.41 |



12. FUTURE FINANCIAL INFORMATION (Cont'd)

**HAP SENG PLANTATIONS HOLDINGS BERHAD
AND ITS SUBSIDIARIES (“HSP GROUP”)**

**CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 JANUARY 2008**

3. Basis of preparation of consolidated profit forecast (continued)**3.1 Revenue assumptions (continued)**

- b. HSP Group will be able to purchase the required quantity of FFB for HSP Group’s operations at the forecast FFB prices during the year under review.
- c. There will be no significant variation in the forecast average extraction rates of the CPO and PK which will adversely affect the performance of HSP Group.
- d. Transactions including sales to and purchases from related parties are at arms-length.

3.2 Operating assumptions

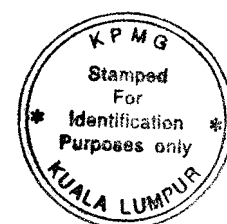
- a. The cost of materials (especially cost of fertiliser), labour, transportation costs, mill and general overheads for HSP Group’s operation will not change materially from the present levels.
- b. The mills are expected to be operating on normal capacity and there will be sufficient storage capacity to keep inventories.
- c. Capital expenditure and replanting expenditure programmes will be implemented as scheduled and there will be no material acquisitions or disposal of property, plant and equipment other than those already included in this forecast.

Details of capital expenditure for the year under review will be as follow:

| | 2008 |
|-------------------------------|---------------|
| | RM’000 |
| Property, plant and equipment | 47,397 |
| Biological assets | 1,315 |
| Total | 48,712 |

Replanting expenditure, which will be incurred and charged to income statement, will amount to RM5,379,000.

- d. There will be no major incidence of bad and doubtful debts.



12. FUTURE FINANCIAL INFORMATION (Cont'd)

**HAP SENG PLANTATIONS HOLDINGS BERHAD
AND ITS SUBSIDIARIES ("HSP GROUP")**

**CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 JANUARY 2008**

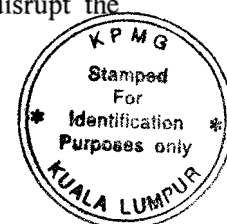
3. Basis of preparation of consolidated profit forecast (continued)

3.3 Tax assumptions

- a. Tax credit under Section 108 of the Income Tax Act, 1967 is credited based on tax actually paid.
- b. There will be no significant changes in the rate and basis of taxation. Taxation rate is presumed to be maintained at 26% throughout the financial year under review.

3.4 General assumptions

- a. There will be no significant changes in the principal activities, composition and management structure of HSP Group other than as disclosed in the cover to this letter.
- b. There will be no significant changes in HSP Group's existing management, accounting and operational policies that will adversely affect the activities and performance of HSP Group.
- c. There will be no significant changes in the prevailing political, economic and market conditions that will adversely affect the activities and performance of HSP Group.
- d. There will be no significant changes in the present legislation or Government regulations, which will adversely affect the results or operations of HSP Group or the market in which it operates.
- e. There will be no significant changes in the present rates and basis of duties, levies, cess and taxes used in the forecast, which will adversely affect the performance of HSP Group. For the purpose of the forecast, Sabah sales tax is assumed to be 7.5% of sales of CPO and the cess rate is assumed to be RM2 per tonne of FFB for every RM100 per tonne of CPO price above RM1,500.
- f. There will be no significant variation in the forecast average selling prices, sales volume, extraction rates and yield per hectare of HSP Group from those used in the forecast which will adversely affect the performance of HSP Group.
- g. There will be no major destruction to the plantation estates and no major breakdown in the manufacturing facilities and equipment, major industrial disputes, economic and political changes or any abnormal circumstances which will adversely affect the achievement of the forecast sales and/or disrupt the operations of HSP Group.



12. FUTURE FINANCIAL INFORMATION (Cont'd)

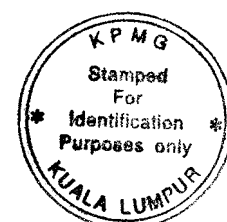
**HAP SENG PLANTATIONS HOLDINGS BERHAD
AND ITS SUBSIDIARIES ("HSP GROUP")**

**CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 JANUARY 2008**

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

3.4 General assumptions (continued)

- h. There will be no significant uninsured or underinsured claim arising from major destruction to the plantation estates and machineries that materially and adversely affect the results or operations of HSP Group.
- i. There will be no significant adverse changes in the current demand and in the prevailing market conditions in Malaysia and world oil and fats market which will adversely affect the performance of HSP Group.
- j. There will be no significant variation in the exchange rates of foreign currencies from the prevailing exchange rate that will adversely affect the performance of HSP Group.
- k. Inflation rates will not change materially from those presently prevailing.
- l. There will be no material increase in wages, overheads and operating expenses and the increase is expected to be in line with inflation and will not fluctuate significantly from present levels.
- m. There will be no unfavourable weather conditions, natural disasters or major disasters or major disruption in the planting, harvesting and estate works arising from industrial disputes, labour shortage, or any abnormal circumstances that will adversely affect the production, yield, oil and kernel extraction of HSP Group.
- n. There will be no major outbreak of pests and diseases that may result in the destruction of oil palm trees which might adversely affect the production of FFB.
- o. There will be no significant variation in the oil palm replanting/new planting programmes of HSP Group and the programmes will be implemented as scheduled.
- p. There will be no material contingent liabilities and litigations which are likely to give rise to any proceedings which might materially affect HSP Group's assets, financial position and operations and the profit forecast.
- q. Interest rate on bank borrowings is assumed to be at 5% per annum.



12. FUTURE FINANCIAL INFORMATION (Cont'd)

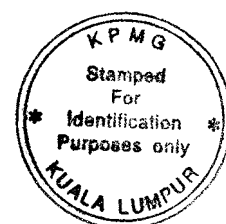
**HAP SENG PLANTATIONS HOLDINGS BERHAD
AND ITS SUBSIDIARIES ("HSP GROUP")**

**CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 JANUARY 2008**

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

3.4 General assumptions (continued)

- r. It is assumed that the consolidated revenue and gross margin of HSP Group as identified and scheduled by the Directors and management of HSP Group will materialise. There will be no delays or any abnormal circumstances which will adversely affect the forecast revenue pattern.
- s. Related party transactions are entered into in the normal course of business and are established on a negotiated basis which is no less favourable than those arranged with independent third parties.
- t. Listing of and quotation for the entire issued and paid up share capital of HSP is assumed to be completed by end of November 2007.



13. HISTORICAL FINANCIAL INFORMATION

Our proforma consolidated financial information has been derived from our Company's and our Subsidiaries' respective audited financial information, and after incorporating such adjustments considered necessary and based on the assumption that our current Group structure has been in existence throughout the financial years under review. There has been no audit qualification on our Company or any of our Subsidiaries' audited financial statements for all the financial years under review. Our proforma consolidated financial information has been prepared in accordance with the applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board in Malaysia and have been reviewed by our Reporting Accountants, Messrs. KPMG. The bases and accounting policies used for the purpose of preparing our proforma consolidated financial information are consistent with those adopted in the preparation of the audited financial statements of the respective companies within our Group for the financial year ended 31 January 2007 and the six (6)-month period ended 31 July 2007. Please refer to risk in relation to Proforma Consolidated Financial Information in Section 5.3.1.

You should read the financial information presented below together with the Accountants' Report as disclosed in Section 14 of this Prospectus and our Management's Discussion and Analysis of Financial Condition and Results of Operations as disclosed in Section 11 of this Prospectus.

13.1 Proforma Consolidated Income Statements

We have prepared our proforma consolidated income statements below for illustrative purposes for the three (3) financial years ended 31 January 2007 and the six (6)-month period ended 31 July 2007 prepared based on the audited financial statements of our Subsidiaries and the audited financial statements of our Company for the period from 18 April 2007 (date of incorporation) to 31 July 2007 after incorporating such adjustments considered necessary and on the assumption that our current Group had been in existence throughout the financial years and period under review. The proforma consolidated income statement for the (6)-month period ended 31 July 2006 has been reviewed in accordance with the Malaysian Approved Standards on Auditing AI 2400 and not been audited and has been prepared for illustrative purposes only as a comparison to the proforma consolidated income statement for the (6)-month period ended 31 July 2007.

Our proforma consolidated income statements below have been prepared in accordance with the applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board in Malaysia. The bases and accounting policies used for the purpose of preparing our proforma consolidated income statements below are consistent with those adopted in the preparation of the audited financial statements of the respective companies within our Group for the three (3) financial years ended 31 January 2007 and the six (6)-month period ended 31 July 2007.

