Annual Report 2012

Innoprise Plantations

Innoprise Plantations Berhad

(Company No.285072-M)

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CORPORATE INFORMATION

DIRECTORS

Datuk Hj. Majin Hj. Ajing
Independent Non-Executive Chairman

Datuk (Dr.) Kelvin Tan Aik Pen
Managing Director

Datuk Sam Mannan @ Sham Mannan
Non-Independent Non-Executive Director

Datuk Hajah Mary @ Mariati Robert
Independent Non-Executive Director

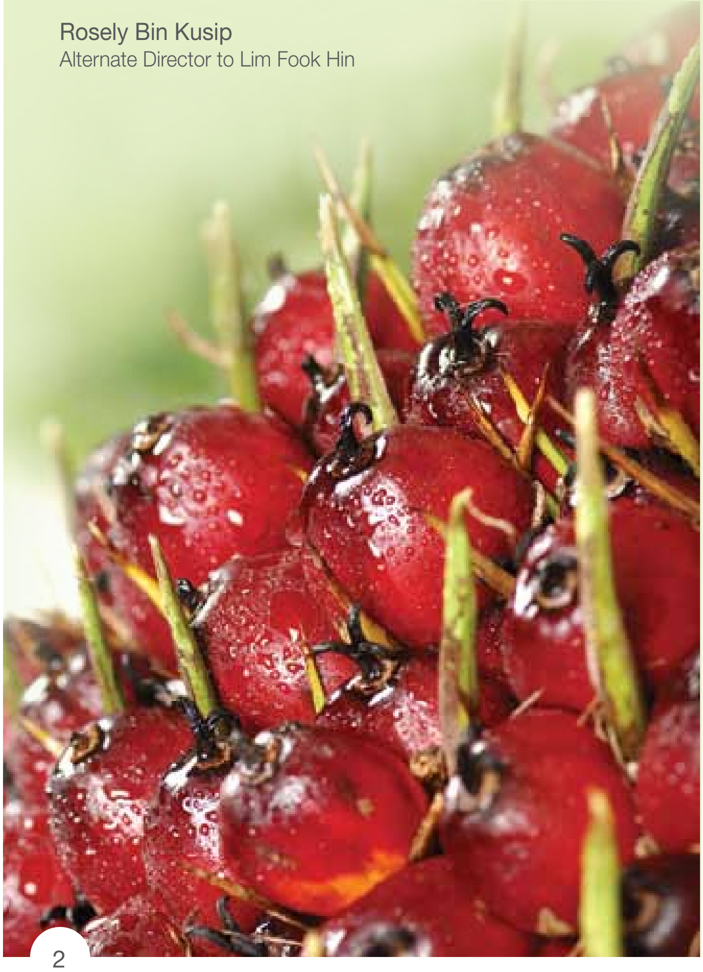
Datuk Jaswant Singh Kler
Independent Non-Executive Director

Puan Ainahwati Binti Abd Sani
Non-Independent Non-Executive Director

Tuan Haji Othman Bin Walat
Non-Independent Non-Executive Director

Lim Fook Hin
Executive Director

Rosely Bin Kusip
Alternate Director to Lim Fook Hin



SECRETARIES

Dorothy Luk Wei Kam MAICSA 7000414
Chan Ai Hoon LS 0000393

AUDIT COMMITTEE

Datuk Hj. Majin Hj. Ajing
Datuk Hajah Mary @ Mariati Robert
Datuk Jaswant Singh Kler
Puan Ainahwati Binti Abd Sani

NOMINATION COMMITTEE

Datuk Hj. Majin Hj. Ajing
Datuk Hajah Mary @ Mariati Robert
Datuk Jaswant Singh Kler

REMUNERATION COMMITTEE

Datuk Hj. Majin Hj. Ajing
Datuk (Dr.) Kelvin Tan Aik Pen
Datuk Jaswant Singh Kler

EXECUTIVES' SHARE OPTION SCHEME ("ESOS") COMMITTEE

Datuk Hj. Majin Hj. Ajing
Datuk (Dr.) Kelvin Tan Aik Pen
Datuk Jaswant Singh Kler
Lim Fook Hin

RISK MANAGEMENT COMMITTEE

Puan Ainahwati Binti Abd Sani
Lim Fook Hin
Dalil Pakan

AUDITORS

Ernst & Young
MPT 4604, Lot 17-28, 3rd Floor, Block B,
Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah.
Tel: 089-774233 Fax: 089-762950

PRINCIPAL BANKERS

Malayan Banking Berhad
AmBank (M) Berhad

REGISTERED OFFICE

6th Floor, Menara Tun Mustapha,
Likas Bay, 88400 Kota Kinabalu, Sabah.
Tel: 088-326415 Fax: 088-432104

REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House, Block D13,
Pusat Dagangan Dana 1, Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-78418000 Fax: 03-78418151/52

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)

WEBSITE

www.innoprise.com.my

PROFILE OF DIRECTORS

DATUK HJ. MAJIN HJ. AJING

Aged 64 years, a Malaysian, was appointed as an Independent Non-Executive Director on 1 May 2005. He serves as a Chairman of the Audit Committee, Nomination Committee, Remuneration Committee and ESOS Committee. He graduated with Bachelor of Arts from University of Malaya in 1974. He served with the Sabah State Government in 1974 to 1999 before starting his own business. During his tenure in the State Civil Service, he held various senior posts amongst others Secretary of Internal Affairs and Security (1982 – 1984), Permanent Secretary to the Ministry of Industrial Development (1984 – 1994), General Manager of Sabah State Railway (1994 – 1999) and Director of Sabah Archives (1999). He was Director of Gold Coin Malaysia Bhd, Chairman of Sarawak Flour Mill Sdn Bhd (subsidiary of GCM Bhd), Director of Sabah Gas Industries Sdn Bhd, Director of SEDCO and Sabah Forest Industries Sdn Bhd.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. He has no conflict of interest with the Company and has never been charged for any offence.

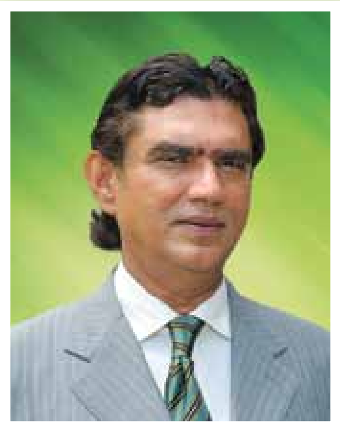
DATUK (DR.) KELVIN TAN AIK PEN

PGDK, DPMP, aged 55 years, a Malaysian, is the Managing Director of Innoprise Plantations Berhad and serves as a member of the Remuneration Committee and ESOS Committee. He was appointed to the Board of Directors of the Company on 7 December 2006. He is also the Chairman of TSH Resources Berhad and Ekowood International Berhad. He sits on the board of a list of private companies.

Datuk (Dr.) Kelvin Tan has more than twenty five (25) years experience in resource based industry, which includes extensive working knowledge in international trade practices. He was the Chairman of the Malaysian Cocoa Board for 8 consecutive years from 1997 – 2004. He serves as Honorary Director of Sabah Chinese High School. As recognition for the many contributions to environmental conservation and forestry, Datuk (Dr.) Kelvin Tan was conferred an Honorary Doctorate in Philosophy (Agroforestry) by Universiti Malaysia Sabah on 3 September 2006.

He does not have any family relationship with any other director and/or other major shareholders of the Company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no other conflict of interest with the Company and has no convictions for offences within the past ten (10) years.

PROFILE OF DIRECTORS (continued)



DATUK SAM MANNAN @ SHAM MANNAN

Aged 55 years, a Malaysian, was appointed as a Non-Independent Non-Executive Director of the Company on 10 August 2005. He graduated with a Bachelor of Forestry Science from University of Canterbury, New Zealand in 1979. He joined the Forestry Department, Sabah since 1980 and held various senior positions in the Forestry Department. He was appointed as the Director of Forestry Department in 2004.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no other conflict of interest with the Company and has never been charged for any offence.

DATUK HAJAH MARY @ MARIATI ROBERT

Aged 60 years, a Malaysian, has been an Independent Non-Executive Director of the Company since 17 April 1996. She serves as a member of the Audit Committee and Nomination Committee. She graduated with a degree in law from the University of Malaya in 1977. She worked with the Attorney General's Chambers as a Deputy Public Prosecutor and Assistant Director of the Legal Aid Bureau (Sabah Branch) and set up her own practice in 1991.

She has no family relationship with any of the directors or substantial shareholders of the Company. She has no directorship in any other public listed company. She has no conflict of interest with the Company and has never been charged for any offence.

PUAN AINAHWATI BINTI ABD SANI

Aged 39 years, a Malaysian, appointed as a Non-Independent Non-Executive Director on 3 November 2008. She serves as a member of the Audit Committee and Risk Management Committee. She graduated from International Islamic University Malaysia and holds MBA (International Business) from Universiti Malaysia Sabah. She joined the Sabah Foundation in 1997 as a Senior Audit Officer and since 2006 she is appointed as Group Company Secretary.

She has no family relationship with any of the directors or substantial shareholders of the Company. She has no directorship in any other public listed company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, she has no other conflict of interest with the Company and has never been charged for any offence.

PROFILE OF DIRECTORS (continued)

DATUK JASWANT SINGH KLER

Aged 72 years, a Malaysian, was appointed as an Independent Non-Executive Director on 7 December 2006. He serves as a member of Audit Committee, Nomination Committee, Remuneration Committee and ESOS Committee. He is an Associate member of the Incorporated Society of Planters and continues to play active role as senior member of the planting fraternity in Malaysia and sits on the Board of TSH Resources Berhad. He holds directorship positions in various subsidiary companies of TSH Group and several other private limited companies.

Notably, he was the Chairman of the East Malaysia Planters' Association from 1985-2000. He was an Independent Non-Executive Director of Kwantas Corporation Berhad and Executive Director of Bena Plantation Sdn. Bhd. when he left in 2006 and 1984 respectively. He now manages his own plantation consultancy business under Agri Cek Sdn. Bhd. He is also an advisor for Incorporated Society of Planters Sabah - Tawau Branch.

He participates actively as a committee member of Malaysian International Chamber of Commerce & Industry of Sabah Branch and is a Committee Member for Human Resources and also on the Home Affairs of MICCI Standing Committee. He is a member of the Institute Development Studies (Sabah) and also a life member of Agricultural Institute of Malaysia.

He does not have any family relationship with any other directors and/or other major shareholders of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past ten (10) years.

TUAN HAJI OTHMAN BIN WALAT

Aged 63 years, a Malaysian, was appointed as a Non-Independent Non-Executive Director on 7 December 2006. He graduated with a Diploma in Agriculture from University Pertanian Malaysia in 1970. He started with Federal Land Development Authority (FELDA) in 1972 as Assistant Manager and was promoted to Project Manager in 1973.

He joined Kumpulan Guthrie Berhad as Estate Manager in 1974, and held various senior positions of the Group (1983-2004), and as Group Controller in 1996. He became Group Director Plantation (2003-2004). He served as Chief Executive Officer of Sabah Softwoods Berhad from 2004 to 2008. He is now the Group Managing Director to Sawit Kinabalu Group since 2008.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no conflict of interest with the Company and has never been charged for any offence.

PROFILE OF DIRECTORS (continued)

LIM FOOK HIN

Aged 63 years, a Malaysian, was appointed as an Executive Director on 7 December 2006. He serves as a member of the Risk Management Committee and ESOS Committee. He is currently the Executive Director of TSH Resources Berhad and Ekowood International Berhad. He also sits on the board of some subsidiary companies within the TSH Group and also holds directorship in other private limited companies. He is a member of the Malaysian Institute of Certified Public Accountants. After qualifying as a member of the ICAEW, he joined Coopers & Lybrand as an Audit Senior in 1976 and was transferred to Coopers' Management Consultancy Services in 1977. He joined the Commonwealth Development Corporation in 1978 and was seconded to Sarawak Oil Palm Sdn. Bhd. as the Company Secretary.

He joined BAL Plantation Sdn. Bhd. in 1981 as the Financial Controller until 1993. His main responsibility included financial management, merger and acquisition and commodity marketing. He was the Chief Executive of United Palm Oil Industries PLC ('UPOIC'), a company listed on the Stock Exchange of Thailand before joining TSH Resources Berhad in 1997.

He does not have any family relationship with any other directors and/or other major shareholders of the Company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no other conflict of interest with the Company and has no convictions for offences within the past ten (10) years.

ROSELY BIN KUSIP

Aged 61 years, a Malaysian, was appointed as an Alternate Director to Lim Fook Hin on 6 September 2010. He graduated with a Diploma from Serdang Agriculture College. He sits on the Board of Sime Darby Plantations Sdn. Bhd. and holds directorship in other private limited companies.