13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

We advise you to read our proforma consolidated income statements together with the accompanying notes and assumptions included in the Accountants' Report as disclosed in Section 14 of this Prospectus and the Management's Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 11 of this Prospectus.

| | <----- Financial years ended 31 January -----> | | | | <----- 6-month period ended 31 July -----> | | |
|--|--|----------------|----------------|------------------------|--|---------------|------------------------|
| | 2005 | 2006 | 2007 | 2007 | *2006 | 2007 | 2007 |
| | RM 000 | RM 000 | RM 000 | ^USD 000 Equivalent | RM 000 | RM 000 | ^USD 000 Equivalent |
| Revenue | 296,927 | 278,104 | 278,885 | 81,545 | 117,532 | 163,477 | 47,800 |
| Cost of sales | (113,510) | (127,061) | (127,280) | (37,216) | (64,463) | (64,433) | (18,840) |
| Gross profit | 183,417 | 151,043 | 151,605 | 44,329 | 53,069 | 99,044 | 28,960 |
| Other operating income | 5,477 | 1,222 | 1,391 | 407 | 718 | 338 | 99 |
| Distribution costs | (17,373) | (21,314) | (22,539) | (6,591) | (8,829) | (17,237) | (5,040) |
| Administrative expenses | (6,843) | (6,518) | (6,404) | (1,873) | (3,032) | (2,782) | (814) |
| Other operating expenses | (2,300) | (2,287) | (2,265) | (662) | (1,254) | (1,154) | (337) |
| Results from operating activities | 162,378 | 122,146 | 121,788 | 35,610 | 40,672 | 78,209 | 22,868 |
| Interest income | 4,977 | 5,825 | 7,771 | 2,272 | 3,024 | 4,602 | 1,346 |
| Interest expense | (142) | (50) | (25) | (7) | (14) | - | - |
| PBT | 167,213 | 127,921 | 129,534 | 37,875 | 43,682 | 82,811 | 24,214 |
| Tax expense | (44,279) | (34,366) | (28,582) | (8,357) | (11,970) | (21,531) | (6,296) |
| PAT | 122,934 | 93,555 | 100,952 | 29,518 | 31,712 | 61,280 | 17,918 |
| Number of shares assumed in issue at year end ('000) | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |
| EPS | | | | | | | |
| Gross ⁽ⁱ⁾ | 20.90 sen | 15.99 sen | 16.19 sen | 4.73 cents | 5.46 sen | 10.35 sen | 3.03 cents |
| Net ⁽ⁱⁱ⁾ | 15.37 sen | 11.69 sen | 12.62 sen | 3.69 cents | 3.96 sen | 7.66 sen | 2.24 cents |
| Gross profit margin (%) | 61.77 | 54.31 | 54.36 | 54.36 | 45.15 | 60.59 | 60.59 |
| Net profit margin (%) | 41.40 | 33.64 | 36.20 | 36.20 | 26.98 | 37.49 | 37.49 |
| Trade receivables turnover period (months) | 0.55 | 0.34 | 0.66 | 0.66 | N/a | 0.39 | 0.39 |
| Trade payables turnover period (months) | 0.88 | 0.75 | 0.79 | 0.79 | N/a | 0.81 | 0.81 |
| Inventories turnover period (months) | 2.98 | 2.56 | 2.26 | 2.26 | N/a | 1.94 | 1.94 |

Notes:

- (i) PBT divided by the number of Shares assumed issued during the year/ period.
- (ii) PAT divided by the number of Shares assumed issued during the year/ period.
- (iii) There were no exceptional items for the financial years/ periods under review except for a gain of RM4.58 million arising from the disposal of non-core properties included under other operating income in the financial year ended 31 January 2005.
- (iv) There were no extraordinary items for the years/ periods under review.
- (v) There is no MI for the years/ periods under review.
- * Reviewed in accordance with Malaysian Approved Standards on Auditing AI2400.
- ^ For illustrative purposes only.
- N/a Not available

13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

13.2 Proforma Consolidated Balance Sheets

We set out below our proforma consolidated balance sheets below for illustrative purposes only, based on our Company's audited financial statement as at 31 July 2007, to show effects of the Acquisitions, Public Issue and Offer for Sale ("the Proposals") and assuming that the Proposals were completed on 31 July 2007.

We advise you to read our proforma consolidated balance sheets together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on Proforma Consolidated Financial Information as disclosed in Section 13.4 of this Prospectus.

| | Proforma I | | Proforma II | | As at 31 July 2007 ^USD 000 Equivalent | Proforma I | | Proforma II | |
|---------------------------------------|------------------------------|------------------------------|---|---|--|--|---|-------------|---------|
| | As at 31 July 2007 RM 000 | After Acquisitions RM 000 | After Public Issue and Offer for Sale RM 000 | After Public Issue and Offer for Sale ^USD 000 Equivalent | | After Acquisitions ^USD 000 Equivalent | After Public Issue and Offer for Sale ^USD 000 Equivalent | | |
| Assets | | | | | | | | | |
| Property, plant and equipment | - | 201,516 | 201,516 | - | - | 58,923 | 58,923 | 58,923 | 58,923 |
| Biological assets | - | 1,279,415 | 1,279,415 | - | - | 374,098 | 374,098 | 374,098 | 374,098 |
| Prepaid lease payments | - | 324,932 | 324,932 | - | - | 95,009 | 95,009 | 95,009 | 95,009 |
| Total non-current assets | - | 1,805,863 | 1,805,863 | - | - | 528,030 | 528,030 | 528,030 | 528,030 |
| Receivables, deposits and prepayments | - | 65,766 | 65,766 | - | - | 19,230 | 19,230 | 19,230 | 19,230 |
| Inventories | - | 20,872 | 20,872 | - | - | 6,103 | 6,103 | 6,103 | 6,103 |
| Cash and cash equivalents | # | 11,452 | 11,452 | # | # | 3,349 | 3,349 | 3,349 | 3,349 |
| Total current assets | # | 98,090 | 98,090 | # | # | 28,682 | 28,682 | 28,682 | 28,682 |
| Total assets | # | 1,903,953 | 1,903,953 | # | # | 556,712 | 556,712 | 556,712 | 556,712 |

13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

| | As at 31 July 2007 | Proforma I After Acquisitions | Proforma II After Public Issue and Offer for Sale | As at 31 July 2007 ^USD 000 Equivalent | Proforma I After Acquisitions ^USD 000 Equivalent | Proforma II After Public Issue and Offer for Sale ^USD 000 Equivalent |
|--------------------------------------|-----------------------|-------------------------------------|--|---|---|---|
| | RM 000 | RM 000 | RM 000 | | | |
| Equity | | | | | | |
| Share capital | # | 750,000 | 800,000 | # | 219,298 | 233,918 |
| Reserves | - | 655,889 | 729,389 | - | 191,781 | 213,272 |
| Total equity | # | 1,405,889 | 1,529,389 | # | 411,079 | 447,190 |
| Liabilities | | | | | | |
| Bank borrowings | - | 98,333 | 98,333 | - | 28,753 | 28,753 |
| Deferred tax liabilities | - | 195,889 | 195,889 | - | 57,277 | 57,277 |
| Total non-current liabilities | - | 294,222 | 294,222 | - | 86,030 | 86,030 |
| Payables and accruals | - | 19,747 | 19,747 | - | 5,774 | 5,774 |
| Bank Borrowings | - | 171,667 | 48,167 | - | 50,195 | 14,084 |
| Current tax liabilities | - | 12,428 | 12,428 | - | 3,634 | 3,634 |
| Total current liabilities | - | 203,842 | 80,342 | - | 59,603 | 23,492 |
| Total liabilities | - | 498,064 | 374,564 | - | 145,633 | 109,522 |
| Total equity and liabilities | # | 1,903,953 | 1,903,953 | # | 556,712 | 556,712 |
| Gearing Ratio (times) | - | 0.19 | 0.10 | - | 0.19 | 0.10 |
| NTA per Share (RM/USD) | 1.00 | 1.87 | 1.91 | 1.00 | 0.55 | 0.56 |

Notes:

Denotes RM2 (USD0.58).

^ For illustrative purposes only.

13. HISTORICAL FINANCIAL INFORMATION (Cont'd)**13.3 Proforma Consolidated Cash Flow Statement**

We set out below our proforma consolidated cash flow statement for the financial year ended 31 January 2007 and the six (6)-month period ended 31 July 2007 prepared for illustrative purposes only, based on the audited financial statements of River Estates, Jeroco, Ladang Kawa, Tampilit and Wecan, assuming that the HSP Group had been in existence for the financial year/period under review.

We advise you to read our proforma consolidated cash flow statement together with the accompanying notes and assumptions included in the Accountants' Report disclosed in Section 14 of this Prospectus.

| | Financial year ended <-----31 January 2007-----> | | 6-month period ended <-----31 July 2007-----> | |
|---|---|------------------------|--|------------------------|
| | RM 000 | ^USD 000 Equivalent | RM 000 | ^USD 000 Equivalent |
| Cash flow from operating activities | | | | |
| PBT | 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) |

13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

| | Financial year ended <-----31 January 2007-----> | | 6-month period ended <-----31 July 2007-----> | |
|---|---|------------------------|--|------------------------|
| | RM 000 | ^USD 000 Equivalent | RM 000 | ^USD 000 Equivalent |
| 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.

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13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

13.4 Reporting Accountants' Letter on Our Proforma Consolidated Financial Information

(Prepared for the inclusion in this Prospectus)



KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

Telephone +60 (3) 2095 3388
Fax +60 (3) 2095 0971
Internet www.kpmg.com.my

The Board of Directors
Hap Seng Plantations Holdings Berhad
No 1A Jalan 205
46050 Petaling Jaya
Selangor Darul Ehsan

26 September 2007

Dear Sirs

**Hap Seng Plantations Holdings Berhad (“HSP” or “the Company”)
Reporting accountants' letter on the proforma consolidated financial information**

We have reviewed the proforma consolidated financial information of HSP and its subsidiaries (“HSP Group”) as set out in the attached Notes, which we have stamped for the purpose of identification. The proforma consolidated financial information have been prepared for illustrative purposes only on the basis of assumptions as set out in the Notes and after making certain adjustments to show what:

- i) the financial results of HSP Group for the three (3) financial years ended 31 January 2007 and the six-month periods ended 31 July 2006 and 31 July 2007 would have been, if the group structure as at the date of the Prospectus had been in place since the beginning of the years/periods being reported thereon;
- ii) the financial position of HSP Group as at 31 July 2007 would have been, if the group structure as at the date of the Prospectus had been in place on that date, adjusted for the proceeds from the public issue and utilisation of funds, after taking into consideration the fair value adjustment at HSP Group level arising from the leasehold land and biological assets based on Directors' valuation as at January 2007; and
- iii) the cash flows of HSP Group for the financial year ended 31 January 2007 and the six-month period ended 31 July 2007 would have been, if the group structure as at the date of the Prospectus had been in place since the beginning of the respective financial years/period.

The proforma consolidated financial information, because of its nature, may not be reflective of HSP Group's actual financial results, financial position and cash flows.

13. HISTORICAL FINANCIAL INFORMATION (Cont'd)



Hap Seng Plantations Holdings Berhad
Reporting accountants' letter on the proforma consolidated financial information

It is solely the responsibility of the Board of Directors of HSP to prepare the proforma consolidated financial information. Our responsibility is to form an opinion on the proforma consolidated financial information and to report our opinion to you based on our work.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated financial information to the following:

- i) the audited financial statements of the subsidiaries of HSP for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007, after taking into consideration the fair value adjustment at HSP Group level arising from the leasehold land and biological assets based on Directors' valuation as at January 2007, and the audited financial statements of HSP for the period from 18 April 2007 (date of incorporation) to 31 July 2007; and
- ii) the income statement of HSP Group for the six-month period ended 31 July 2006 which has been reviewed in accordance with Malaysian Approved Standards on Auditing AI 2400: Engagements To Review Financial Statements ("AI 2400").