He is an experience planter and started his career with Kumpulan Guthrie Berhad, now part of Sime Darby Plantation, in 1972 where he rose to the rank of General Manager Estate in charge of all of Guthrie's Malaysian and Liberian Plantations. He was promoted to Plantation Director and is overall in charge of Guthrie's Indonesian P.T. Manimas Plantations Group and President Director. He joined TSH Resources Berhad in 2004 as Plantation Director to start their Indonesian plantation venture.

He does not have any family relationship with any of the directors or other major shareholders of the Company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no other conflict of interest with the Company and has no convictions for offences within the past ten (10) years.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Company and Group for the financial year ended 31 December 2012.

FINANCIAL PERFORMANCE

The Group registered a turnover of RM25.497 million for the period under review compared to the previous year of RM13.385 million. Pretax profit for the year was RM7.254 million against RM4.387 million for the previous year.

The increase in turnover and pretax profit was mainly due to increasing contribution from oil palm plantation and the recognition of compensation for 2011 log production shortfall of RM3.689 million in FY2012. The total volume logged for the year was 28,778 m3 decreased as compared to 36,156 m3 for the previous year, due to inclement weather. However turnover and contribution from oil palm plantation was significantly higher due to higher FFB crop as more area comes into harvesting but partially off-set by lower CPO/FFB prices particularly towards the end of the year.

CORPORATE AND BUSINESS DEVELOPMENT

Our subsidiary, Serijaya Industri Sdn Bhd, had initiated work to construct a 60/90 mt FFB/HR palm oil mill. Earthwork commenced in 2012 and long-lead time machinery items have been ordered. The palm oil mill is expected to come on stream in 2014.

SUSTAINABILITY OVERVIEW

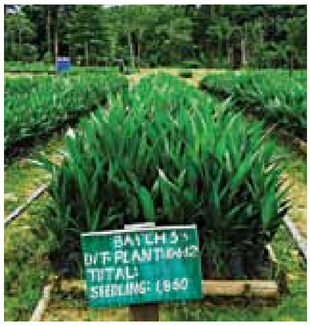
The Group has over the years made every reasonable endeavour to ensure that our operations are carried out in an environmentally friendly manner and to ensure long term sustainability.

Our initiatives include:-

- Eco-logging using the Reduced Impact Logging System implemented in 2011.
- Continued strict observance of riparian reserve and non-development of land above 20 degree slope for bio-diversity.
- No hunting or culling of protected wild life species.
- Soil conservation measures to prevent soil erosion.
- Develop human capital through in-house staff training and external courses.
- Provide good housing and amenities for staff and workers.
- Integrated pest management adopted to reduce chemical usage.
- To undertake a methane gas emission capture and utilization project under the Clean Development Mechanism to reduce methane gas emission from palm oil mill effluent.

CHAIRMAN'S STATEMENT (continued)





PROSPECTS

Eco-logging contract will continue to contribute to the Group's profit despite the uncertain weather conditions. Management will work closely with the sub-contractor to mobilize more machinery and improve execution process.

Another 1,451 hectares of the Group's oil palm are deemed to be matured on 1 January 2013 and a further 3,253 hectares will come into scout harvesting during the year. Your Board is confident that oil palm segment contribution will improve further in 2013 with higher FFB yield.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our shareholders, business associates, bankers and Government agencies for their continuing support and confidence in the Group.

I also wish to express my sincere appreciation to fellow directors, management and staff of the Group for their dedication, commitment and hard work for the past year. My sincere appreciation also goes to Encik Nip Wing Hon who resigned from the Board on 27 November 2012.

DATUK HJ. MAJIN HJ. AJING
Chairman

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Innoprise recognises that exercise of good corporate governance in conducting the business and affairs of the Company with integrity, transparency and professionalism are key components for the Company's continued progress and success. These will not only safeguard and enhance shareholders' investment and value but will at the same time ensure that the interests of other stakeholders are protected.

The Board is therefore committed to high standards of corporate governance and business practices. This Corporate Governance Statement provides information about Innoprise's corporate governance practices for 2012, including the manner in which the Company has applied the Principles and the extent of compliance with the Recommendations as set out in the Malaysian Code of Corporate Governance 2012 ("Code") issued by the Securities Commission.

A. BOARD OF DIRECTORS

Board Charter

The Board has adopted a Board Charter which serves as a source of reference and primary induction literature, providing insights to prospective Board members and senior management. The core areas of the Board Charter include the followings:

- Board Composition
- Board Meetings
- Principal Responsibilities of the Board
- Chairman
- Board Committees, namely Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and Executives' Share Option Scheme ("ESOS") Committee
- Re-election of Directors
- Supply of information
- Publication of the Charter

The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The details of the Board Charter are available for reference in the Company's website at www.innoprise.com.my.

Board Composition

During the financial year, the Board comprised nine (9) members and one (1) alternate director of which two (2) are Independent Non-Executive Directors, four (4) Non-Independent Non-Executive Directors, one (1) Executive Director, one (1) Managing Director and an Independent Non-Executive Chairman. Following the resignation of Encik Nip Wing Hon on 27 November 2012, the number of Directors on the Board was reduced to eight (8). The Board's composition represents a mix of knowledge, skills and expertise relevant to the diversified activities of the Group.

Board Meetings

The Board meets regularly at least four (4) times a year. Additional meetings will be convened as and when required. In the intervals between Board meetings, for exceptional matters requiring urgent Board decision, Board approvals are sought via circular resolutions, which are supported with sufficient information required to make an informed decision.

CORPORATE GOVERNANCE STATEMENT (continued)

Board Meetings (continued)

During the financial year, the Board met four (4) times, whereat it deliberated and considered various matters including the Group's financial results, major investment and strategic decisions, business plan and direction of the Group. Senior management staff were invited to the Board meetings to enlighten the Board on matters tabled to the Board and if required, to advise and provide clarification on matters of concern raised by the Board. Details of attendance of each Board member were as follows:

Name	27/02/12	28/05/12	29/08/12	22/11/12	Total
Datuk Hj. Majin Hj. Ajing	√	√	√	√	4/4
Datuk (Dr.) Kelvin Tan Aik Pen	√	√	√	√	4/4
Datuk Sam Mannan @ Sham Mannan	√	√	√	×	3/4
Datuk Hajah Mary @ Mariati Robert	√	√	√	√	4/4
Datuk Jaswant Singh Kler	√	√	√	√	4/4
Puan Ainahwati Binti Abd Sani	√	×	√	√	3/4
Tuan Haji Othman Bin Walat	×	√	√	√	3/4
Nip Wing Hon (*resigned on 27/11/2012*)	√	√	×	×	2/4
Lim Fook Hin	√	√	√	√	4/4
Rosely Bin Kusip (*alternate director to Lim Fook Hin*)	√	√	√	√	4/4

Principal responsibilities of the Board

The Board takes full responsibility for the overall performance of the Company and the Group. The main responsibilities of the Board comprise the following:-

- Setting the objectives, goals and strategic plan for the Company with a view to maximizing shareholders value and promoting sustainability;
- Adopting and monitoring progress of the Company's strategies, budgets, plans and policies;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- To consider and approve reserved matters covering corporate policies, material investment and acquisition/ disposal of assets;
- Identifying principal risks and ensure implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The positions of Chairman and Managing Director are individually held by two (2) persons to ensure a balance of power and authority. There is a clear distinction between the roles and responsibilities of the Board, Chairman and Managing Director. The balance of responsibilities between the Board and Managing Director will be reviewed on a regular basis so as to ensure that the division of functions remains appropriate to the needs of the Company.

Principal responsibilities of the Board (continued)

The role of Chairman include, amongst others, overseeing the orderly conduct and effectiveness of the Board by ensuring a cohesive working relationship between members of the Board whilst the Managing Director has overall responsibility for the Group strategies, organizational effectiveness, implementation of Board policies and decisions.

Generally, the Executive Directors are responsible for the day-to-day management of the business in making and implementing operational and corporate decisions as well as developing, coordinating and implementing business and corporate strategies.

Non-Executive Directors play key supporting roles, contributing knowledge and experience towards the formulation of policies and in the decision-making process. They could provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision-making process.

The Board in carrying out their duties and responsibilities are committed in ensuring that the standards of corporate governance are adhered to in order for the Group to achieve strong financial performance and delivers long-term sustainable value to stakeholders.

The Board formulates and reviews the Group's strategic plan and key policies as well as an oversight of the management's performance, risk assessments and controls over the Group's business operations.

Director's Training

All Directors receive full and appropriate briefing on first appointment, with subsequent updating as necessary. All members of the Board have attended the Mandatory Accreditation Programme training as required by the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities Listing Requirements").

The seminar, conference, talk or in-house training ("Training") attended by the Directors during the year, collectively or individually included the following:

Title of Training	Type of Training	No of days spent
• EMPA Seminar 2012: Water Management in Oil Palm Plantations, Sandakan	Seminar	1 day
• ISP – 7th International Planters Conference 2012: The Future Direction of The Plantation Business, Kuala Lumpur	Conference	3 days
• Sabah International Expo 2012: Sabah International Business Luncheon Talk 2012, Kota Kinabalu	Talk	5 days
• Malaysian Institute of Corporate Governance: Regulatory Updates, Governance and Current Issues for Directors of PLCs and Body Corporate 2012, Kuala Lumpur	Seminar	1 day
• Tax Briefing on 2013 Malaysian Budget	Briefing	1 day
• Palm & Lauric Oils Conference & Exhibition: Price Outlook 2012/2013, Kuala Lumpur	Conference	3 days
• 5th National Seminar on Oil Palm Mechanization (PalmMech 2012), Kuala Lumpur	Seminar	2 days
• Heart of Borneo International Conference, Kota Kinabalu	Conference	3 days
• The Singapore Institute of South East Asia Studies: Conference on Borneo's Forests	Conference	2 days
• MIA Conference 2012	Conference	2 days

CORPORATE GOVERNANCE STATEMENT (continued)

Supply of Information

All Directors are provided with an agenda and a set of Board papers containing information relevant to the business of the meeting, including information on financial, operational and corporate matters prior to Board meetings. The Board papers are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meetings.

The Directors have access to all information within the Company, whether as a full board or in their individual capacity, to the extent that the information required is pertinent to the discharge of their duties as Director and is for the benefit of the Company.

In addition, there are matters reserved specifically for the Board's decision, including the approval of corporate proposals, plans and annual budgets, acquisitions and disposals of undertakings and properties of a substantial value, major investments and financial decisions and changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits.

The Board has also put into place a procedure for Directors, whether as a full Board or in their individual capacity, to take independent professional advice at the Company's expense, if necessary.

All Directors have access to the advice and services of the Company Secretaries in carrying out their duties. The Board is regularly updated by the Company Secretaries on new changes to the legislations and Bursa Securities Listing Requirements and the resultant implications to the Company and the Board in discharging their duties and responsibilities. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

Re-election of Directors

The Nomination Committee established by the Board is responsible for proposing and assessing new nominee(s) to the Board and Board Committee membership and thereupon submitting their recommendation to the Board for decision. As part of the appointment process, the potential candidate must disclose his existing directorships as well as any other commitments so as to determine whether he has adequate time to perform his duties.

In accordance with the Company's Articles of Association, all Directors shall retire from office at least in each three (3) years, but shall be eligible for re-election. An election of Directors shall take place each year.

Directors over seventy (70) years are subject to re-appointment annually in accordance to Section 129(6) of the Companies Act, 1965.

Directors appointed by the Board during the financial year shall be subject to retirement and re-election by shareholders in the next Annual General Meeting held following their appointments.

One of the recommendations of the Code states that the tenure of an independent director should not exceed a cumulative term of 9 years. However, the Nomination Committee and Board have determined at the annual assessment carried out that Datuk Hajah Mary @ Mariati Robert, who has served on the Board for 16 years, remain objective and independent in expressing her views and in participating in deliberations and decision making of the Board and Board Committees. The length of her service on the Board does not in any way interfere with her exercise of independent judgment and ability to act in the best interests of the Company. Datuk Hajah Mary @ Mariati Robert has been demonstrably independent in carrying out her role as Member of the Board and Board Committees, notably in fulfilling her role as member of the Audit Committee and Nomination Committee. The Board is satisfied with the skills, contribution and independent judgment that Datuk Hajah Mary @ Mariati Robert brings to the Board. In view thereof, the Board recommends and supports her to be retained as an independent director of the Company which is tabled for shareholders' approval at the forthcoming 19th Annual General Meeting of the Company.

Re-election of Directors (continued)

The performance of those Directors who are subject to re-appointment and re-election at the next annual general meeting are assessed by the Nomination Committee whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-appointment and re-election of the Directors concerned for shareholders' approval.

Committees established by the Board

The Board has delegated certain responsibilities and duties to the Board Committees as well as Management Committees which operate within clearly defined terms of reference. These Committees are:-

Audit Committee

The Audit Committee comprises four (4) members. The terms of reference include review of the Group's quarterly results and year-end financial statements, prior to approval by the Board and review of major audit findings and management's response during the year with management, External Auditors and Internal Auditors including the status of previous audit recommendations.

The Audit Committee is authorised by the Board to investigate any matter within its terms of reference and to have the resources in order to perform its duties and responsibilities as set out in its terms of reference.

The Audit Committee Report for the financial year pursuant to Paragraph 15.15 of the Bursa Securities Listing Requirements is set out in the ensuing pages of this Annual Report.

Nomination Committee

In compliance with the Malaysian Code on Corporate Governance 2000, the Board has established a Nomination Committee. The Board has delegated to the Nomination Committee the responsibility for considering the appointment of Directors, for identifying and selecting potential new Directors and for proposing to the Board the appointment of new Directors, reviewing the Board's succession plans and training programs for the Board as well as assessing Directors, Board and Board Committees on an ongoing basis. In making its recommendations, the Nomination Committee will consider the candidates' skills, knowledge, expertise and experience, professionalism, integrity and in the case of candidates for the position of independent non-executive directors, the Nomination Committee will also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

The Nomination Committee comprises the following members:

Datuk Hj. Majin Hj. Ajing	-	Chairman, Independent Non-Executive Director
Datuk Hajah Mary @ Mariati Robert	-	Member, Independent Non-Executive Director
Datuk Jaswant Singh Kler	-	Member, Independent Non-Executive Director

The Company Secretaries shall ensure that all appointments are properly made and all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Bursa Securities Listing Requirements or other statutory requirements.

The Board has adopted a formal process to be carried out by the Nomination Committee for reviewing its own effectiveness and that of its individual Directors and Board Committees and assessing the independence of its Independent Directors. Each member of the Nomination Committee receives the Board performance evaluation questionnaires and separate Committee performance evaluation forms. The assessment of the Nomination Committee's performance shall be carried out by individual members of the Nomination Committee. All Board members are required to assess their own performance by completing the Director's performance evaluation form. All Independent Directors are required to assess their level of independence by completing the form of annual assessment of independence of independent directors.

CORPORATE GOVERNANCE STATEMENT (continued)

Nomination Committee (continued)

The Chairman of the Nomination Committee shall then report the findings and/or recommendations to the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are properly documented and kept confidential.

During the financial year ended 31 December 2012, the Nomination Committee reviewed the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and was of the view that all Non-Executive Directors have extensive experience in managing substantial business entities covering the core business of the Group as well as knowledge and experience in finance and investment decision analysis. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are properly documented.

The Nomination Committee also evaluated the effectiveness of the Board as a whole, the various Committees and assessing the contribution of each individual Director. Good and effective communications were established among Board members and Board Committee members on official and unofficial basis and major policies and corporate proposals are vigorously debated and scrutinised before putting to a vote.

The Company will be setting its gender diversity policies and target in the near future. However, presently the Company has two female members on its Board representing 25% gender diversity.

Remuneration Committee

In compliance with the Malaysian Code on Corporate Governance 2000, the Board has established a Remuneration Committee, comprising three (3) members, namely:-

Datuk Hj. Majin Hj. Ajing	-	Chairman, Independent Non-Executive Director
Datuk (Dr.) Kelvin Tan Aik Pen	-	Member, Managing Director
Datuk Jaswant Singh Kler	-	Member, Independent Non-Executive Director

The Remuneration Committee's primary responsibility is to recommend to the Board the remuneration of the Executive Directors and senior management staff at director level in all its forms, drawing from outside advice as necessary. The Executive Directors play no part in deciding their own remuneration and the Directors concerned shall abstain from all discussion pertaining to their remuneration. The Board as a whole determines the remuneration package of Non-Executive Directors.

Executives' Share Option Scheme ("ESOS") Committee

The ESOS Committee administers the Company's Executives' Share Option Scheme ("the Scheme") established on 30 October 2009 and will be in force for a period of ten (10) years from the date of implementation on 25 May 2010. The ESOS Committee comprises the following members:-

Datuk Hj. Majin Hj. Ajing	-	Chairman, Independent Non-Executive Director
Datuk (Dr.) Kelvin Tan Aik Pen	-	Member, Managing Director
Datuk Jaswant Singh Kler	-	Member, Independent Non-Executive Director
Lim Fook Hin	-	Member, Executive Director

The ESOS Committee has the power to administer the Scheme and to issue shares in respect of the ESOS at any time upon such terms and conditions in accordance with the provisions of the By-Laws as approved by the relevant authorities and for such purposes as the ESOS Committee may deem fit provided that the aggregate number of shares to be issued does not exceed 5% of the issued share capital of the Company at the time of offer.

The ESOS Committee meets as and when necessary and may make decisions by way of circular resolutions.

Risk Management Committee

The Risk Management Committee was established to oversee the implementation of the risk management system in the Group.

The Committee comprising Lim Fook Hin, Puan Ainahwati Binti Abd Sani and Dalil Pakan reports to the Audit Committee and assists the Audit Committee in overseeing the management of risk issues and reviews the efficacy of internal controls within the Group.

All members of the Board and the Committees have been diligent and exercised due reasonable care in discharging their duties and responsibilities, include inter alia:-

- ➢ The Board reviewed the Group's operation in particular comparison of actual results with budget. Where deemed necessary, explanations for variances are sought from management. Proposal submitted by management are extensively reviewed and debated.

- ➢ The Audit Committee will give their views on each aspect of the audit findings and recommend further follow up measure where necessary.

- ➢ The Remuneration Committee assists the Board in developing a policy on remuneration of Directors to attract and retain directors and ensure that rewards and remuneration packages are commensurate with each of their expected responsibilities and contribution to growth and profitability of the Company. The Committee makes recommendations to the Board on the appropriate levels and forms of remuneration for Directors.

- ➢ Risk Management Committee assists the Audit Committee in ensuring an effective process to continuously identify, assess and manage risks and reviews the efficacy of internal controls within the Group.

B. DIRECTORS' REMUNERATION

The details of the remuneration of the Directors of the Company and the Group for the financial year under review are as follows:-

1. Aggregate remuneration of the Directors categorised into appropriate components:-

	Total per annum for the financial year ended 31 December 2012			
	Company		Group	
Remuneration Packages	**Executive Directors RM'000**	**Non-Executive Directors RM'000**	**Executive Directors RM'000**	**Non-Executive Directors RM'000**
Directors' Fees	-	166	-	311
Salaries & other emoluments	-	-	461	-
Bonuses	-	-	-	-
Allowance	-	-	-	-
Benefits-in-kind	-	-	-	-
Share option granted under ESOS	83	77	83	100
TOTAL	**83**	**243**	**544**	**411**

CORPORATE GOVERNANCE STATEMENT (continued)

B. DIRECTORS' REMUNERATION (Continued)

2. The number of Directors whose total remuneration fall within the following bands:-

Range of Remuneration	Number of Directors Company	
	Executive Directors	Non-Executive Directors
RM50,000 and below	-	6
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	1
RM200,001 – RM250,000	1	-

The Company does not consider disclosure of details of remuneration of each Director to be appropriate.

C. RELATIONSHIP WITH SHAREHOLDERS

Relationship with Shareholders and Investors

The Company recognises the importance of establishing a direct line of communication with shareholders and investors through timely dissemination of information on the Group's performance and major development via appropriate channels of communication including announcements to Bursa Securities and publications in the corporate's website.

Dissemination of information includes distribution of Annual Report and relevant circulars, issuance of press releases, quarterly financial performance of the Group to Bursa Securities, Securities Commission and the public as well as by press conference.

In addition, the Company maintains a website at www.innoprise.com.my for shareholders and the public to access information on among others, the Company's background, business activities, annual reports, social responsibility, shareholders' rights and financial performance.

Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM")

The Chairman and the Board encourage shareholders to attend and participate in the AGM and EGM. The Chairman shall inform shareholders of their right to demand a poll vote at the commencement of the general meeting. The shareholders are given the opportunity to seek clarification on any matters pertaining to the business and financial performance of the Company. Members of the Board as well as the External Auditors and Representatives from the Share Registrar of the Company are present to answer questions raised at the meeting. Resolutions tabled and passed at the meeting are released to the Bursa Securities on the same day to enable the public to know the outcome.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Company's financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. The Board is responsible to ensure that the financial statements give a true and fair view and balanced and understandable assessment of the state of affairs of the Company and of the Group. The Audit Committee assists the Board to ensure accuracy and adequacy of all information for disclosure.

Internal Control

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Company has already affected several systems of internal control covering financial controls, operational and compliance controls and risk management. Some of the systems have been in place over the years and will continue to be reviewed, added on or updated in line with the changes in the operating environment. The Board seeks regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by the Internal and External Auditors.

Relationship with the Auditors

The Board through the establishment of an Audit Committee maintains a formal and transparent arrangement with the Company's Auditors. The Internal Audit Department communicates regularly with the members of the Audit Committee and attends all meetings of the Audit Committee.

The external auditors are invited to attend the Audit Committee meetings and annual general meetings and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their report.

The Audit Committee has obtained a written assurance from the external auditors confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

E. CODES AND POLICIES

Code of Ethics and Conduct

The Company has adopted a code of conduct and ethics which applies to Directors, officers and employees of the Group and is available on the Company's website at www.innoprise.com.my.

The Board of Directors of Innoprise continues to adhere to the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia ("Code of Ethics").

The Board is ultimately responsible for the implementation of this Code of Ethics. The Board has delegated to the Nomination Committee the responsibility to administer this Code of Ethics. Directors who learn of or suspect that a violation of the Code of Ethics has occurred or is likely to occur must immediately report the violation to the Chairman of the Nomination Committee, or to any other member of the Nomination Committee, except in the case of issues regarding the Company's financial statements, financial reporting, accounting, auditing matters or internal accounting controls of which it should be reported to the Chairman of the Audit Committee. If a Director is unsure whether a violation should be reported to the Nomination or the Audit Committee, he or she is encouraged to report to both Committees. Directors who report violations or suspected violations in good faith will not be subject to retaliation of any kind. Reported violations will be treated confidentially to the extent possible.

Alleged violations of the Code of Ethics shall be investigated by the Nomination Committee and may result in discipline and other action at the discretion of the Board upon recommendation of the Nomination Committee, including, where appropriate, removal from the Board. The Board is ultimately responsible for the investigation and resolution of all issues that may arise under this Code of Ethics.

Corporate Disclosure Policy

The Company's Corporate Disclosure Policy is designed to ensure the timely release of material price-sensitive information to the market. This policy establishes procedures to ensure that Directors and employees are aware of the Company's disclosure obligations and procedures, and have accountability for the Company's compliance with those obligations.

CORPORATE GOVERNANCE STATEMENT (continued)

ADDITIONAL COMPLIANCE INFORMATION IN ACCORDANCE WITH PARAGRAPH 9.25 OF BURSA SECURITIES LISTING REQUIREMENTS AS SET OUT IN APPENDIX 9C

1. Utilisation of proceeds

Parts of the proceeds raised from the Rights Issue Exercise have been utilized in the following manner:

		RM
Plantation and Development Expenses (direct and indirect)	-	91,072,000
Property, plant and equipment	-	35,885,000
Expenses for corporate exercise	-	712,000
Working capital purpose	-	3,175,000

2. Share Buy-Back

During the financial year, the Company did not buy-back any of its own shares.

3. Options, Warrants or Convertible Securities

The Company does not have any warrants or convertible securities in issue.

4. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

5. Imposition of Sanctions and/or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any regulatory bodies during the financial year.

6. Non-Audit Fee

There were no non-audit fees paid to External Auditors for the financial year ended 31 December 2012.

7. Variation in Results

There were no material variations between the audited results for the financial year ended 31 December 2012 and the unaudited results for the quarter ended 31 December 2012 of the Group. Explanation and reconciliation are not required for variation of less than 10%.

8. Profit Guarantee

The Company did not give any profit guarantee during the financial year.

9. Material Contracts

During the financial year under review, save as disclosed in the sections under Recurrent Related Party Transactions set out on page 20 of this Annual Report, there were no material contracts entered into by the Company and/or its subsidiaries involving directors' and major shareholders' interests which were still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

10. Employee Share Scheme

The Company currently has one (1) Executives' Share Option Scheme ("ESOS") in existence and only directors and executive employees of the Innoprise Group are eligible to participate in the Scheme. The ESOS will expire on 25 May 2020. The details of ESOS are as follows:-

Total ESOS outstanding as at 1 January 2012	Total number of ESOS granted during the financial year	Total number of ESOS exercised/lapsed* during the financial year	Total ESOS outstanding as at 31 December 2012
429,000	1,048,000	(125,000)*	1,352,000

* Lapsed due to resignation.