We have also considered the evidence supporting the adjustments and discussed the proforma consolidated financial information with the Directors of HSP.

In our opinion,

- i) the proforma consolidated financial information have been properly prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board based on the following:
 - a) the audited financial statements of the subsidiaries of HSP for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007, after taking into consideration the fair value adjustment at HSP Group level arising from the leasehold land and biological assets based on Directors' valuation as at January 2007, and the audited financial statements of HSP for the period from 18 April 2007 (date of incorporation) to 31 July 2007, and
 - b) the income statement of HSP Group for the six-month period ended 31 July 2006, which was reviewed in accordance with AI 2400;

13. HISTORICAL FINANCIAL INFORMATION (Cont'd)



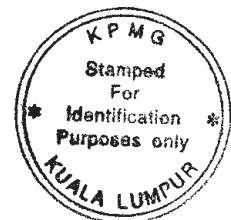
Hap Seng Plantations Holdings Berhad
Reporting accountants' letter on the proforma consolidated financial information

- ii) such basis is consistent with the accounting policies adopted by HSP Group;
- iii) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing the proforma consolidated financial information; and
- iv) the proforma consolidated financial information have been properly prepared on the basis of assumptions stated in the Notes.

Yours faithfully,

KPMG
Firm No. AF 0758
Chartered Accountants

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



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)**HAP SENG PLANTATIONS HOLDINGS BERHAD
AND ITS SUBSIDIARIES ("HSP GROUP")****NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION****1. Introduction**

The proforma consolidated financial information, comprising the proforma consolidated income statements for the three (3) financial years ended 31 January 2007 and the six-month periods ended 31 July 2006 and 2007, the proforma consolidated balance sheets as at 31 July 2007, the statement of assets and liabilities as at 31 July 2007 and the notes thereto, and the proforma consolidated cash flow statements for the year/period ended 31 January 2007 and 31 July 2007, have been prepared for inclusion in the Prospectus of Hap Seng Plantations Holdings Berhad ("HSP") to be dated 22 October 2007 in connection with the listing of HSP on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

2. Listing scheme

As part of the listing scheme, HSP undertook the following:

2.1 Acquisitions

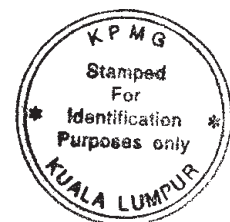
On 16 May 2007, HSP entered into sale of shares agreements ("SSAs") for the following Acquisitions:

- a) Acquisition of the entire equity interests in Jeroco Plantations Sdn. Bhd. ("Jeroco"), comprising 121,431,763 ordinary shares of RM1.00 each, for a total purchase consideration of RM550.25 million which was satisfied by the issuance of 275,127,000 new ordinary shares of RM1.00 each in HSP ("HSP Shares") at an issue price of RM1.80 per share credited as fully paid-up and a cash consideration of approximately RM55.02 million; and
- b) Acquisition of the entire equity interests in Hap Seng Plantations (River Estates) Sdn. Bhd. ("River Estates"), comprising 30,807,000 ordinary shares of RM1.00 each, for a total purchase consideration of RM949.75 million which was satisfied by the issuance of 474,872,998 new HSP Shares at an issue price of RM1.80 per share credited as fully paid-up and a cash consideration of approximately RM94.98 million.

The total purchase consideration for the Acquisitions of RM1,500 million was arrived at on a willing buyer-willing seller basis after taking into consideration the audited profit after taxation of Jeroco and River Estates for the financial year ended 31 January 2007 and their potential future earnings.

The entire equity interests in Jeroco and River Estates were acquired free from all charges, mortgages, liens, debentures and other encumbrances.

The Acquisitions have been completed on 7 September 2007.



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

2. Listing scheme (continued)

2.2 Public Issue

HSP is undertaking a public offering of 50,000,000 HSP Shares ("Issue Shares") at an initial public offering price of RM2.65 per HSP Share ("IPO Price") and the Issue Shares will be allocated in the following manner:

- a) 15,104,000 Issue Shares, representing 1.89% of the enlarged issued and paid-up share capital of HSP, for application by the eligible directors and employees of HSP Group, HSCB Group and Gek Poh (Holdings) Sdn. Bhd..

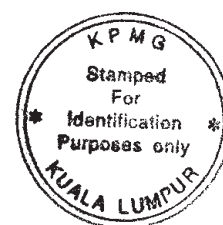
The aforesaid 15,104,000 Issue Shares will be allocated in the following manner:

- i) 4,747,000 Issue Shares for application by eligible directors and employees of HSP Group and HSCB; and
 - ii) 10,357,000 Issue Shares for application by eligible directors and employees of the subsidiaries of HSCB and Gek Poh (Holdings) Sdn. Bhd.;
- b) 4,896,000 Issue Shares, representing 0.61% of the enlarged issued and paid-up share capital of HSP, for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions; and
 - c) 30,000,000 Issue Shares, representing 3.75% of the enlarged issued and paid-up share capital of HSP, by way of placement to Bumiputera investors identified and approved by the Ministry of International Trade and Industry.

2.3 Offer for Sale

Concurrent with the Public Issue, Hap Seng Consolidated Berhad ("HSCB") is undertaking an offer for sale of up to 250,000,000 HSP Shares ("Offer Shares") in the following manner:

- a) 37,440,000 Offer Shares, representing 4.68% of the enlarged issued and paid-up share capital of HSP, by way of placement to Innoprise Corporation Sdn. Bhd. at the IPO Price;
- b) 47,749,000 Offer Shares, representing 5.97% of the enlarged issued and paid-up share capital of HSP, by way of placement to Bumiputera investors identified and approved by the MITI at the IPO Price;
- c) 124,473,000 Offer Shares, representing 15.56% of the enlarged issued and paid-up share capital of HSP, to foreign and Malaysian institutional and selected investors at an Institutional Price to be determined by way of bookbuilding; and



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

2. Listing scheme (continued)

2.3 Offer for Sale (continued)

- d) Up to 40,338,000 Offer Shares, representing 5.04% of the enlarged issued and paid-up share capital of HSP, for application by HSCB shareholders other than Gek Poh (Holdings) Sdn. Bhd. and Pembangunan Melati Sdn. Bhd. at the IPO Price by way of rights on the basis of one (1) Offer Share for every six (6) ordinary shares of RM1.00 each held in HSCB on the entitlement date.

The final IPO Price will be determined after the Institutional Price is fixed on the price determination date and will be the lower of:

- a) IPO Price of RM2.65 per share; or
b) 95% of the Institutional Price.

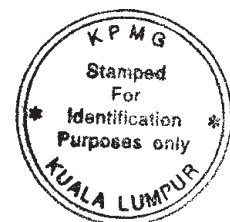
2.4 Listing

Upon completion of the Public Issue and Offer for Sale, HSP will seek the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 800,000,000 HSP Shares on the Main Board of Bursa Securities.

3. Basis of preparation of proforma consolidated financial information

The proforma consolidated financial information have been prepared to illustrate what:

- a) the financial results of HSP Group for the three (3) financial years ended 31 January 2007 and the six-month periods ended 31 July 2006 and 31 July 2007 would have been, if the group structure as at the date of the Prospectus had been in place since the beginning of the years/periods being reported thereon;
- b) the financial position of HSP Group as at 31 July 2007 would have been if the group structure as at the date of the Prospectus had been in place on that date, adjusted for the proceeds from the public issue and utilisation of funds and after taking into consideration the fair value adjustment at HSP Group level arising from the leasehold land and biological assets based on Directors' valuation as at January 2007; and
- c) the cash flows of HSP Group for the financial year ended 31 January 2007 and the six-month period ended 31 July 2007 would have been, if the group structure as at the date of the Prospectus had been in place since the beginning of the respective financial years/period.



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

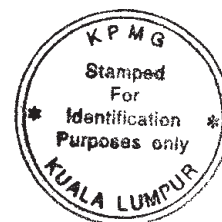
3. Basis of preparation of proforma consolidated financial information (continued)

3.1 The proforma consolidated financial information have been prepared using the bases and the accounting principles consistent with those adopted by HSP Group, after giving effect to the proforma adjustments considered appropriate, based on the following:

- a) the audited financial statements of the subsidiaries of HSP for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007, after taking into consideration the fair value adjustment at HSP Group level arising from the leasehold land and biological assets based on Directors' valuation as at January 2007, and the audited financial statements of HSP for the period from 18 April 2007 (date of incorporation) to 31 July 2007, and
- b) the income statement of HSP Group for the six-month period ended 31 July 2006, which has been reviewed in accordance with AI 2400.

These financial information have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board.

- 3.2 For illustrative purposes, it was assumed that HSP acquired its subsidiaries prior to 1 February 2004 in arriving at the proforma consolidated income statement for the three (3) financial years ended 31 January 2007 and the six-month periods ended 31 July 2006 and 31 July 2007.
- 3.3 The proforma consolidated financial information have been prepared for illustrative purposes only and, because of their nature, may not be reflective of the actual financial position, results of operations and cash flows of the HSP Group.
- 3.4 The financial information has been rounded to the nearest thousand, unless otherwise indicated. Ringgit Malaysia (RM) is HSP's functional currency.
- 3.5 The financial information presented in United States Dollar ("USD") is computed based on a conversion rate of USD1 : RM3.42. No representation is made that the RM amounts actually represent such USD amounts or could have been or could be converted into USD at the rate indicated.



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

4. Summarised proforma consolidated income statements of HSP Group

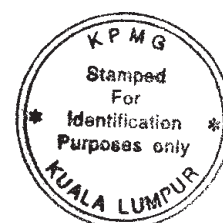
4.1 The proforma consolidated income statements of the HSP Group for the three (3) financial years ended 31 January 2007 and the six-month periods ended 31 July 2006 and 2007 have been prepared for illustrative purposes only and after incorporating such adjustments as we considered necessary, assuming that the HSP Group has been in existence throughout the financial years and periods under review.

The proforma consolidated income statements for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007 are prepared based on the audited financial statements of the subsidiaries of HSP and the audited financial statements of HSP for the period from 18 April 2007 (date of incorporation) to 31 July 2007.

The proforma consolidated income statement for the six-month period ended 31 July 2006 has been reviewed in accordance with AI 2400.

4.2 HSP Group

| | <----- Financial years ended -----> | | | | <-----Six-month period ended -----> | | |
|--|-------------------------------------|----------------|-----------------------|------------------------|-------------------------------------|------------------------|---------------|
| | 31.1.05 | 31.1.06 | <----- 31.1.07 -----> | <----- 31.7.07 -----> | 31.7.06* | | |
| | RM'000 | RM'000 | RM'000 | ^USD'000 equivalent | RM'000 | ^USD'000 equivalent | RM'000 |
| Revenue | 296,927 | 278,104 | 278,885 | 81,545 | 163,477 | 47,800 | 117,532 |
| Cost of sales | (113,510) | (127,061) | (127,280) | (37,216) | (64,433) | (18,840) | (64,463) |
| Gross profit | 183,417 | 151,043 | 151,605 | 44,329 | 99,044 | 28,960 | 53,069 |
| Other operating income | 5,477 | 1,222 | 1,391 | 407 | 338 | 99 | 718 |
| Distribution costs | (17,373) | (21,314) | (22,539) | (6,591) | (17,237) | (5,040) | (8,829) |
| Administrative expenses | (6,843) | (6,518) | (6,404) | (1,873) | (2,782) | (814) | (3,032) |
| Other operating expenses | (2,300) | (2,287) | (2,265) | (662) | (1,154) | (337) | (1,254) |
| Results from operating activities | 162,378 | 122,146 | 121,788 | 35,610 | 78,209 | 22,868 | 40,672 |
| Interest income | 4,977 | 5,825 | 7,771 | 2,272 | 4,602 | 1,346 | 3,024 |
| Interest expense | (142) | (50) | (25) | (7) | - | - | (14) |
| Profit before tax | 167,213 | 127,921 | 129,534 | 37,875 | 82,811 | 24,214 | 43,682 |
| Tax expense | (44,279) | (34,366) | (28,582) | (8,357) | (21,531) | (6,296) | (11,970) |
| Profit for the year | 122,934 | 93,555 | 100,952 | 29,518 | 61,280 | 17,918 | 31,712 |
| Number of shares assumed in issue ('000) | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

4.2 HSP Group (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 |
| Earnings per share: | | | | | | | |
| Gross ⁽ⁱ⁾ | 20.90 sen | 15.99 sen | 16.19 sen | 4.73 cents | 10.35 sen | 3.03 cents | 5.46 sen |
| Net ⁽ⁱⁱ⁾ | 15.37 sen | 11.69 sen | 12.62 sen | 3.69 cents | 7.66 sen | 2.24 cents | 3.96 sen |
| Gross profit margin (%) | 61.77 | 54.31 | 54.36 | 54.36 | 60.59 | 60.59 | 45.15 |
| Net profit margin (%) | 41.40 | 33.64 | 36.20 | 36.20 | 37.49 | 37.49 | 26.98 |
| Earnings before interest, depreciation, taxation and amortisation ("EBIDTA") | 180,022 | 138,389 | 139,079 | 40,666 | 87,224 | 25,504 | 49,065 |
| 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 | # |

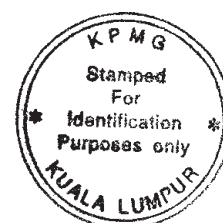
Notes:

- (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

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

Not available

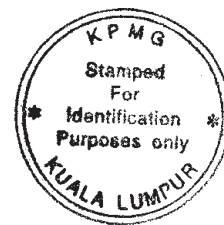


13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

5. Proforma consolidated balance sheets of HSP Group as at 31 July 2007

5.1 The proforma balance sheets below are for illustrative purpose only, based on HSP's audited financial statements as at 31 July 2007, to show effects of the Acquisitions, Public Issue and Offer for Sale ("the Proposals"), after taking into consideration the fair value adjustment arising from the leasehold land and biological assets based on Directors' valuation as at January 2007, and assuming that the Proposals were completed on 31 July 2007.

| Assets | Note | Proforma I | | Proforma II | | Proforma I | | Proforma II | |
|--|-------|------------------------------|---------------------------------|---|---|--|--|----------------|--|
| | | As at 31.7.2007 RM'000 | After Acquisitions RM'000 | Public Issue and Offer for Sale RM'000 | As at 31.7.2007 **USD'000 equivalent | After Acquisitions **USD'000 equivalent | Public Issue and Offer for Sale **USD'000 equivalent | | |
| Property, plant and equipment | - | - | 201,516 | 201,516 | - | 58,923 | 58,923 | 58,923 | |
| Biological assets | - | - | 1,279,415 | 1,279,415 | - | 374,098 | 374,098 | 374,098 | |
| Prepaid lease payments | - | - | 324,932 | 324,932 | - | 95,009 | 95,009 | 95,009 | |
| Total non-current assets | - | - | 1,805,863 | 1,805,863 | - | 528,030 | 528,030 | 528,030 | |
| Receivables, deposits and prepayments | - | - | 65,766 | 65,766 | - | 19,230 | 19,230 | 19,230 | |
| Inventories | - | - | 20,872 | 20,872 | - | 6,103 | 6,103 | 6,103 | |
| Cash and cash equivalents | * | * | 11,452 | 11,452 | * | 3,349 | 3,349 | 3,349 | |
| Total current assets | * | * | 98,090 | 98,090 | * | 28,682 | 28,682 | 28,682 | |
| Total assets | * | * | 1,903,953 | 1,903,953 | * | 556,712 | 556,712 | 556,712 | |
| Equity | | | | | | | | | |
| Share capital | * | * | 750,000 | 800,000 | * | 219,298 | 219,298 | 233,918 | |
| Reserves | - | - | 655,889 | 729,389 | - | 191,781 | 191,781 | 213,272 | |
| Total equity | 5.1.1 | * | 1,405,889 | 1,529,389 | * | 411,079 | 411,079 | 447,190 | |



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

5. Proforma consolidated balance sheets of HSP Group as at 31 July 2007 (continued)

| | As at 31.7.2007 RM'000 | Proforma I After Acquisitions RM'000 | Proforma II After Public Issue and Offer for Sale RM'000 | As at 31.7.2007 **USD'000 equivalent | Proforma I After Acquisitions **USD'000 equivalent | Proforma II After Public Issue and Offer for Sale **USD'000 equivalent |
|--|------------------------------|---|---|---|--|--|
| Liabilities | | | | | | |
| Bank borrowings | - | 98,333 | 98,333 | - | 28,753 | 28,753 |
| Deferred tax liabilities | - | 195,889 | 195,889 | - | 57,277 | 57,277 |
| Total non-current liabilities | - | 294,222 | 294,222 | - | 86,030 | 86,030 |
| Payables and accruals | | | | | | |
| Bank borrowings | - | 19,747 | 19,747 | - | 5,774 | 5,774 |
| Current tax liabilities | - | 171,667 | 48,167 | - | 50,195 | 14,084 |
| | - | 12,428 | 12,428 | - | 3,634 | 3,634 |
| Total current liabilities | - | 203,842 | 80,342 | - | 59,603 | 23,492 |
| Total liabilities | - | 498,064 | 374,564 | - | 145,633 | 109,522 |
| Total equity and liabilities | * | 1,903,953 | 1,903,953 | * | 556,712 | 556,712 |
| Net tangible asset per share (RM/USD) | 1.00 | 1.87 | 1.91 | 1.00 | 0.55 | 0.56 |

* Denotes RM2 (USD0.58)

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



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

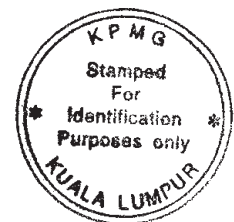
5.1.1 Below is the movement of equity and reserves:

| | Share capital RM'000 | Share premium RM'000 | Retained earnings RM'000 | Total equity RM'000 | Total equity **USD'000 equivalent |
|----------------------------|----------------------------|----------------------------|--------------------------------|---------------------------|--|
| Balance as at 31 July 2007 | # | - | - | ## | ## |
| Add: Acquisitions | 750,000 | 600,000 | - | 1,350,000 | 394,737 |
| Negative goodwill | - | - | 55,889 | 55,889 | 16,342 |
| Balance after Proforma I | 750,000 | 600,000 | 55,889 | 1,405,889 | 411,079 |
| Less: Public Issue | 50,000 | 82,500 | - | 132,500 | 38,743 |
| Estimated listing expenses | - | (9,000) | - | (9,000) | (2,632) |
| Balance after Proforma II | 800,000 | 673,500 | 55,889 | 1,529,389 | 447,190 |

Denotes 2 ordinary shares of RM1.00 each

Denotes RM2 (USD0.58)

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



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

5.2. Notes to the proforma consolidated balance sheets of HSP Group as at 31 July 2007

The proforma consolidated balance sheets together with the notes thereon have been prepared on accounting principles and bases consistent with those adopted by HSP Group, a summary of which is set out in Section 14 of the Prospectus, and are presented in a form suitable for inclusion in the Prospectus. The proforma consolidated balance sheets of HSP Group have been prepared for illustrative purposes only.

5.2.1 The following transactions are assumed to have been effected as at 31 July 2007:

Proforma I

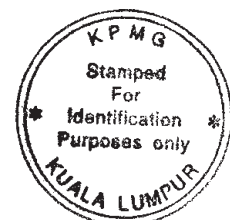
Proforma I incorporates the Acquisitions as set out in Section 2.1 above and the following:

- i. Payment of a parting dividend by Jeroco to its previous shareholders prior to the completion of the Acquisitions, amounting to RM229.49 million.
- ii. Bonus issue of RM150.00 million in value of Redeemable Preference Shares by Jeroco and River Estates prior to the completion of the Acquisitions which were subsequently redeemed on 10 September 2007 mainly via borrowings and internally generated funds.