Aggregate ESOS granted to directors	Aggregate ESOS exercised by directors/lapsed*	Aggregate ESOS outstanding as at 31 December 2012
3,200,000	(400,000)*	2,800,000

* Lapsed due to resignation.

	Aggregate maximum allocation (%)	Actual percentage granted (%)	
		Since commencement of the Scheme	During the financial year
Directors and Senior Management	40	35.42	7.58

11. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the last Annual General Meeting of the Company held on 28 May 2012, the Company had obtained a Mandate from its shareholders to allow the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature ("Recurrent Transactions"). In accordance with Paragraph 10.09(2) (b) of Bursa Securities Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 December 2012 pursuant to the said shareholders' mandate are as follows:

CORPORATE GOVERNANCE STATEMENT (continued)

11. Recurrent Related Party Transactions of a Revenue or Trading Nature (continued)

Name of Companies	Related parties	Class of related party	Nature of Recurrent Transactions	Aggregate value of transactions made during the financial year (RM)
Serijaya Industri Sdn. Bhd.	Rakyat Berjaya Sdn. Bhd. ("RBJ")	RBJ is a 98.04% owned subsidiary of Innoprise Corporation Sdn. Bhd. ("ICSB"), a major shareholder.	Log extraction contract fees	4,431,812
Serijaya Industri Sdn. Bhd.	Asiatic Lumber Industries Sdn. Bhd. ("ALISB")	ALISB is a person connected to Encik Nip Wing Hon, a former director.	Log extraction contract fees Recognition of contingent assets	2,649,898 3,689,129
Serijaya Industri Sdn. Bhd.	Sabah Softwood Bhd. ("SSB")	SSB is a company related to ICSB, a major shareholder.	Sale of oil palm fresh fruit bunches	623,183
Serijaya Industri Sdn. Bhd.	Regional Harvest Sdn. Bhd. ("RHSB")	RHSB is 40% owned by SSB, a company related to ICSB, a major shareholder.	Sale of oil palm fresh fruit bunches	1,713,252
Serijaya Industri Sdn. Bhd.	TSH Plantation Management Sdn. Bhd. ("TSHPM")	TSHPM is 24% owned by TSH Resources Berhad ("TSHR") and 76% owned by TSH Plantation Sdn Bhd which in turn is a wholly owned subsidiary of TSHR, a major shareholder of the Company.	Sale of oil palm fresh fruit bunches	7,509,567

12. Corporate Social Responsibility

The Directors of Innoprise take corporate social responsibility as an important facet of Corporate Governance. In implementation of its oil palm development programme, management has adopted a strict code of conduct in respect of environment protection. This includes strict observation of riparian reserve and steep area for conservation wild life and environment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is pleased to provide the following Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Market Listing Requirements"). The External Auditors have reviewed this Statement as required under paragraph 15.23 of the Main Market Listing Requirements and have reported to the Board that it appropriately reflects the processes that the Board has adopted in reviewing the adequacy and integrity of the system of internal control.

Set out below is the Board's Statement on Risk Management and Internal Control which outlines the nature and scope on risk management and internal control of the Group during the year.

Board Responsibilities

The Board acknowledges its responsibility to ensure that the Group has a sound system of internal control and risk management practices for good corporate governance. The system of internal control will serve as a frame work for identifying, evaluating and managing business risks faced by the Group. A good control system will assist the Company to achieve its corporate objectives. As there are limitations inherent in any system of internal control, the Group's internal control is designed to manage, rather than eliminate the risk of failure to achieve the business objectives. The system can only be relied on to provide reasonable but not absolute assurance against material misstatement of financial information and against any mismanagement or fraud resulting financial losses.

Risk Management Frame Work

The Board recognizes risk management as an integral part of business operation. It is vital to have risk management and control system in place which will identify and analyse the significant risks of the Group. Appropriate controls can then be implemented to analyse and mitigate such risks or other risk facing the Group. The Group has set up a Risk Management Committee which evaluates business risk profile and formulates action plans. Each operating business unit within the Group will evaluate the risks facing them. Regular monitoring reports will be given by operating units to Risk Management Committee who will review and submit recommendations to the Board for action to ensure adequacy of the system of control.

Internal Control System

The Audit Committee was established to review and monitor the effectiveness of the entire Group's system of internal control. The Audit Committee reviews and approves the yearly Audit Plan which outlines the scope of audit activities on the area of concerns. The Audit Committee reports to the Board on the findings and makes recommendations on possible action plans to improve and tighten the internal controls of the Group. The necessary measures are taken to strengthen the control environment after evaluating the changes of the external and internal environment. There were no material losses incurred during the financial year under review as a result of any weakness in the internal control.

The Group's major shareholders perform internal audit function on the Company. The internal auditors will review reports and provide independent report and assessment on the adequacy, efficiency and effectiveness of the internal control. The report will also include suggestions and recommendation on improving the system. The findings and recommendation are discussed with management and Audit Committee for remedial actions.

Other Key Elements of Internal Control

Apart from the above, the other key elements of the Group's system of internal control include the following:

- Formally defined lines of authority limits in management and organization structure;
- Documented tender and purchasing procedures;
- Guidelines for general terms and conditions of services for employees;
- Annual budget and results are compared, monitored and reviewed;
- Meetings to discuss/deliberate on findings and recommendation for improvement; and
- Strategic planning on business operation.

AUDIT COMMITTEE REPORT

Members

Datuk Hj. Majin Hj. Ajing	-	Chairman, Independent Non-Executive Director
Datuk Hajah Mary @ Mariati Robert	-	Member, Independent Non-Executive Director
Datuk Jaswant Singh Kler	-	Member, Independent Non-Executive Director
Puan Ainahwati Binti Abd Sani	-	Member, Non-Independent Non-Executive Director

Terms of Reference of the Audit Committee

Objective

The primary objectives of the Audit Committee are to act as a Committee of the full Board to assist in discharging the Board's responsibilities as they relate to the Company's management and internal controls, accounting policies and financial reporting.

Membership

The Committee shall be appointed by the Board. The majority of the Committee must be independent directors of the Company and must be composed of at least three (3) members. All members of the Committee should be non-executive directors.

The Chairman of the Committee shall be appointed by the Board whom must be an independent director. In the absence of the Chairman, the members shall elect one of their members present to be Chairman for that meeting.

All members of the Audit Committee should be financially literate and at least one member of the Audit Committee:-

i. Must be a member of the Malaysian Institute of Accountants; or
ii. If he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
    a. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    b. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
iii. Fulfills such other requirements as prescribed or approved by the Bursa Securities.

Authority

1) The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-
    (a) have explicit authority to investigate any matter within its terms of reference;
    (b) have the resources which are required to perform its duties;
    (c) have full and unrestricted access to any information pertaining to the Company;
    (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
    (e) be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary; and
    (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

2) The Chairman of the Audit Committee shall engage on a continuous basis with senior management and the external auditors in order to be kept informed of matters affecting the Company and its Group.

Notice of Meeting

The Audit Committee should meet regularly, with due notice of issues to be discussed and should record its conclusions in discharging its duties and responsibilities.

At least seven (7) days' notice in writing is required for convening the meeting which shall be held at any place as may be determined by the Audit Committee.

AUDIT COMMITTEE REPORT (continued)

Votes of Members

Questions arising at the Committee meeting shall be decided by a simple majority of votes. Where two (2) members of the Audit Committee form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) members are competent to vote in the question at issue, shall not have a casting vote.

Attendance at Meetings

The Executive Director, the representative of internal audit of the Company's major shareholder and a representative of the external auditors should normally attend meetings. Other board members and employees may attend meetings upon the invitation of the Audit Committee, specific to the relevant meeting. However, the Committee should meet with the external auditors without executive board members present at least twice a year.

A quorum shall be two (2) members and the majority of members present must be independent directors.

The Company Secretaries shall be the Secretaries of the Committee, responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

Frequency of Meetings

Meetings shall be held not less than four (4) times a year. The external auditors may request a meeting if they consider that one is necessary. In the intervals between Audit Committee meetings, for exceptional matters requiring urgent Audit Committee decision, approvals are sought via circular resolutions signed by all members, which are supported with sufficient information required to make an informed decision.

A total of four (4) Audit Committee meetings were held during the financial year ended 31 December 2012. The details of attendance of the Committee members are as follows:-

Name of Committee Member	27/02/12	28/05/12	29/08/12	22/11/12	Total Attended
Datuk Hj. Majin Hj. Ajing	√	√	√	√	4/4
Datuk Hajah Mary @ Mariati Robert	√	√	√	√	4/4
Datuk Jaswant Singh Kler	√	√	√	√	4/4
Puan Ainahwati Binti Abd Sani	√	×	√	√	3/4

Duties

The Audit Committee shall discharge the following duties, among others, include reviewing the following and reporting the same to the Board of Directors of the Company:-

(a) with the external auditors, the audit plan;

(b) with the external auditors, their evaluation of the system of internal controls;

(c) with the external auditors, the audit report;

(d) the assistance given by the employees of the Company to the external auditors;

(e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

(f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(g) the quarterly results and year end financial statements, before the approval by the Board of Directors, focusing particularly on :-

- changes in or implementation of major accounting policy changes;
- significant and unusual events;
- compliance with accounting standards and other legal requirements;
- major judgemental areas;
- significant adjustments resulting from the audit; and
- the going concern assumption.

AUDIT COMMITTEE REPORT (continued)

Duties (continued)

(h) any related party transaction and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(i) any letter of resignation from the external auditors of the Company; and

(j) whether there is a reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.

Additional duties of the Audit Committee include:

(i) to recommend the nomination of a person or persons as external auditors;

(ii) to discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;

(iii) to review any major findings of internal investigations and management's response;

(iv) to discuss problems and reservations arising from interim and final audits and any matter the auditor may wish to discuss (in the absence of management, where necessary);

(v) to review the external auditor's management letter and management's response;

(vi) to consider audit fee of the external auditors;

(vii) to promptly report to Bursa Securities if a matter reported by the Audit Committee to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements;

(viii) to ensure financial statements comply with applicable financial reporting standards;

(ix) to review and assess the suitability and independence of external auditors;

(x) to review the adequacy of the Audit Committee's policies and procedures for the provision of non-audit services by the Group's auditors;

(xi) to obtain a written confirmation from the external auditors on an annual basis or at any time as the Audit Committee may request, confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and

(xii) to consider other topics, as defined by the Board.

Reporting Procedures

The Company Secretaries shall be responsible for keeping the minutes of meeting of the Committee, circulating the minutes of meetings of the Committee to all members of the Board and follow up on any outstanding matters.

Activities of the Committee

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 31 December 2012 included the following:-

(a) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plans and results of the internal audit processes, with the Internal Audit Department.

(b) Recommended for the Board's adoption of the revised terms of reference of the Committee, duly incorporated with the relevant provisions under the Code on Corporate Governance and the Bursa Securities Listing Requirements.

(c) Reviewed and recommended the Internal Audit Charter, which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.

(d) Reviewed with the external auditors their audit plans (inclusive of system evaluation, audit fees, issues raised and management response) prior to the commencement of the annual audit.

AUDIT COMMITTEE REPORT (continued)

Activities of the Committee (continued)

(e) Reviewed the statutory accounts, the audit report, issues and reservations arising from audits and the management letter, with the external auditors.

(f) Reviewed the quarterly and year-end statutory accounts with management.

(g) Reviewed the disclosure of related party transactions entered into by the Company and the Group and any conflict of interest situation and questionable transactions.

(h) Updated and advised the Board on any latest changes and pronouncements that may be issued by the accountancy, statutory and regulatory bodies.

(i) Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate made the necessary recommendations to the Board. Minutes of all Committee's meetings were made available to all Board members.

(j) Reviewed the Audit Committee Report for inclusion in the Company's Annual Report.

(k) Reviewed the disclosure statements on compliance of the Code on Corporate Governance, Board's responsibility on the annual audited financial statements and the state of internal control, and other statements for publication in the Company's Annual Report.

Internal Audit Function

The Group's major shareholders performed internal audit function on the Group, at no fee imposed and reports directly to the Audit Committee. The internal auditors reviewed reports and provided independent report and assessment on the adequacy, efficiency and effectiveness of the system of internal control. The report also included suggestions and recommendation on improving the system. The findings and recommendations were discussed with the management and Audit Committee for remedial actions.

Statement by Audit Committee on the Company's ESOS

The Audit Committee has reviewed and is of the view that the criteria for allocation of the Company's ESOS for the financial year under review:

(a) has been made known to all eligible employees; and
(b) the allocation of the options is made in compliance with the criteria as set out in the By-laws of the Company's ESOS.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Board of Directors is required under Paragraph 15.26 (a) of the Listing Requirements of the Bursa Securities to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and the results and cash flow of the Company and of the Group for that financial year.

The Directors consider that, in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2012 set out on pages 33 to 76 of this Annual Report, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and its subsidiaries keep accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and which enable them to ensure that the financial statements comply with the provisions of the Act.

The Directors are also responsible for the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board has also ensured that the quarterly and annual financial statements of the Company and Group are released to the Bursa Securities in a timely manner in order to keep our investing public informed of the Group's latest development.

DIRECTORS' REPORT
31 December 2012

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are those of log extraction contractor, operation of oil palm plantations, producer and supplier of renewable energy.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM	Company RM
Profit net of tax	5,391,643	498,846
	=============	=============

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Hj. Majin Hj. Ajing
Datuk (Dr.) Kelvin Tan Aik Pen
Datuk Sam Mannan @ Sham Mannan
Datuk Hajah Mary @ Mariati Robert
Datuk Jaswant Singh Kler
Puan Ainahwati binti Abd Sani
Tuan Haji Othman bin Walat
Nip Wing Hon (Resigned on 27 November 2012)
Lim Fook Hin

Alternate director

Rosely Bin Kusip (Alternate to Lim Fook Hin)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 26 to the financial statements.

Directors' interest

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	1.1.2012	**Acquired**	**Sold**	**31.12.2012**
Direct interest:				
Datuk Hajah Mary @ Mariati Robert	3,000	-	-	3,000

	Number of options over ordinary shares of RM1 each			
	1.1.2012	**Granted**	**Lapsed**	**31.12.2012**
Datuk Hj. Majin Hj. Ajing	500,000	-	-	500,000
Datuk (Dr.) Kelvin Tan Aik Pen	800,000	-	-	800,000
Tuan Haji Othman bin Walat	225,000	-	-	225,000
Datuk Hajah Mary @ Mariati Robert	225,000	-	-	225,000
Datuk Jaswant Singh Kler	225,000	-	-	225,000
Lim Fook Hin	475,000	-	-	475,000
Rosely Bin Kusip (Alternate Director to Lim Fook Hin)	-	300,000	-	300,000

None of the other directors in office at the end of the financial year had any interest in shares and options over shares in the Company or its related corporations during the financial year.

Employee share option plans

At an Extraordinary General Meeting held on 30 October 2009, shareholders approved the Executive' Share Option Scheme ("ESOS") for the granting of up to five percent (5%) of the issued and paid up share capital, to eligible senior executives.

The salient features and other terms of the ESOS are disclosed in Note 23 to the financial statements.

During the financial year, the Company granted 1,223,000 share options under the ESOS at an exercise price of RM1.00. These options expire on 25 May 2020.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 175,000 ordinary shares of RM1 each. The names of option holders granted options to subscribe for 175,000 or more ordinary shares of RM1 each during the financial year are as follows:

Name	Grant date	Expiry date	Exercise price	Number of share options		
				Granted	Lapsed	31.12.2012
Gregory Mosigil	16.07.2012	25.05.2020	1.00	175,000	-	175,000
Rosely Bin Kusip	16.07.2012	25.05.2020	1.00	300,000	-	300,000
Hiew Yin Foh	22.11.2012	25.05.2020	1.00	240,000	-	240,000

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Other statutory information (continued)

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 April 2013.

Datuk (Dr.) Kelvin Tan Aik Pen **Lim Fook Hin**

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, **Datuk (Dr.) Kelvin Tan Aik Pen** and **Lim Fook Hin**, being two of the directors of **Innoprise Plantations Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 76 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of its financial performance and cash flows for the year then ended.

The information set out in Note 32 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 April 2013.

Datuk (Dr.) Kelvin Tan Aik Pen

Lim Fook Hin

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, **Lim Fook Hin**, being the director primarily responsible for the financial management of **Innoprise Plantations Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 76 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **Lim Fook Hin** at
Kuala Lumpur in the Federal Territory
on 4 April 2013.

Lim Fook Hin

Before me,

INDEPENDENT AUDITORS' REPORT
to the members of Innoprise Plantations Berhad
(Incorporated In Malaysia)

Report on the financial statements

We have audited the financial statements of Innoprise Plantations Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 76.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 32 on page 76 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Chong Ket Vui, Dusun
2944/01/15(J)
Chartered Accountant

Tawau, Malaysia

STATEMENTS OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2012

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Revenue	3	25,497,697	13,385,168	360,000	360,000
Cost of sales	4	(17,260,566)	(9,422,251)	-	-
Gross profit		8,237,131	3,962,917	360,000	360,000
Other item of income					
Other income	5	952,405	2,348,782	919,336	2,331,304
Other items of expense					
Administrative expenses		(1,935,232)	(1,924,981)	(780,490)	(802,268)
Profit before tax	6	7,254,304	4,386,718	498,846	1,889,036
Income tax expense	9	(1,862,661)	(770,187)	-	-
Profit net of tax		5,391,643	3,616,531	498,846	1,889,036
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		5,391,643	3,616,531	498,846	1,889,036
Earnings per share attributable to owners of the parent (sen):					
Basic	10	2.86	1.92		
Diluted	10	2.83	1.91		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Assets					
Non-current assets					
Property, plant and equipment	11	69,846,538	51,903,587	155,402	173,247
Biological assets	12	154,958,680	118,383,674	-	-
Investment in subsidiaries	13	-	-	188,391,128	91,229,649
		224,805,218	170,287,261	188,546,530	91,402,896
Current assets					
Inventories	14	8,611,998	8,125,107	-	-
Trade and other receivables	15	5,632,360	2,134,000	7,583,190	49,555,028
Investment securities	16	1,517,313	55,957,977	1,517,313	55,957,977
Cash and bank balances	17	641,608	435,868	2,759	2,861
		16,403,279	66,652,952	9,103,262	105,515,866
Total assets		241,208,497	236,940,213	197,649,792	196,918,762
Equity and liabilities					
Current liabilities					
Trade and other payables	18	14,453,705	17,711,681	168,363	208,135
Net current assets		1,949,574	48,941,271	8,934,899	105,307,731
Non-current liabilities					
Deferred tax liabilities	19	12,021,681	10,159,020	-	-
Total liabilities		26,475,386	27,870,701	168,363	208,135
Net assets		214,733,111	209,069,512	197,481,429	196,710,627
Equity attributable to owners of the parent					
Share capital	20	188,611,300	188,611,300	188,611,300	188,611,300
Other reserves	21	1,112,789	840,833	1,112,789	840,833
Retained earnings	22	25,009,022	19,617,379	7,757,340	7,258,494
Total equity		214,733,111	209,069,512	197,481,429	196,710,627
Total equity and liabilities		241,208,497	236,940,213	197,649,792	196,918,762

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2012

	|-- Attributable to equity holders of the Company --|			
		Non-distributable	Distributable	
	Share capital RM	Other reserve RM	Retained earnings RM	Total equity RM
Group				
At 1 January 2012	188,611,300	840,833	19,617,379	209,069,512
Total comprehensive income	-	-	5,391,643	5,391,643
Share options granted under ESOS:				
Recognised in income statement	-	160,475	-	160,475
Included in investments in subsidiary	-	111,481	-	111,481
At 31 December 2012	188,611,300	1,112,789	25,009,022	214,733,111
At 1 January 2011	188,611,300	490,058	16,000,848	205,102,206
Total comprehensive income	-	-	3,616,531	3,616,531
Share options granted under ESOS:				
Recognised in income statement	-	269,220	-	269,220
Included in investments in subsidiary	-	81,555	-	81,555
At 31 December 2011	188,611,300	840,833	19,617,379	209,069,512

STATEMENTS OF CHANGES IN EQUITY (continued)
For the financial year ended 31 December 2012

	|-- Attributable to equity holders of the Company --|			
		Non-distributable	Distributable	
	Share capital RM	Other reserve RM	Retained earnings RM	Total equity RM
Company				
At 1 January 2012	188,611,300	840,833	7,258,494	196,710,627
Total comprehensive income	-	-	498,846	498,846
Share options granted under ESOS:				
Recognised in income statement	-	160,475	-	160,475
Included in investment in subsidiary	-	111,481	-	111,481
At 31 December 2012	188,611,300	1,112,789	7,757,340	197,481,429
At 1 January 2011	188,611,300	490,058	5,369,458	194,470,816
Total comprehensive income	-	-	1,889,036	1,889,036
Share options granted under ESOS:				
Recognised in income statement	-	269,220	-	269,220
Included in investment in subsidiary	-	81,555	-	81,555
At 31 December 2011	188,611,300	840,833	7,258,494	196,710,627

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
For the year ended 31 December 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Operating activities				
Profit before tax	7,254,304	4,386,718	498,846	1,889,036
Adjustments for:				
Depreciation of property, plant and equipment	164,255	141,327	20,953	20,233
Gain on disposal of property, plant and equipment	(20,902)	-	-	-
Property, plant and equipment scrapped	-	10,447	-	-
Dividend income	(104,311)	(239,945)	(104,311)	(239,945)
Share options granted under ESOS	160,475	269,220	160,475	269,220
Net fair value gain on investment securities	(815,025)	(2,091,359)	(815,025)	(2,091,359)
Total adjustments	(615,508)	(1,910,310)	(737,908)	(2,041,851)
Operating cash flows before changes In working capital	6,638,796	2,476,408	(239,062)	(152,815)
Changes in working capital:				
(Increase)/decrease in inventories	(486,891)	1,766,773	-	-
(Increase)/decrease in receivables	(3,498,360)	27,954	-	-
(Decrease)/increase in payables	(3,146,495)	2,296,166	(39,772)	13,687
Decrease/(increase) in amount due from subsidiaries	-	-	41,971,838	(42,974,042)
Total changes in working capital	(7,131,746)	4,090,893	41,932,066	(42,960,355)
Net cash (used in)/generated from operating activities	(492,950)	6,567,301	41,693,004	(43,113,170)
Investing activities				
Purchase of property, plant and equipment	(19,566,576)	(18,090,801)	(3,108)	(6,945)
Plantation development expenditure	(35,181,135)	(31,005,778)	-	-
Proceed from disposal of property, plant and equipment	86,401	-	-	-
Proceed from disposal of investment securities	55,255,689	42,760,056	55,255,689	42,760,056
Additional investment in subsidiaries	-	-	(97,049,998)	(2)
Dividend received	104,311	239,945	104,311	239,945
Net cash generated from/(used in) investing activities	698,690	(6,096,578)	(41,693,106)	42,993,054

STATEMENTS OF CASH FLOWS (continued)

For the year ended 31 December 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Net increase/(decrease) in cash and cash equivalents	205,740	470,723	(102)	(120,116)
Cash and cash equivalents at beginning of year	435,868	(34,855)	2,861	122,977
Cash and cash equivalents at end of year (Note 17)	641,608	435,868	2,759	2,861

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 6th Floor, Menara Tun Mustapha, Likas Bay, 88000 Kota Kinabalu, Sabah.

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are those of log extraction contractor and operation of oil palm plantations, producer and supplier of renewable energy. There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS" or "FRSs") and the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2012, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2012.

	Effective for annual periods beginning on or after
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Transfers of Financial Assets	1 January 2012
Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets	1 January 2012
FRS124: Related Party Disclosures	1 January 2012

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Company.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intend to adopt these standards, if applicable, when they become effective.

	Effective for annual periods beginning on or after
FRS 101 Presentation of Items of Other Comprehensive Income (Amendments to FRS 101)	1 July 2012
Amendments to FRS 101: Presentation of Financial Statements (Improvements to FRSs (2012))	1 January 2013
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013

2. Summary of Significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

	Effective for annual periods beginning on or after
FRS 12 Disclosure of interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits	1 January 2013
FRS 127 Separate Financial Statements	1 January 2013
FRS 128 Investment in Associate and Joint Ventures	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012))	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 1: First-time Adoption of Malaysian Financial Reporting Standards - Government Loans	1 January 2013
Amendments to FRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS 116: Property, Plant and Equipment (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS 132: Financial Instruments: Presentation (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS 134: Interim Financial Reporting (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to FRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to FRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities	1 January 2014
FRS 9 Financial Instruments	1 January 2015

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

FRS 12 Disclosures of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Company's financial position or performance.

FRS 127 Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

FRS 128 Investments in Associates and Joint Ventures

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

2. Summary of Significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Amendments to FRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to FRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's and the Company's financial positions and performances.

FRS 9 Financial Instruments: Classification and Measurement

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Group is in the process of making an assessment of the impact of adoption of FRS 9.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

At the date of these financial statements, the Group has not completed its quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2012 could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2014.