Proforma II

Proforma II incorporates the effects of Proforma I and the Public Issue and Offer for Sale as set out in Section 2.2 and 2.3 respectively, and the following:

- i. Estimated share issue expenses of RM9.00 million will be set off against the available Share Premium account.
- ii. Proposed utilisation of the gross proceeds from the Public Issue of RM132.50 million to settle bank borrowings and defray the listing expenses.



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

6. Statement of assets and liabilities

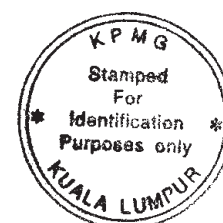
6.1 The statement of assets and liabilities of HSP Group as at 31 July 2007 is prepared based on the audited financial statements of HSP Group on the assumption that the Proposals have been completed on that date. Arising from the Acquisitions, at group level, leasehold land and biological assets have been adjusted to reflect their fair values based on Directors' valuation as at January 2007.

| | Note | RM'000 | *USD'000 equivalent |
|--|------|------------------|------------------------|
| Assets | | | |
| Property, plant and equipment | 6.2 | 201,516 | 58,923 |
| Biological assets | 6.3 | 1,279,415 | 374,098 |
| Prepaid lease payments | 6.4 | 324,932 | 95,009 |
| Total non-current assets | | 1,805,863 | 528,030 |
| Receivables, deposits and prepayments | 6.5 | 65,766 | 19,230 |
| Inventories | 6.6 | 20,872 | 6,103 |
| Cash and cash equivalents | 6.7 | 11,452 | 3,349 |
| Total current assets | | 98,090 | 28,682 |
| Total assets | | 1,903,953 | 556,712 |
| Equity | | | |
| Share capital | 6.8 | 800,000 | 233,918 |
| Reserves | | 729,389 | 213,272 |
| Total equity | | 1,529,389 | 447,190 |
| Liabilities | | | |
| Bank borrowings | 6.9 | 98,333 | 28,753 |
| Deferred tax liabilities | 6.10 | 195,889 | 57,277 |
| Total non-current liabilities | | 294,222 | 86,030 |
| Payables and accruals | 6.11 | 19,747 | 5,774 |
| Bank borrowings | 6.9 | 48,167 | 14,084 |
| Current tax liabilities | | 12,428 | 3,634 |
| Total current liabilities | | 80,342 | 23,492 |
| Total liabilities | | 374,564 | 109,522 |
| Total equity and liabilities | | 1,903,953 | 556,712 |
| Ratios | | | |
| NTA per share | | RM1.91 | USD0.56 |
| Current ratio (times) | | 1.22 | 1.22 |
| After tax return on shareholders' funds ⁽ⁱ⁾ (%) | | 4.01 | 4.01 |
| Gearing ratio (times) | | 0.10 | 0.10 |

Notes:

(i) *Profit after tax for the six month period*
Shareholders' funds

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



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)**6. Statement of assets and liabilities (continued)****6.2 Property, plant and equipment**

| | RM'000 | USD'000 equivalent |
|-----------------------------------|----------------|-----------------------|
| Carrying amount | | |
| Roads and infrastructure | 48,295 | 14,121 |
| Buildings | 85,416 | 24,976 |
| Plant, machinery and vehicles | 43,821 | 12,813 |
| Furniture, fittings and equipment | 832 | 243 |
| Capital work-in-progress | 23,152 | 6,770 |
| | <u>201,516</u> | <u>58,923</u> |

6.3 Biological assets

The biological assets comprise plantation development expenditure.

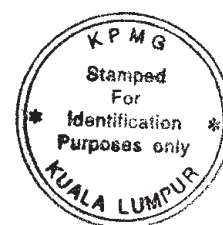
6.4 Prepaid lease payments

The prepaid lease payments represent leasehold land.

6.5 Receivables, deposits and prepayments

| | RM'000 | USD'000 equivalent |
|---|---------------|-----------------------|
| Trade | | |
| Trade receivables | 10,729 | 3,137 |
| Non trade | | |
| Other receivables, deposits and prepayments | 1,957 | 572 |
| Less: Allowance for doubtful debts | (755) | (220) |
| | <u>1,202</u> | <u>352</u> |
| Immediate holding company | 52,254 | 15,279 |
| Related companies | 1,581 | 462 |
| | <u>65,766</u> | <u>19,230</u> |

Non-trade balances due from immediate holding company, Hap Seng Consolidated Berhad ("HSCB"), and related companies are unsecured, interest free and have no fixed terms of repayment, apart from an amount due from the immediate holding company of RM25,006,000 (USD7,312,000) which is charged interest at 3.5% per annum.



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)**6. Statement of assets and liabilities (continued)****6.6 Inventories**

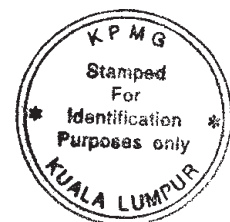
| | RM'000 | USD'000 equivalent |
|---------------------------------------|---------------|-----------------------|
| Produce inventories | 4,263 | 1,247 |
| Store, spare and consumables supplies | 15,900 | 4,649 |
| Planting materials | 709 | 207 |
| | <u>20,872</u> | <u>6,103</u> |

6.7 Cash and cash equivalents

| | RM'000 | USD'000 equivalent |
|------------------------------|---------------|-----------------------|
| Deposits with licensed banks | 7,000 | 2,047 |
| Cash and bank balances | 4,452 | 1,302 |
| | <u>11,452</u> | <u>3,349</u> |

6.8 Share capital

| | RM'000 | USD'000 equivalent |
|--------------------------------|------------------|-----------------------|
| Authorised: | | |
| Ordinary shares of RM1.00 each | <u>1,000,000</u> | <u>292,398</u> |
| Issued and fully-paid: | | |
| Ordinary shares of RM1.00 each | <u>800,000</u> | <u>233,918</u> |



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)**6. Statement of assets and liabilities (continued)****6.9 Bank borrowings**

| | RM'000 | USD'000 equivalent |
|----------------------------|---------------|-----------------------|
| Non-current | | |
| Unsecured term loan | 98,333 | 28,753 |
| Current | | |
| Unsecured revolving credit | 40,000 | 11,696 |
| Unsecured term loan | 8,167 | 2,388 |
| | <u>48,167</u> | <u>14,084</u> |

Terms and debt repayment schedule

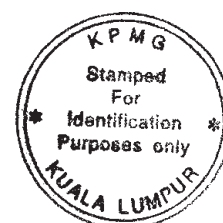
| | Carrying amount RM'000 | Under 1 year RM'000 | 1- 2 years RM'000 | 3-5 years RM'000 |
|----------------------------|------------------------------|---------------------------|-------------------------|------------------------|
| Unsecured term loans | 105,000 | 6,667 | 13,333 | 85,000 |
| Unsecured revolving credit | 40,000 | 40,000 | - | - |
| Unsecured short term loan | 1,500 | 1,500 | - | - |
| | <u>146,500</u> | <u>48,167</u> | <u>13,333</u> | <u>85,000</u> |

The bank borrowings are subject to floating interest rates at a margin above the licensed financial institutions' cost of funds.

6.10 Deferred tax liabilities

The recognised deferred tax liabilities are as follows:

| | RM'000 | USD'000 equivalent |
|--------------------------------------|----------------|-----------------------|
| Property, plant and equipment | | |
| - capital and agriculture allowances | 73,435 | 21,472 |
| - revaluation | 83,618 | 24,450 |
| Biological assets | 37,801 | 11,053 |
| Prepaid lease payments | | |
| - capital and agriculture allowances | 667 | 195 |
| - revaluation | 368 | 107 |
| | <u>195,889</u> | <u>57,277</u> |



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)**6. Statement of assets and liabilities (continued)****6.11 Payables and accruals**

| | RM'000 | USD'000 equivalent |
|-----------------------------|--------|-----------------------|
| Trade | | |
| Trade payables | 5,041 | 1,474 |
| Immediate holding company | 385 | 113 |
| Related companies | 3,276 | 958 |
| | 8,702 | 2,545 |
| Non trade | | |
| Other payables and accruals | 10,848 | 3,172 |
| Related companies | 197 | 57 |
| | 19,747 | 5,774 |

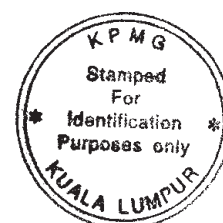
Trade balances due to immediate holding company, HSCB, and related companies are subject to the normal trade terms.

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

7. Proforma consolidated cash flow statements

7.1 The proforma consolidated cash flow statements of HSP Group for the financial year ended 31 January 2007 and the six-month period ended 31 July 2007, is provided for illustrative purposes only, assuming that the HSP Group had 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 of HSP and the audited financial statements of HSP for the period from 18 April 2007 (date of incorporation) to 31 July 2007.

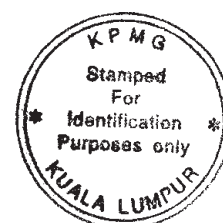


13. HISTORICAL FINANCIAL INFORMATION (Cont'd)**7. Proforma consolidated cash flow statements (continued)****7.2 HSP Group**

| | 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.



13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

13.5 Working Capital, Borrowings, Contingent Liabilities, Material Capital Commitment and Material Litigation

13.5.1 Working Capital

Our Group's proforma consolidated cash flow for the financial year ended 31 January 2007 and the six (6)-month period ended 31 July 2007 is set-forth below:

| | Financial year ended <-----31 January 2007 ----> | | 6-month period ended <----- 31 July 2007-----> | |
|---|---|------------------------|---|------------------------|
| | RM 000 | ^USD 000 Equivalent | RM 000 | ^USD 000 Equivalent |
| Net cash generated from operating activities | 107,724 | 31,498 | 77,577 | 22,683 |
| Net cash used in investing activities | (46,653) | (13,641) | (8,176) | (2,391) |
| 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 the beginning of year/period | 1,763 | 515 | 1,017 | 297 |
| Cash and cash equivalents at the end of year/period | 1,017 | 297 | 41,452 | 12,120 |

Note:

^ For illustrative purposes only.