2.4 Basis of consolidation

(a) Basis of consolidation

<u>Basis of consolidation from 1 January 2011</u>

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

2. Summary of Significant accounting policies (continued)

2.4 Basis of consolidation (continued)

(a) Basis of consolidation (continued)

Basis of consolidation from 1 January 2011 (continued)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

With the exception of business combinations involving entities under common control, acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Basis of consolidation prior to 1 January 2011

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2011, was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2011 were not reallocated between non-controlling interest and the owners of the Company.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2011 has not been restated.

(b) Business combinations

Business combinations from 1 January 2011

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability, will be recognised in accordance with FRS 139 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the income statement.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognized on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

2. Summary of Significant accounting policies (continued)

2.4 Basis of consolidation (continued)

(b) Business combinations (continued)

Business combinations from 1 January 2011 (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in the income statement on the acquisition date.

Business combinations before 1 January 2011

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 Transactions with non-controlling interest

Non-controlling interest represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interest are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

2. Summary of Significant accounting policies (continued)

2.6 Foreign currency (continued)

(b) Foreign currency transactions (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	2 - 10%
Plantation infrastructure	3.3%
Plant and machinery	10%
Motor vehicles	10%
Equipment, furniture and fittings	10%

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Biological assets

All direct expenses incurred in land preparation, planting, estate administrative and maintenance of plantation up to maturity are capitalised as plantation development expenditure. Maintenance expenditure subsequent to maturity is charged to income statement as and when incurred. General charges are apportioned based on proportion of matured and immature areas.

Plantation development expenditure are not amortised and are measure at cost less accumulated impairment losses. Palm trees are considered mature upon reaching 36 months after planting.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

2. Summary of Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalue amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

2. Summary of Significant accounting policies (continued)

2.11 Financial assets (continued)

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2. **Summary of Significant accounting policies (continued)**

2.12 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Consumable stores: purchase costs and expenses in bringing them into store on a weighted average cost method.

- Oil palm nurseries: purchase costs and upkeep expenses on a weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

2. Summary of Significant accounting policies (continued)

2.16 Financial liabilities (continued)

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.18 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. **Summary of Significant accounting policies (continued)**

2.18 Employee benefits (continued)

(b) Employee share options plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.19 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

2. Summary of Significant accounting policies (continued)

2.20 Revenue (continued)

(a) Revenue from log extraction services

Revenue from contract income is recognised when services are performed.

(b) Revenue from sale of fresh fruit bunches

Revenue from sale of fresh fruit bunches is recognised on an accrual basis upon delivery of products to customers, less returns.

(c) Interest income

Interest is recognised on an accrual basis using the effective interest method.

(d) Management fees

Management fees are recognised when services are rendered.

(e) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.21 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of Significant accounting policies (continued)

2.21 Income taxes (continued)

(b) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.25 Significant accounting estimates

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of plant and equipment

The cost of plant and machinery is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 20 years. These are common life expectancies applied in the palm oil industry. Changes in

2. Summary of Significant accounting policies (continued)

2.25 Significant accounting estimates (continued)

(a) Useful lives of plant and equipment (continued)

the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Company's plant and equipment at the reporting date is disclosed in Note 11.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The carrying value of deferred tax assets of the Group at 31 December 2012 was RM37,779,000 (2011: RM27,528,000) and recognised tax losses at 31 December 2012 was RM20,272,033 (2011: RM13,378,268) and the unrecognised tax losses at 31 December 2012 was RM3,531,254 (2011: RM3,579,962).

(c) Employee share options

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

3. Revenue

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Management fees from subsidiary	-	-	360,000	360,000
Log extraction contract fees	4,431,813	5,568,047	-	-
Log salvaging income	-	168,754	-	-
Sales of oil palm fresh fruit bunches	17,376,755	7,648,367	-	-
Compensation received	3,689,129	-	-	-
	25,497,697	13,385,168	360,000	360,000

4. Cost of sales

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Contract fees	3,172,380	3,986,276	-	-
Cost of fresh fruit bunches sold	14,088,186	5,435,975	-	-
	17,260,566	9,422,251	-	-

5. Other income

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Interest income	-	14,769	-	-
Dividend income	104,311	239,945	104,311	239,945
Gain on disposal of property, plant and equipment	20,902	-	-	-
Rental income	1,062	2,709	-	-
Miscellaneous	11,105	-	-	-
Net fair value gain on investment securities	815,025	2,091,359	815,025	2,091,359
	952,405	2,348,782	919,336	2,331,304

6. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Employee benefits expense (Note 7)	1,856,997	1,161,593	160,475	269,220
Non-executive directors' remuneration (Note 8)	310,880	312,000	166,000	168,000
Auditors' remuneration:				
- Statutory audits				
- Current year	52,500	41,800	27,500	26,000
- Underprovided in prior year	6,000	3,000	1,500	3,000
- Other services	-	15,800	-	3,200
Depreciation of property, plant and equipment (Note 11)	164,255	141,327	20,953	20,233
Rental of premises	114,750	124,150	42,750	42,750

7. Employee benefits expense

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Wages and salaries	6,673,343	5,291,931	-	-
Contributions to defined contribution plan	695,116	524,614	-	-
Other benefits	46,199	43,350	-	-
Social security contributions	82,010	39,734	-	-
Share options granted under ESOS	160,475	269,220	160,475	269,220
	7,657,143	6,168,849	160,475	269,220
Less: Amount capitalised in plantation development expenditure	(5,800,146)	(5,007,256)	-	-
	1,856,997	1,161,593	160,475	269,220

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM544,582 (2011: RM463,445) as further disclosed in Note 8.

8. Directors' remuneration

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Executive directors' remuneration (Note 7):				
- Salaries and other emoluments	461,070	323,341	-	-
- Share option granted under ESOS	83,512	140,104	83,512	140,104
	544,582	463,445	83,512	140,104
Non-executive directors' remuneration (Note 6):				
- Fees	310,880	312,000	166,000	168,000
- Share option granted under ESOS	99,889	152,745	76,963	129,116
	410,769	464,745	242,963	297,116
Total directors' remuneration	955,351	928,190	326,475	437,220

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Executive:				
- Salaries and other emoluments	461,070	323,341	-	-
- Share option granted under ESOS	83,512	140,104	83,512	140,104
	544,582	463,445	83,512	140,104
Non-executive:				
- Fees	286,880	288,000	166,000	168,000
- Share option granted under ESOS	76,963	129,116	76,963	129,116
	363,843	417,116	242,963	297,116
Total directors' remuneration	908,425	880,561	326,475	437,220

8. Directors' remuneration (continued)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of directors	
	2012	2011
Executive directors:		
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 and above	2	2
Non-executive directors:		
RM50,000 and below	6	5
RM50,001 – RM100,000	-	1
RM100,001 and above	1	1

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current income tax:				
Provision for the year	-	-	-	-
Deferred tax (Note 19):				
Relating to origination and reversal of temporary differences	1,820,472	769,868	-	-
Underprovision in prior years	42,189	319	-	-
	1,862,661	770,187	-	-
Income tax expense recognised in profit or loss	1,862,661	770,187	-	-

9. Income tax expense (continued)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Accounting profit before tax	7,254,304	4,386,718	498,846	1,889,036
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	1,813,576	1,096,679	124,712	472,259
Adjustments:				
Income not subject to tax	(118,186)	(492,826)	(208,186)	(582,826)
Effect of expenses not deductible for tax purposes	137,259	202,494	95,651	147,046
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(12,177)	(36,479)	(12,177)	(36,479)
Underprovision of deferred tax in prior years	42,189	319	-	-
Income tax expense recognised in profit or loss	1,862,661	770,187	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Tax savings during the financial year arising from:				
Utilisation of previously unrecognised tax losses	48,708	145,918	48,708	145,918

10. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2012	**2011**
	RM	**RM**
Profit net of tax attributable to owners of the parent used in the computation of basic earnings per share	5,391,643	3,616,531
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for basic earnings per share computation	188,611,300	188,611,300
Effects of dilution:		
- Share options	1,557,000	591,097
Weighted average number of ordinary shares for diluted earnings per share computation	190,168,300	189,202,397

There have been no transactions involving ordinary share or potential ordinary shares since the reporting date and before the completion of those financial statements.

11. Property, plant and equipment

	Buildings RM	Plantation infrastructure RM	Motor vehicles RM	Equipment, furniture and fittings RM	Plant and machinery RM	Capital work-in-progress RM	Total RM
Group							
At 31 December 2012							
Cost							
At 1 January 2012	13,642,025	26,339,282	9,578,278	1,058,426	1,281,320	6,779,007	58,678,338
Additions	410,738	6,541,330	1,011,200	205,532	333,260	11,064,516	19,566,576
Disposal	(166,079)	-	-	(3,800)	-	-	(169,879)
Reclassifications	4,394,981	-	-	-	-	(4,394,981)	-
At 31 December 2012	18,281,665	32,880,612	10,589,478	1,260,158	1,614,580	13,448,542	78,075,035
Accumulated depreciation							
At 1 January 2012	2,308,364	-	3,596,099	516,463	353,825	-	6,774,751
Depreciation charge for the year	364,177	-	948,528	101,021	144,400	-	1,558,126
Disposal	(101,720)	-	-	(2,660)	-	-	(104,380)
Reclassifications	-	-	-	-	-	-	-
At 31 December 2012	2,570,821	-	4,544,627	614,824	498,225	-	8,228,497
Net carrying amount							
At 31 December 2012	15,710,844	32,880,612	6,044,851	645,334	1,116,355	13,448,542	69,846,538
At 31 December 2011							
Cost							
At 1 January 2011	12,002,456	18,223,914	8,255,641	887,561	840,915	393,750	40,604,237
Additions	315,410	8,115,368	1,322,637	167,722	434,545	7,735,119	18,090,801
Write-off	-	-	-	-	(16,700)	-	(16,700)
Reclassifications	1,324,159	-	-	3,143	22,560	(1,349,862)	-
At 31 December 2011	13,642,025	26,339,282	9,578,278	1,058,426	1,281,320	6,779,007	58,678,338
Accumulated depreciation							
At 1 January 2011	1,991,124	-	2,750,223	436,388	263,038	-	5,440,773
Depreciation charge for the year	317,240	-	837,456	80,075	105,460	-	1,340,231
Write-off	-	-	-	-	(6,253)	-	(6,253)
Reclassifications	-	-	8,420	-	(8,420)	-	-
At 31 December 2011	2,308,364	-	3,596,099	516,463	353,825	-	6,774,751
Net carrying amount							
At 31 December 2011	11,333,661	26,339,282	5,982,179	541,963	927,495	6,779,007	51,903,587

11. Property, plant and equipment (continued)

	Motor vehicles RM	Equipment, furniture and fittings RM	Total RM
Company			
At 31 December 2012			
Cost			
At 1 January 2012	327,605	171,914	499,519
Addition	-	3,108	3,108
At 31 December 2012	327,605	175,022	502,627
Accumulated depreciation			
At 1 January 2012	170,509	155,763	326,272
Depreciation charge for the year (Note 6)	17,449	3,504	20,953
At 31 December 2012	187,958	159,267	347,225
Net carrying amount			
At 31 December 2012	139,647	15,755	155,402
At 31 December 2011			
Cost			
At 1 January 2011	327,605	164,969	492,574
Addition	-	6,945	6,945
At 31 December 2011	327,605	171,914	499,519
Accumulated depreciation			
At 1 January 2011	153,060	152,979	306,039
Depreciation charge for the year (Note 6)	17,449	2,784	20,233
At 31 December 2011	170,509	155,763	326,272
Net carrying amount			
At 31 December 2011	157,096	16,151	173,247

12. Biological assets

	Group 2012 RM	Group 2011 RM
Plantation development expenditure:		
At 1 January	118,383,674	86,178,992
Additions during the year	36,575,006	32,204,682
At 31 December	154,958,680	118,383,674

Included in plantation development expenditure incurred during the financial year are:

	Group 2012 RM	Group 2011 RM
Depreciation (Note 11)	1,393,871	1,198,904
Employee benefits expenses	5,800,146	5,007,256

The oil palm plantation of the Group is developed on a parcel of land measuring approximately 22,763 hectares situated in the locality of Gunung Rara/Kalabakan, Sabah, pursuant to the Agreement for Oil Palm Plantation dated 18 November 2005 entered between the subsidiary, Serijaya Industri Sdn. Bhd., and Benta Wawasan Sdn. Bhd., the licensee of the said land.

Pursuant to the agreement, Serijaya Industri Sdn. Bhd. is granted the permission to develop the said land into an oil palm plantation for a period of 30 years commencing from the commencement date (the date on which all conditions precedent have been complied with) or such longer period (not exceeding 38 years) as may be approved by the authority.