As at the Latest Practicable Date, we have banking facilities amounting to RM270 million which has been fully utilised.

Our Board believes that, after taking into consideration our consolidated cash flow position shown above, the expected proceeds from our Public Issue and banking facilities currently available to us, our Group has sufficient working capital for a period of twelve (12) months from the date of this Prospectus for our existing needs and foreseeable requirements.

For further details of our proforma consolidated cash flow for the financial year ended 31 January 2007 and the six (6)-month period ended 31 July 2007, please refer to the Accountants' Report set out in Section 14 of this Prospectus.

13. HISTORICAL FINANCIAL INFORMATION (Cont'd)

13.5.2 Borrowings

As at the Latest Practicable Date, our total outstanding borrowings amounted to approximately RM270 million.

The table below sets forth the details of our borrowings as at the Latest Practicable Date:

| | RM 000 |
|-------------------------|-----------------------|
| Short-term borrowings | 171,667 |
| Long-term borrowings | 98,333 |
| Total borrowings | <u>270,000</u> |

We have not defaulted on any payments of either interest and/ or principal sums in respect of any borrowings throughout the past financial year ended 31 January 2007 and the subsequent period thereof immediately preceding the date of this Prospectus.

13.5.3 Contingent Liabilities

As at 31 August 2007, we do not have any contingent liabilities (for which the liabilities have not been provided for in our financial statements).

Save as disclosed above, our Board is not aware of any material contingent liabilities that upon materialisation, may have a material effect on our financial results/position.

13.5.4 Material Capital Commitment

Save as disclosed below, as at 31 August 2007, our Board is not aware of any material capital commitment incurred by us that has not been provided for, which upon becoming enforceable, may have a material effect on our financial results/position.

| | RM 000 |
|---------------------------------|----------------------|
| Approved but not contracted for | 15,769 |
| Contracted but not provided for | 11,882 |
| Total | <u>27,651</u> |

13.5.5 Material Litigation

As at the Latest Practical Date of this Prospectus, we are not engaged in any material litigation, whether as plaintiff or defendant, and our Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position.

14. ACCOUNTANTS' REPORT



KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

Telephone +60 (3) 2095 3388
Fax +60 (3) 2095 0971
Internet www.kpmg.com.my

The Board of Directors
Hap Seng Plantations Holdings Berhad
No 1A Jalan 205
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

26 September 2007

Dear Sirs

Hap Seng Plantations Holdings Berhad (“HSP” or “the Company”) Accountants' Report

This report has been prepared by Messrs KPMG, an approved company auditor, exclusively for the inclusion in the Prospectus of HSP to be dated 22 October 2007 in connection with the following and should not be relied upon for any other purposes.

- i. Public issue of 50,000,000 new ordinary shares of RM1.00 each in HSP (“HSP Shares”) (“Issue Shares”) at an issue price of RM2.65 per HSP Share being the initial price payable, subject to adjustment (“IPO Price”), and the Issue Shares will be allocated in the following manner:
 - a) 15,104,000 Issue Shares, representing 1.89% of the enlarged issued and paid-up share capital of HSP, for application by eligible directors and employees of HSP and its subsidiaries (“HSP Group”), Hap Seng Consolidated Berhad (“HSCB”) and its subsidiaries (“HSCB Group”) and Gek Poh (Holdings) Sdn. Bhd..

The aforesaid 15,104,000 Issue Shares will be allocated in the following manner:

- i) 4,747,000 Issue Shares for application by eligible directors and employees of HSP Group and HSCB; and
 - ii) 10,357,000 Issue Shares for application by eligible directors and employees of the subsidiaries of HSCB and Gek Poh (Holdings) Sdn. Bhd.;
- b) 4,896,000 Issue Shares, representing 0.61% of the enlarged issued and paid-up share capital of HSP, for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions; and

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
Accountants' Report

- c) 30,000,000 Issue Shares, representing 3.75% of the enlarged issued and paid-up share capital of HSP, by way of placement to Bumiputera investors identified and approved by the Ministry of International Trade and Industry ("MITI").
- ii. Offer for sale of up to 250,000,000 ordinary shares of RM1.00 each ("Offer Shares") by HSCB in the following manner:
 - a) 37,440,000 Offer Shares, representing 4.68% of the enlarged issued and paid-up share capital of HSP, by way of placement to Innoprise Corporation Sdn. Bhd. ("Innoprise") at the IPO Price;
 - b) 47,749,000 Offer Shares, representing 5.97% of the enlarged issued and paid-up share capital of HSP, by way of placement to Bumiputera investors identified and approved by the MITI at the IPO Price;
 - c) 124,473,000 Offer Shares, representing 15.56% of the enlarged issued and paid-up share capital of HSP, to foreign and Malaysian institutional investors and selected investors at an Institutional Price to be determined by way of bookbuilding; and
 - d) Up to 40,338,000 Offer Shares, representing 5.04% of the enlarged issued and paid-up share capital of HSP, for application by HSCB shareholders other than Gek Poh (Holdings) Sdn. Bhd. and Pembangunan Melati Sdn. Bhd. at the IPO Price by way of rights on the basis of one (1) Offer Share for every six (6) ordinary shares of RM1.00 each held in HSCB on the entitlement date.
- iii. Listing of and quotation for the entire enlarged issued and paid-up share capital of HSP comprising 800,000,000 ordinary shares of RM1.00 each on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

1. Introduction

This report has been prepared exclusively for the inclusion in the Prospectus of Hap Seng Plantations Holdings Berhad ("HSP" or "the Company") to be dated 22 October 2007 in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of HSP on the Main Board of Bursa Securities.

The functional currency of HSP is Ringgit Malaysia ("RM"). The financial information presented in United States Dollar ("USD") is for illustrative purposes only. No representation is made that the Ringgit Malaysia ("RM") amounts actually represent such USD amounts or could have been or could be converted into USD at the rate indicated. The exchange rate used in the conversion is USD1 : RM3.42.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
Accountants' Report

2. General information

2.1 Background

Hap Seng Plantations Holdings Sdn. Bhd. was incorporated in Malaysia on 18 April 2007 under the Companies Act, 1965 and was subsequently converted into a public limited company on 3 May 2007 and is now known as Hap Seng Plantations Holdings Berhad.

The principal activities of the Company are investment holding and carrying out marketing and trading activities for its subsidiaries. Further details on its subsidiaries are set out in paragraph 2.4 below.

2.2 Share capital

At the date of incorporation, HSP's authorised share capital was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. At that date, HSP's issued and paid-up share capital was RM2.00 comprising two (2) ordinary shares of RM1.00 each ("HSP Shares").

On 31 July 2007, the authorised share capital of HSP was increased from RM100,000 comprising 100,000 HSP Shares to RM1,000,000,000 comprising 1,000,000,000 HSP Shares by the creation of additional 999,900,000 HSP Shares.

Arising from the Acquisitions as mentioned in Section 2.3.1 below, the issued and paid-up share capital of HSP was increased to RM750,000,000 by way of the issuance of 749,999,998 HSP Shares.

Pursuant to the Public Issue, the issued and paid-up share capital of HSP will be increased further to RM800,000,000 comprising 800,000,000 HSP Shares.

2.3 Details of the Proposals

2.3.1 Acquisitions

On 16 May 2007, HSP entered into sale of shares agreements ("SSAs") for the following acquisitions:

- a) Acquisition of the entire equity interests in Jeroco, comprising 121,431,763 ordinary shares of RM1.00 each ("Jeroco Shares"), from HSCB, Innoprise and Kowa Company Limited ("Kowa") for a total purchase consideration of RM550.25 million which was satisfied by the issuance of 275,127,000 new HSP Shares at an issue price of RM1.80 per share credited as fully paid-up, and a cash consideration of approximately RM55.02 million; and
- b) Acquisition of the entire equity interests in River Estates, comprising 30,807,000 ordinary shares of RM1.00 each ("River Estates Shares"), from HSCB for a total purchase consideration of RM949.75 million which was satisfied by the issuance of 474,872,998 new HSP Shares at an issue price of RM1.80 per share credited as fully paid-up, and a cash consideration of approximately RM94.98 million.

The cash considerations for the above Acquisitions were financed by bank borrowings.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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2.3.1 Acquisitions (continued)

The total purchase consideration for the Acquisitions of RM1,500.00 million was arrived at on a willing buyer-willing seller basis after taking into consideration the audited profit after taxation of Jeroco and River Estates for the financial year ended 31 January 2007 and their potential future earnings.

The entire equity interests in Jeroco and River Estates were acquired free from all charges, mortgages, liens, debentures and other encumbrances.

The Acquisitions have been completed on 7 September 2007 ("Completion Date").

2.3.2 Public Issue

Following the Acquisitions and in conjunction with the listing, HSP undertakes a public offering of 50,000,000 Issue Shares at the IPO Price and the Issue Shares will be allocated in the following manner:

- a) 15,104,000 Issue Shares, representing 1.89% of the enlarged issued and paid-up share capital of HSP, for application by eligible directors and employees of HSP Group, HSCB Group and Gek Poh (Holdings) Sdn. Bhd..

The aforesaid 15,104,000 Issue Shares will be allocated in the following manner:

- i) 4,747,000 Issue Shares for application by eligible directors and employees of HSP Group and HSCB; and
- ii) 10,357,000 Issue Shares for application by eligible directors and employees of the subsidiaries of HSCB and Gek Poh (Holdings) Sdn. Bhd.;
- b) 4,896,000 Issue Shares, representing 0.61% of the enlarged issued and paid-up share capital of HSP, for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions; and
- c) 30,000,000 Issue Shares, representing 3.75% of the enlarged issued and paid-up share capital of HSP, by way of placement to Bumiputera investors identified and approved by the MITI.