13. Investment in subsidiaries

	Company 2012 RM	Company 2011 RM
Unquoted shares, at cost		
- Ordinary Shares	2,050,000	2,000,002
- Redeemable convertible non cumulative preference shares	186,000,000	89,000,000
	188,050,000	91,000,002
ESOS granted to employees of subsidiaries	341,128	229,467
	188,391,128	91,229,649

13. Investment in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2012 %	2011 %
Serijaya Industri Sdn. Bhd.	Malaysia	Log extraction contractor and operation of oil palm plantations	100	100
IPB Bio Energy Sdn. Bhd.	Malaysia	Producer and supplier of renewable energy (not yet commenced)	100	100

14. Inventories

	Group 2012 RM	2011 RM	Company 2012 RM	2011 RM
Cost				
Oil palm nursery	3,070,320	5,094,583	-	-
Stores and supplies	5,541,678	3,030,524	-	-
	8,611,998	8,125,107	-	-

There were no inventories stated at net realisable value as at 31 December 2012 (2011: nil).

15. Trade and other receivables

	Group 2012 RM	2011 RM	Company 2012 RM	2011 RM
Trade receivables				
Third party	241,699	401,659	-	-
Related parties	3,710,986	339,838	-	-
	3,952,685	741,497	-	-
Other receivables				
Amount due from subsidiaries	-	-	7,572,923	49,544,761
Deposits	1,092,604	1,042,024	7,074	7,074
Prepayments	107,681	55,539	-	-
Other receivables	479,390	294,940	3,193	3,193
	1,679,675	1,392,503	7,583,190	49,555,028
Total trade and other receivables	5,632,360	2,134,000	7,583,190	49,555,028
Add: Cash and bank balances	641,608	435,868	2,759	2,861
Less: Prepayments	(107,681)	(55,539)	-	-
Total loans and receivables	6,166,287	2,514,329	7,585,949	49,557,889

15. Trade and other receivables (continued)

(a) Trade receivables

Trade receivables are non-interest bearing and generally on 30 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Related parties represent amount due from:

	2012 RM	2011 RM
Companies related to Innoprise Corporation Sdn. Bhd	4,000	325,661
A company related to TSH Resources Berhad	957,890	14,177
Asiatic Lumber Industries Sdn. Bhd., a company in which a director of the Company has the interest	2,749,096	-
	3,710,986	339,838

Ageing analysis of trade receivable

The ageing analysis of the Group's trade receivables is as follows:

	Group 2012 RM	Group 2011 RM
Neither past due or impaired	961,890	339,838
61 to 90 days past due not impaired	2,749,096	-
	3,710,986	339,838

Trade receivables are neither past due nor impaired.

Trade and other receivables that are neither past due nor impaired are credit worthy debtors with good payment records with the Group.

None of the Group's trade receivables have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivable amount to RM 2,749,096 that are past due at the reporting date but not impaired.

(b) Amount due from subsidiaries

The amount due from subsidiaries is non-interest bearing and is repayable on demand. This amount is unsecured and is to be settled in cash.

(c) Other receivables

Included in other receivables are amount of RM169,461 (2011: RM74,152) due to a company related to TSH Resources Berhad.

16. Investment securities

	Group and Company			
	2012 RM		2011 RM	
	Carrying amount	Market value of quote investment	Carrying amount	Market value of quote Investment
Held for trading investment - Equity instruments (quoted in Malaysia)	1,517,313	1,517,313	55,957,977	55,957,977

17. Cash and cash equivalents

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash on hand and at bank	641,608	435,868	2,759	2,861

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash and cash equivalents	641,608	435,868	2,759	2,861

18. Trade and other payables

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade payables				
Third parties	7,800,903	13,340,991	-	-
Related parties	524,727	685,579	-	-
	8,325,630	14,026,570	-	-
Other payables				
Accruals	2,885,168	1,732,085	165,970	205,742
Sundry payables	3,242,907	1,953,026	2,393	2,393
	6,128,075	3,685,111	168,363	208,135
Total trade and other payables	14,453,705	17,711,681	168,363	208,135
Total financial liabilities carried at amortised cost	14,453,705	17,711,681	168,363	208,135

18. Trade and other payables (continued)

(a) Trade payables

Trade payables are non-interest bearing and the normal credit terms granted to the Group range from one month to three months.

Related parties represent amounts due to:

	2012 RM	2011 RM
Rakyat Berjaya Sdn. Bhd., a company related to Innoprise Corporation Sdn. Bhd.	524,727	238,746
Asiatic Lumber Industries Sdn. Bhd., a company in which a director of the Company has interest	-	446,833
	524,727	685,579

(b) Sundry payables

These amounts are non-interest bearing.

Included in other payables is an amount of RM62,300 (2011: RM47,055) due to TSH Resources Berhad, a corporate shareholder of the Company.

19. Deferred tax

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	10,159,020	9,388,833	-	-
Recognised in income statement (Note 9)	1,862,661	770,187	-	-
At 31 December	12,021,681	10,159,020	-	-
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	12,021,681	10,159,020	-	-

Deferred income tax as at 31 December relates to the following:

	As at 1 January 2011 RM	Recognised in income statement RM	As at 31 December 2011 RM	Recognised in income statement RM	As at 31 December 2012 RM
Group					
Deferred tax liabilities:					
Property, plant and equipment	1,331,273	1,045,489	2,376,762	794,467	3,171,229
Biological assets	25,195,161	10,114,893	35,310,054	11,319,239	46,629,293
	26,526,434	11,160,382	37,686,816	12,113,706	49,800,522

19. Deferred tax (continued)

	As at 1 January 2011 RM	Recognised in income statement RM	As at 31 December 2011 RM	Recognised in income statement RM	As at 31 December 2012 RM
Deferred tax assets:					
Unutilised tax losses	(6,943,690)	(6,434,578)	(13,378,268)	(6,893,765)	(20,272,033)
Unutilised allowance	(10,193,911)	(3,955,617)	(14,149,528)	(3,357,280)	(17,506,808)
	(17,137,601)	(10,390,195)	(27,527,796)	(10,251,045)	(37,778,841)
	9,388,833	770,187	10,159,020	1,862,661	12,021,681

Presented as follows:

	2012 RM	2011 RM
Deferred tax liabilities	12,021,681	10,159,020

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unused tax losses	3,531,254	3,579,962	3,531,254	3,579,962

The unused tax losses and unabsorbed capital allowances are available for offsetting against future taxable profits of the Company under the Income Tax Act, 1967 and guidelines issued by the tax authority.

20. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2012	2011	2012 RM	2011 RM
Authorised				
At beginning and end of year	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid				
At beginning and end of year	188,611,300	188,611,300	188,611,300	188,611,300

21. Other reserve

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-distributable				
Employee share option reserve	1,112,789	840,833	1,112,789	840,833

a) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduces by the expiry of exercise of the share options.

22. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2012 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 2012, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM 2,831,268 (2011: RM2,831,268) out of its retained earnings. If the balance of the retained earnings of RM4,926,072 (2011: RM 4,427,226) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

23. Employee benefits

Employee share option plans

Executives' Share Options Scheme ("ESOS")

The Innoprise Plantations Berhad Executives' Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 30 October 2009. The ESOS was implemented on 25 May 2010 and is to be in force for a period of 10 years from the date of implementation.

The salient features of the ESOS are as follows:

(i) The Options Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible Executives of the Group to subscribe for new ordinary shares of RM1 each in the Company.

(ii) Subject to the discretion of the Options Committee, any Executives whose employment has been confirmed with at least one (1) year of continuous service before the date of offer and any directors on the date of offer in any company with the Group, shall be eligible to participate in the ESOS.

(iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 5% of the issued share capital of the Company at any point of time during the tenure of the ESOS.

(iv) The option price for each share shall be the weighted average of the market price as quoted in the Daily Official List issued by Bursa Malaysia Securities for the 5 market days immediately preceding the date on which the option is granted less, if the Options Committee shall so determine at their discretion from time to time, a discount of not more than 10%. Notwithstanding this, the option price per share shall in no event be less than the nominal value of the share.

(v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

23. Employee benefits (continued)

Employee share option plans (continued)

Movement of share options during the financial year

	Number of share options					
	Outstanding at 1 January '000	Movement during the year: Granted '000	Exercised '000	Forfeited '000	Outstanding at 31 December '000	Exercisable at 31 December '000
2012						
2010 - Option 1	2,836	-	-	-	2,836	993
2011 - Option 2	218	-	-	(125)	93	32
2012 - Option 3	-	236	-	-	236	83
- Option 4	-	613	-	-	613	214
- Option 5	-	374	-	-	374	131
	3,054	1,223	-	(125)	4,152	1,453
Weighted Average Exercise Price ("WAEP") (RM)	1.00	1.00	-	1.00	1.00	1.00
2011						
2010 - Option 1	3,511	-	-	(675)	2,836	425
2011 - Option 2	-	369	-	(151)	218	33
	3,511	369	-	(826)	3,054	458
Weighted Average Exercise Price ("WAEP") (RM)	1.00	1.00	-	1.00	1.00	1.00

23. Employee benefits (continued)

Employee share option plans (continued)

Movement of share options during the financial year

- The weighted average fair value of options granted during the financial year was RM0.28 (2011: RM0.30)

- The range of exercise price for options outstanding at the end of the year was RM1.00 (2011: RM1.00). The weighted average remaining contractual life for these options is 8.00 (2011: 7.90) years.

Fair value of share options granted

The fair value of the share options granted under the ESOS is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing models for the year ended 31 December 2012 and 2011:

	2012	**2011**
Dividend yield (%)	5.00	5.00
Expected volatility (%)	51.50	54.10
Risk-free interest rate (% p.a.)	2.00	2.00
Expected life of option (years)	8.00	7.90
Weighted average share price (RM)	1.60	1.24

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

24. Capital commitments

	Group	
	2012 RM	**2011 RM**
Capital expenditure:		
Approved and contracted for	28,623,153	11,497,126
Approved but not contracted for	13,267,164	50,225,320
	41,890,317	61,722,446

25. Contingent assets

There is a potential claim of approximately RM4 million arising from a shortfall in guaranteed volume of log production under a Logging Sub-Contract between Serijaya Industri Sdn Bhd (SJI), a wholly owned subsidiary of the Company and Asiatic Lumber Industries Sdn Bhd (ALISB).

Under the Logging Sub-Contract agreement, ALISB has undertaken to extract a minimum of 120,000m3 of logs per year. However the actual production for 2012 was 28,778m3 resulting in a shortfall of 91,222m3. The amount of RM4 million was computed on the loss of profit from the production shortfall and the sub-contractor has yet to agree to the compensation.

Based on written legal opinion, SJI has the rights to claim for loss of profit and damages. However, the subcontractor claimed that due to the changes in government procedures, it was impossible to fulfil the obligation.

26. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

Group

	2012 RM	2011 RM
Trade transactions		
Transaction with related parties:		
Log extraction contract fee income from Rakyat Berjaya Sdn. Bhd.+	4,431,812	5,568,047
Compensation received from Asiatic Lumber Industries Sdn. Bhd., a company in which a director of the Company has interest	3,689,129	-
Purchase of oil palm seedlings from TSH Biotech Sdn. Bhd.++	-	540,900
Rental paid to TSH Resources Berhad*	72,000	72,000
Sale of oil palm fresh fruit bunches to Sabah Softwoods Berhad+	623,183	3,096,487
Sale of oil palm fresh fruit bunches to Regional Harvest Sdn. Bhd.+	1,713,252	2,515,352
Sale of oil palm fresh fruit bunches to TSH Plantation Management Sdn. Bhd.++	7,509,567	-
Log extraction fee paid to Asiatic Lumber Industries Sdn. Bhd., a company in which a director of the Company has interest	2,649,898	3,615,572
Sales of oil palm seedlings to TSH Biotech Sdn. Bhd.++	78,400	190,696

26. Related party transactions (continued)

(a) Sale and purchase of goods and services (continued)

Company

	2012 RM	2011 RM
Trade transaction		
Management fee charged to subsidiary		
- Serijaya Industri Sdn. Bhd.	360,000	360,000

+ Companies related to Innoprise Corporation Sdn. Bhd., a corporate shareholder of the Company.

++ Company related to TSH Resources Berhad, a corporate shareholder of the Company, a company in which a director of the Company has an interest.

* A corporate shareholder of the Company.

Information regarding outstanding balances arising from related party transactions as at 31 December 2012 are disclosed in Note 15 and 18.

(b) Compensation of key management personnel

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefits	771,950	635,341	166,000	168,000
Share-based payments	183,401	292,849	160,475	269,220
	955,351	928,190	326,475	437,220

27. Fair value of financial instruments

(a) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group and Company 2012 RM			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets:				
At 31 December 2012:				
Financial assets held for trading	1,517,313	-	-	1,517,313
At 31 December 2011:				
Financial assets held for trading	55,957,977	-	-	55,957,977

27. Fair value of financial instruments (continued)

(a) Fair value of financial instruments that are carried at fair value (continued)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Methods and assumptions used to determine fair values

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned in Note 27(b), are as follows:

Financial assets and liabilities	Methods and assumptions
• Quoted equity and non-equity instruments	Other than the quoted equity instruments disclosed below, fair published value is determined directly by reference to their market bid price at the balance sheet date.