2.3.3 Offer for Sale

Upon completion of the Acquisitions and concurrent with the Public Issue by HSP, HSCB undertakes an offer for sale of up to 250,000,000 HSP Shares ("Offer Shares") in the following manner:

- a) 37,440,000 Offer Shares, representing 4.68% of the enlarged issued and paid-up share capital of HSP, by way of placement to Innoprise at the IPO Price;
- b) 47,749,000 Offer Shares, representing 5.97% of the enlarged issued and paid-up share capital of HSP, by way of placement to Bumiputera investors identified and approved by the MITI at the IPO Price;
- c) 124,473,000 Offer Shares, representing 15.56% of the enlarged issued and paid-up share capital of HSP, to foreign and Malaysian institutional investors and selected investors at an Institutional Price to be determined by way of bookbuilding; and

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
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2.3.3 Offer for Sale (continued)

- d) Up to 40,338,000 Offer Shares, representing 5.04% of the enlarged issued and paid-up share capital of HSP, for application by HSCB shareholders other than Gek Poh (Holdings) Sdn. Bhd. and Pembangunan Melati Sdn. Bhd. at the IPO Price by way of rights on the basis of one (1) Offer Share for every six (6) ordinary shares of RM1.00 each held in HSCB on the entitlement date.

2.3.4 Listing

Upon completion of the Public Issue and Offer for Sale, HSP will seek the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 800,000,000 HSP Shares on the Main Board of Bursa Securities.

The above mentioned proposals are hereinafter collectively referred to as "the Proposals".

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
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2.4 Information on subsidiaries**2.4.1 Hap Seng Plantations (River Estates) Sdn. Bhd. ("River Estates")**

River Estates was incorporated in the Colony of North Borneo (now known as Sabah, Malaysia) on 13 April 1950 under the Indian Companies Act, VII of 1913 as a private company limited by shares under the name of The River Estates Limited.

The River Estates Limited subsequently changed its name to The River Estates Sdn. Berhad on 15 April 1966 under the Companies Act, 1965, before changing to its present name on 29 August 2006.

River Estates is principally engaged in the cultivation of oil palm and processing of fresh fruit bunches. There has been no change in the nature of these activities during the years under review.

The share capital of River Estates as at 18 September 2007 is as follows:

| Type | No. of shares | Par value RM | Total RM |
|---|---------------|-----------------|-------------|
| Ordinary shares | | | |
| Authorised | 49,995,200 | 1.00 | 49,995,200 |
| Issued and paid-up | 30,811,800 | 1.00 | 30,811,800 |
| Redeemable Preference Shares ("RPS") | | | |
| Authorised | 480,000 | 0.01 | 4,800 |
| Issued and paid-up | - | - | - |

The changes in the issued and paid-up share capital of River Estates since its incorporation are as follows:

| Date of allotment/ (redemption) | No. of shares issued | Par value RM | Consideration | Cumulative total RM |
|------------------------------------|-------------------------|-----------------|---|---------------------------|
| Ordinary shares | | | | |
| 13.04.1950 | 2 | 1.00 | Cash | 2 |
| 16.04.1950 | 49,998 | 1.00 | Cash | 50,000 |
| 31.12.1954 | 40,000 | 1.00 | Cash | 90,000 |
| 14.05.1955 | 100,000 | 1.00 | Bonus issue | 190,000 |
| 23.05.1968 | (75,000) | 1.00 | Capital reduction | 115,000 |
| 29.07.1972 | 4,600,000 | 1.00 | Bonus issue | 4,715,000 |
| 19.12.1994 | 26,092,000 | 1.00 | Issued in consideration for the acquisition of landed properties | 30,807,000 |
| 10.09.2007 | 4,800 | 1.00 | Cash | 30,811,800 |

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
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2.4.1 Hap Seng Plantations (River Estates) Sdn. Bhd. ("River Estates") (continued)

| Date of allotment/ (redemption) | No. of shares issued | Par value RM | Consideration | Cumulative total RM |
|------------------------------------|-------------------------|-----------------|---------------|---------------------------|
| RPS | | | | |
| 22.08.2007 | 480,000 | 0.01 | Bonus issue | 4,800 |
| 10.09.2007 | (480,000) | 0.01 | - | - |

As at 18 September 2007, details of subsidiaries of River Estates are as follows:

| Name of subsidiaries | Principal activities | Effective ownership interest |
|----------------------|-------------------------|---------------------------------|
| Wecan | Cultivation of oil palm | 100% |
| Tampilit | Cultivation of oil palm | 100% |
| Ladang Kawa | Cultivation of oil palm | 100% |

As at 18 September 2007, River Estates does not have any associated company.

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
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2.4.2 Jeroco Plantations Sdn. Bhd. ("Jeroco")

Jeroco was incorporated in Malaysia on 18 June 1980 under the Companies Act, 1965 as a private company limited by shares under its present name.

Jeroco is principally engaged in the cultivation of oil palm and processing of fresh fruit bunches. There has been no change in the nature of these activities during the years under review.

The share capital of Jeroco as at 18 September 2007 is as follows:

| Type | No. of shares | Par value RM | Total RM |
|------------------------|---------------|-----------------|-------------|
| Ordinary shares | | | |
| Authorised | 149,997,300 | 1.00 | 149,997,300 |
| Issued and paid-up | 121,434,463 | 1.00 | 121,434,463 |
| RPS | | | |
| Authorised | 270,000 | 0.01 | 2,700 |
| Issued and paid-up | - | - | - |

The changes in the issued and paid-up share capital of Jeroco since its incorporation are as follows:

| Date of allotment/ (redemption) | No. of shares issued | Par value RM | Consideration | Cumulative total RM |
|------------------------------------|-------------------------|-----------------|---------------|---------------------------|
| Ordinary shares | | | | |
| 18.06.1980 | 2 | 1.00 | Cash | 2 |
| 14.07.1981 | 437,498 | 1.00 | Cash | 437,500 |
| 14.07.1981 | 43,750,000 | 1.00 | Bonus issue | 44,187,500 |
| 24.08.1981 | 1,200,000 | 1.00 | Cash | 45,387,500 |
| 25.02.1983 | 2,388,815 | 1.00 | Cash | 47,776,315 |
| 20.12.1983 | 45,148,795 | 1.00 | Cash | 92,925,110 |
| 05.02.1987 | 28,506,653 | 1.00 | Cash | 121,431,763 |
| 10.09.2007 | 2,700 | 1.00 | Cash | 121,434,463 |
| RPS | | | | |
| 22.08.2007 | 270,000 | 0.01 | Bonus issue | 2,700 |
| 10.09.2007 | (270,000) | 0.01 | - | - |

As at 18 September 2007, Jeroco does not have any subsidiary or associated company.

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
Accountants' Report

2.4.3 Hap Seng Plantations (Ladang Kawa) Sdn. Bhd. ("Ladang Kawa")

Ladang Kawa, a wholly-owned subsidiary of River Estates, was incorporated in Malaysia on 6 January 1975 under the Companies Act, 1965 as a private company limited by shares under the name of Ladang Kawa Sdn. Bhd..

It assumed its present name on 11 August 2006.

Ladang Kawa is principally engaged in the cultivation of oil palm. There has been no change in the nature of this activity during the years under review.

The share capital of Ladang Kawa as at 18 September 2007 is as follows:

| Type | No. of shares | Par value RM | Total RM |
|------------------------|-------------------|-----------------|-------------------|
| Ordinary shares | | | |
| Authorised | <u>25,000,000</u> | 1.00 | <u>25,000,000</u> |
| Issued and paid-up | <u>20,000,000</u> | 1.00 | <u>20,000,000</u> |

The changes in the issued and paid-up share capital of Ladang Kawa since its incorporation are as follows:

| Date of allotment | No. of shares issued | Par value RM | Consideration | Cumulative total RM |
|-------------------|----------------------|-----------------|--|------------------------|
| 06.01.1975 | 2 | 1.00 | Cash | 2 |
| 31.01.1977 | 79,999 | 1.00 | Cash | 80,001 |
| 31.01.1977 | 79,999 | 1.00 | Non cash | 160,000 |
| 19.11.1979 | 90,000 | 1.00 | Cash | 250,000 |
| 01.07.1982 | 19,750,000 | 1.00 | Issued in consideration for the acquisition of landed properties | 20,000,000 |

As at 18 September 2007, Ladang Kawa does not have any subsidiary or associated company.

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
Accountants' Report

2.4.4 Hap Seng Plantations (Tampilit) Sdn. Bhd. ("Tampilit")

Tampilit, a wholly-owned subsidiary of River Estates, was incorporated in Malaysia on 17 January 1985 under the Companies Act, 1965 as a private company limited by shares under the name of Tampilit Sdn. Bhd..

It assumed its present name on 11 August 2006.

Tampilit is principally engaged in the cultivation of oil palm. There has been no change in the nature of this activity during the years under review.

The share capital of Tampilit as at 18 September 2007 is as follows:

| Type | No. of shares | Par value RM | Total RM |
|------------------------|---------------|-----------------|-------------|
| Ordinary shares | | | |
| Authorised | 25,000 | 1.00 | 25,000 |
| Issued and paid-up | 16,002 | 1.00 | 16,002 |

The changes in the issued and paid-up share capital of Tampilit since its incorporation are as follows:

| Date of allotment | No. of shares issued | Par value RM | Consideration | Cumulative total RM |
|-------------------|----------------------|-----------------|---------------|------------------------|
| 17.01.1985 | 2 | 1.00 | Cash | 2 |
| 21.09.1991 | 16,000 | 1.00 | Cash | 16,002 |

As at 18 September 2007, Tampilit does not have any subsidiary or associated company.

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
Accountants' Report

2.4.5 Hap Seng Plantations (Wecan) Sdn. Bhd. ("Wecan")

Wecan, a wholly-owned subsidiary of River Estates, was incorporated in Malaysia on 15 October 1985 under the Companies Act, 1965 as a private company limited by shares under the name of Wecan Enterprise Sdn. Bhd..

It assumed its present name on 11 August 2006.

The principal activity of the Company is the cultivation of oil palm. There has been no change in the nature of this activity during the years under review.

The share capital of Wecan as at 18 September 2007 is as follows:

| Type | No. of shares | Par value RM | Total RM |
|------------------------|----------------|-----------------|----------------|
| Ordinary shares | | | |
| Authorised | <u>125,000</u> | 1.00 | <u>125,000</u> |
| Issued and paid-up | <u>124,000</u> | 1.00 | <u>124,000</u> |

The changes in the issued and paid-up share capital of Wecan since its incorporation are as follows:

| Date of allotment | No. of shares issued | Par value RM | Consideration | Cumulative total RM |
|-------------------|----------------------|-----------------|---------------|------------------------|
| 15.10.1985 | 2 | 1.00 | Cash | 2 |
| 01.04.1986 | 3,998 | 1.00 | Cash | 4,000 |
| 21.09.1991 | 120,000 | 1.00 | Cash | 124,000 |

As at 18 September 2007, Wecan does not have any subsidiary or associated company.

14. ACCOUNTANTS' REPORT (Cont'd)

Hap Seng Plantations Holdings Berhad
Accountants' Report

3. Financial statements and auditors

The financial statements of River Estates, Jeroco, Ladang Kawa, Tampilit and Wecan (hereinafter collectively referred to as "Subsidiaries") for the three (3) financial years ended 31 January 2007 and the six-month period ended 31 July 2007 and the financial statements of the Company for the period from 18 April 2007 (date of incorporation) to 31 July 2007, were prepared in accordance with the applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board ("MASB") and audited in accordance with Malaysian Approved Standards on Auditing.

The financial statements of River Estates and Jeroco for the six-month period ended 31 July 2006 were prepared in accordance with the applicable approved accounting standards for entities other than private entities issued by the MASB and reviewed in accordance with Malaysian Approved Standards on Auditing AI 2400 – Engagements To Review Financial Statements ("AI 2400").

The auditors who audited/reviewed the financial statements of HSP Group for the financial years and periods under review are as follows:

| Companies | Financial year/period ended | Auditors |
|------------------|--|----------------------|
| HSP | 18 April 2007 to 31 July 2007 | KPMG |
| River Estates | 1 February 2004 to 31 January 2005 | Ernst & Young ("EY") |
| | 1 February 2005 to 31 January 2006 | EY |
| | 1 February 2006 to 31 January 2007 | EY |
| | 1 February 2007 to 31 July 2007 | KPMG |
| | 1 February 2006 to 31 July 2006 (Unaudited)* | KPMG |
| Jeroco | 1 February 2004 to 31 January 2005 | KPMG |
| | 1 February 2005 to 31 January 2006 | KPMG |
| | 1 February 2006 to 31 January 2007 | KPMG |
| | 1 February 2007 to 31 July 2007 | KPMG |
| | 1 February 2006 to 31 July 2006 (Unaudited)* | KPMG |
| Ladang Kawa | 1 February 2004 to 31 January 2005 | KPMG |
| | 1 February 2005 to 31 January 2006 | KPMG |
| | 1 February 2006 to 31 January 2007 | KPMG |
| | 1 February 2007 to 31 July 2007 | KPMG |
| Tampilit | 1 February 2004 to 31 January 2005 | EY |
| | 1 February 2005 to 31 January 2006 | EY |
| | 1 February 2006 to 31 January 2007 | EY |
| | 1 February 2007 to 31 July 2007 | KPMG |
| Wecan | 1 February 2004 to 31 January 2005 | EY |
| | 1 February 2005 to 31 January 2006 | EY |
| | 1 February 2006 to 31 January 2007 | EY |
| | 1 February 2007 to 31 July 2007 | KPMG |

* Reviewed in accordance with AI 2400

The audited financial statements and financial statements reviewed in accordance with AI 2400 were without any qualification for the relevant financial years and periods under review.

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

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
Accountants' Report

4. Accounting policies and standards

The accounting policies adopted in the preparation of this report are set out in Section 13 of this report and are consistent with the accounting policies adopted by HSP Group.

The financial information presented in Sections 5 to 11 in this report for the three (3) financial years 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. These financial information have been prepared in accordance with the applicable approved accounting standards for entities other than private entities issued by the MASB.

The proforma consolidated income statement of HSP Group presented in this report for the six-month period ended 31 July 2006 is based on the financial information of the Subsidiaries, which have been prepared in accordance with the applicable approved accounting standards for entities other than private entities issued by the MASB. The proforma consolidated income statement for the six-month period ended 31 July 2006 has been reviewed in accordance with AI 2400 and has been prepared for illustrative purposes only as a comparison to the proforma consolidated income statement for the six-month period ended 31 July 2007.

14. ACCOUNTANTS' REPORT (Cont'd)



Hap Seng Plantations Holdings Berhad
Accountants' Report

5. Hap Seng Plantations Holdings Berhad ("HSP") and its subsidiaries ("HSP Group" or "the Group")

5.1 Proforma consolidated balance sheet

We set out below the proforma consolidated balance sheet of the Group as at 31 July 2007. The proforma consolidated balance sheet is prepared based on the audited financial statements of HSP Group on the assumption that the Proposals have been completed on that date. Arising from the Acquisitions, a parting dividend was paid by Jeroco to its previous shareholders, newly issued redeemable preference shares were redeemed, and at group level, leasehold land and biological assets have been adjusted to reflect their fair values based on Directors' valuation as at January 2007.

| As at | ←----- 31.7.07 -----> | |
|--|-----------------------|------------------------|
| | RM'000 | ^USD'000 equivalent |
| Assets | | |
| Property, plant and equipment | 201,516 | 58,923 |
| Biological assets | 1,279,415 | 374,098 |
| Prepaid lease payments | 324,932 | 95,009 |
| Total non-current assets | 1,805,863 | 528,030 |
| Receivables, deposits and prepayments | 65,766 | 19,230 |
| Inventories | 20,872 | 6,103 |
| Cash and cash equivalents | 11,452 | 3,349 |
| Total current assets | 98,090 | 28,682 |
| Total assets | 1,903,953 | 556,712 |
| Equity | | |
| Share capital | 800,000 | 233,918 |
| Reserves | 729,389 | 213,272 |
| Total equity | 1,529,389 | 447,190 |
| Liabilities | | |
| Bank borrowings | 98,333 | 28,753 |
| Deferred tax liabilities | 195,889 | 57,277 |
| Total non-current liabilities | 294,222 | 86,030 |
| Payables and accruals | 19,747 | 5,774 |
| Bank borrowings | 48,167 | 14,084 |
| Current tax liabilities | 12,428 | 3,634 |
| Total current liabilities | 80,342 | 23,492 |
| Total liabilities | 374,564 | 109,522 |
| Total equity and liabilities | 1,903,953 | 556,712 |
| Ratios | | |
| Net tangible assets ("NTA") | 1,529,389 | 447,190 |
| NTA per share | RM1.91 | USD0.56 |
| Current ratio (times) | 1.22 | 1.22 |
| After tax return on shareholders' funds ⁽ⁱ⁾ (%) | 4.01 | 4.01 |
| Gearing ratio (times) | 0.10 | 0.10 |

Notes:

(i) Profit after tax for the 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
Accountants' Report

5.2 Proforma consolidated income statements

We set out below the proforma consolidated income statements of the Group for the three (3) financial years ended 31 January 2007 and the six-month periods ended 31 July 2006 and 2007, after incorporating such adjustments as we considered necessary, assuming that the Group has been in existence throughout the financial years and periods under review.

The proforma consolidated income statements for the three (3) financial years 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.

The proforma consolidated income statement for the six-month period ended 31 July 2006 has been reviewed in accordance with AI 2400 and has been prepared for illustrative purposes only as a comparison to the proforma consolidated income statement for 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 -----> | 31.7.06* | | |
| | RM'000 | RM'000 | RM'000 | ^USD'000 equivalent | RM'000 | ^USD'000 equivalent | RM'000 |
| Revenue | 296,927 | 278,104 | 278,885 | 81,545 | 163,477 | 47,800 | 117,532 |
| Cost of sales | (113,510) | (127,061) | (127,280) | (37,216) | (64,433) | (18,840) | (64,463) |
| Gross profit | 183,417 | 151,043 | 151,605 | 44,329 | 99,044 | 28,960 | 53,069 |
| Other operating income | 5,477 | 1,222 | 1,391 | 407 | 338 | 99 | 718 |
| Distribution costs | (17,373) | (21,314) | (22,539) | (6,591) | (17,237) | (5,040) | (8,829) |
| Administrative expenses | (6,843) | (6,518) | (6,404) | (1,873) | (2,782) | (814) | (3,032) |
| Other operating expenses | (2,300) | (2,287) | (2,265) | (662) | (1,154) | (337) | (1,254) |
| Results from operating activities | 162,378 | 122,146 | 121,788 | 35,610 | 78,209 | 22,868 | 40,672 |
| Interest income | 4,977 | 5,825 | 7,771 | 2,272 | 4,602 | 1,346 | 3,024 |
| Interest expense | (142) | (50) | (25) | (7) | - | - | (14) |
| Profit before tax | 167,213 | 127,921 | 129,534 | 37,875 | 82,811 | 24,214 | 43,682 |
| Tax expense | (44,279) | (34,366) | (28,582) | (8,357) | (21,531) | (6,296) | (11,970) |
| Profit for the year | 122,934 | 93,555 | 100,952 | 29,518 | 61,280 | 17,918 | 31,712 |
| Number of shares assumed in issue ('000) | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |
| Earnings per share: | | | | | | | |
| Gross ^(a) | 20.90 sen | 15.99 sen | 16.19 sen | 4.73 cents | 10.35 sen | 3.03 cents | 5.46 sen |
| Net ^(a) | 15.37 sen | 11.69 sen | 12.62 sen | 3.69 cents | 7.66 sen | 2.24 cents | 3.96 sen |
| Gross profit margin (%) | 61.77 | 54.31 | 54.36 | 54.36 | 60.59 | 60.59 | 45.15 |
| Net profit margin (%) | 41.40 | 33.64 | 36.20 | 36.20 | 37.49 | 37.49 | 26.98 |
| Earnings before interest, depreciation, taxation and amortisation ("EBIDTA") | 180,022 | 138,389 | 139,079 | 40,666 | 87,224 | 25,504 | 49,065 |