(b) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The followings are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	15
Trade and other payables	18

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

28. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by Executive Committee. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

28. Financial risk management objectives and policies (continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

At the reporting date, 100% of the Group's trade receivables were due from two major customers.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 15.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the reporting date, all the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted amounts.

	2012 RM On demand or within 1 year	**2011 RM On demand or within 1 year**
Group		
Financial assets:		
Financial assets held for trading	1,517,313	55,957,977
Trade and other financial receivables	5,524,679	2,078,461
Total cash and bank balances	641,608	435,868
Total undiscounted financial assets	7,683,600	58,472,306

28. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

	2012 RM On demand or within 1 year	2011 RM On demand or within 1 year
Financial liabilities:		
Trade and other financial payables	14,453,705	17,711,681
Total undiscounted financial liabilities	14,453,705	17,711,681
Total net undiscounted financial (liabilities)/assets	(6,770,105)	40,760,625
Company		
Financial assets:		
Financial assets held for trading	1,517,313	55,957,977
Trade and other financial receivables	7,583,190	49,555,028
Total cash and bank balances	2,759	2,861
Total undiscounted financial assets	9,103,262	105,515,866
Financial liabilities:		
Trade and other financial payables	168,363	208,135
Total undiscounted financial liabilities	168,363	208,135
Total net undiscounted financial assets	8,934,899	105,307,731

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings.

29. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group has no significant net debts at the reporting date.

30. Segment information

For management purposes, the Group is organised into business units based on their product and services, and has two reportable operating segments as follows:

(i)	Plantation	-	Cultivation of oil palm
(ii)	Timber	-	Log extraction services
(iii)	Corporate	-	Group level corporate services, treasury functions and investment in marketable securities

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

30. Segment information (continued)

	Plantation		Timber		Corporate		Adjustment and elimination		Note	Per consolidated financial statements	
	2012	2011	2012	2011	2012	2011	2012	2011		2012	2011
	RM	RM	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:											
External customers	17,376,755	7,648,367	8,120,942	5,736,801	-	-	-	-		25,497,697	13,385,168
Results:											
Interest income	-	-	-	-	-	14,769	-	-		-	14,769
Depreciation and amortisation	120,920	98,844	22,382	22,250	20,953	20,233	-	-		164,255	141,327
Dividend income	-	-	-	-	100,291	239,945	-	-		100,291	239,945
Fair value gain on investment	-	-	-	-	819,045	2,091,359	-	-		819,045	2,091,359
Other non-cash expenses	-	-	-	-	160,475	269,220	-	-	A	160,475	269,220
Segment profit	2,141,996	1,097,338	4,948,562	1,750,525	952,405	2,346,073	(788,659)	(807,218)	B	7,254,304	4,386,718
Assets:											
Additions to non-current assets	56,141,582	50,295,483	-	-	-	-	-	-	C	56,141,582	50,295,483
Segment assets	236,300,480	180,546,368	2,749,096	-	2,158,921	56,393,845	-	-		241,208,497	236,940,213
Segment liabilities	14,283,746	17,055,914	-	446,833	169,959	208,935	12,021,681	10,159,020	D	26,475,386	27,870,702

30. Segment information (continued)

Note — Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A — Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	2012 RM	2011 RM
Share-based payments	160,475	269,220

B — The following items are deducted from segment profit to arrive at profit before tax presented in the consolidated statement of comprehensive income:

	2012 RM	2011 RM
Unallocated corporate expenses	(788,659)	(807,218)

C — Additions to non-current assets consist of:

Property, plant and equipment	19,566,576	18,090,801
Biological assets	36,575,006	32,204,682
	56,141,582	50,295,483

D — The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2012 RM	2011 RM
Deferred tax liabilities	12,021,681	10,159,020

31. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 4 April 2013.

32. Supplementary information – breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits of Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group RM	Company RM
Total retained earnings of the Company and its subsidiaries		
- Realised	39,187,624	7,754,261
- Unrealised	(12,018,602)	3,079
	27,169,022	7,757,340
Less: Consolidation adjustments	(2,160,000)	-
Retained earnings as per financial statements	25,009,022	7,757,340

SHAREHOLDINGS STRUCTURE
as at 29 March 2013

Authorised Share Capital	:	RM500,000,000
Issued & Paid-up Capital	:	RM188,611,300
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings			No. of holders	%	No.of shares	%
1	-	99	21	0.53	769	0.00
100	-	1,000	2,735	68.56	1,741,251	0.92
1,001	-	10,000	1,086	27.22	3,420,980	1.81
10,001	-	100,000	108	2.71	3,117,700	1.66
100,001	-	9,430,564 *	37	0.93	42,118,600	22.33
9,430,565	-	and above **	2	0.05	138,212,000	73.28
TOTAL			3,989	100.00	188,611,300	100.00

*Less than 5% of issued holdings **5% and above of issued holdings

List of Top 30 Securities Account Holders

No.	Name	Shareholdings	%
1.	Innoprise Corporation Sdn Bhd	96,187,763	51.00
2.	TSH Resources Berhad	42,024,237	22.28
3.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	7,500,000	3.98
4.	Mutual Corridor Sdn Bhd	5,002,000	2.65
5.	Embun Yakin Sdn Bhd	4,235,100	2.25
6.	Kemudi Seraya Sdn Bhd	4,000,000	2.12
7.	Tunas Lestari Sdn Bhd	4,000,000	2.12
8.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ngai Chee Ping (009)	2,385,850	1.26
9.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Pak Leong	1,662,300	0.88
10.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Salbiah Binti Shuib (CEB)	1,248,000	0.66
11.	Angeline Wong Yu Ching	1,100,000	0.58
12.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Suresh A/L Thirugnanam (MY0526)	1,007,500	0.53
13.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Nip Wing Hon (SMART)	1,000,500	0.53
14.	Wong Chai Hoon Nee Yap	1,000,000	0.53
15.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Thear Ho (CEB)	846,000	0.45
16.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pang Yok Chin	642,000	0.34
17.	Christopher Lim Foo Vui	572,200	0.30
18.	Wong Chin Hor	564,700	0.30
19.	Chua Thear Ho	558,750	0.30
20.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Salbiah Binti Shuib (MM0641)	550,000	0.29

List of Top 30 Securities Account Holders (continued)

No.	Name	Shareholdings	%
21.	Embun Yakin Sdn Bhd	440,200	0.23
22.	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities for Julie Mae Yeong (8052622)	438,600	0.23
23.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities for Julie Mae Yeong	347,950	0.18
24.	Simfoni Bernas Sdn Bhd	326,000	0.17
25.	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohan A/L Ramalingam (8059306)	300,000	0.16
26.	Mohd Fazli Bin Mazlan	269,350	0.14
27.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Chan Han Siong (MY0893)	244,150	0.13
28.	Ngai Chee Ping	230,250	0.12
29.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for EFG Bank AG (A/C Client)	200,000	0.11
30.	Hildegard Maria Scheel	200,000	0.11
	TOTAL	179,083,400	94.95

Substantial Shareholdings

According to the register to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company having an interest of five percent (5%) or more of the aggregate of the amounts of all the voting share of the company:

No.	Name	No. of shares held	%
1.	Innoprise Corporation Sdn Bhd	96,191,763	51.00
2.	TSH Resources Berhad	42,024,237	22.28

Director's Shareholdings

According to the register to be kept under Section 134 of the Companies Act, 1965, the director's shareholdings in the Company is as follow:

No.	Name	No. of shares held			
		Direct	%	Indirect	%
1.	Datuk Hajah Mary @ Mariati Robert	3,000	0.00	-	-

Except for Datuk Hajah Mary @ Mariati Robert, none of the other directors of the Company has any interest, direct or indirect, in the shares of the Company.

NOTICE OF 19TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of the Company will be held at Ruby II, 1st Floor, Belmont Marco Polo Hotel, Jalan Clinic, 91000 Tawau, Sabah, on Thursday, 23 May 2013 at 11:30 am to transact the following business:

AGENDA

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' fees of RM166,000 for the financial year ended 31 December 2012. **Resolution 2**

3. To re-elect the following Directors retiring in accordance with Article 90 of the Company's Articles of Association:

   (a) Encik Lim Fook Hin **Resolution 3**

   (b) Tuan Haji Othman Bin Walat **Resolution 4**

4. To re-elect Datuk (Dr.) Kelvin Tan Aik Pen retiring pursuant to Article 90 of the Company's Articles of Association. **Resolution 5**

5. To consider and if thought fit, to pass the following resolution:

   "**THAT** pursuant to Section 129(6) of the Companies Act, 1965, Datuk Jaswant Singh Kler be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 6**

6. To consider and if thought fit, to pass the following resolution:

   "**THAT** pursuant to the Malaysian Code on Corporate Governance 2012, approval be hereby given for Datuk Hajah Mary @ Mariati Robert to be retained as Independent Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 7**

7. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

SPECIAL BUSINESS

8. To consider and if thought fit, to pass the following resolution:

   ORDINARY RESOLUTION

   Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 **Resolution 9**

   "**THAT** subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from the relevant statutory and regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are empowered to obtain the approvals from Bursa Malaysia Securities Berhad for the listing and quotation of the additional new ordinary shares to be issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

9. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION

Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Resolution 10**

"**THAT** approval be and is hereby given, for the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiary to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.2 of the Circular to Shareholders dated 30 April 2013 with the related parties described therein provided such transactions are necessary for the day to day operations, carried out in the normal course of business, at arm's length, on normal commercial terms, not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or

(c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors be and are hereby authorised to complete and do such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

10. To consider and if thought fit, to pass the following resolution:

SPECIAL RESOLUTION

Proposed Amendments to the Articles of Association of the Company **Resolution 11**

"**THAT** the Proposed Amendments to the Articles of Association of the Company as set out in Appendix A to the Company's Annual Report 2012, be and are hereby approved."

11. To transact any other business of the Company of which due notice shall have been given to the Company in accordance with the Company's Articles of Association and the Companies Act, 1965.

GENERAL MEETING RECORD OF DEPOSITORS

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 19th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 62(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 17 May 2013. Only a depositor whose name appears on the Record of Depositors as at 17 May 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

By Order of the Board

Dorothy Luk Wei Kam (MAICSA 7000414)
Chan Ai Hoon (LS 0000393)
Company Secretaries

Kota Kinabalu, Sabah
Dated: 30 April 2013

NOTES

(a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same meeting, the appointment shall be invalid unless he specified the proportions of his holdings to be represented by each proxy.

(c) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(d) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 6th Floor, Menara Tun Mustapha, Likas Bay, 88400 Kota Kinabalu, Sabah, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

EXPLANATORY NOTE ON SPECIAL BUSINESS

(a) Ordinary Resolution pursuant to the Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution No. 9, if passed, shall give power to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The general mandate sought for issue of securities is a renewal of the mandate that was approved by the shareholders on 28 May 2012. The Company did not utilise the mandate that was approved last year. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(b) Ordinary Resolution in relation to the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution No. 10, if passed, will allow the Company and/or its subsidiary to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties provided that such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders. Shareholders are directed to refer the Circular to Shareholders dated 30 April 2013 for more information.

(c) Special Resolution in relation to the Proposed Amendments to the Articles of Association of the Company

The proposed Special Resolution No. 11, if passed, will render the Articles of Association of the Company to be updated and in line with the amendments to the Listing Requirements of Bursa Securities.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election and re-appointment at the 19th Annual General Meeting are:

    (a) Encik Lim Fook Hin

    (b) Tuan Haji Othman Bin Walat

    (c) Datuk (Dr.) Kelvin Tan Aik Pen

    (d) Datuk Jaswant Singh Kler

2. The details of the abovementioned Directors who are standing for re-election and re-appointment are disclosed in the Directors' Profiles appearing on Pages 3 to 6 of the Annual Report.

APPENDIX A TO THE COMPANY'S ANNUAL REPORT 2012 IN RELATION TO PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

Details of the Proposed Amendments to the Articles of Association of the Company are as follows:

(Note: Deletions are struckthrough and additions are underlined)

Article No.	Existing Provisions	Proposed Provisions
2.	**Interpretation** **Words** **Meaning** **New Provision**	**Interpretation** **Words** **Meaning** <u>Exempt Authorised Nominee</u> <u>An authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.</u>
64.	**Requirement in notice calling meeting** In every notice calling a meeting of the Company there shall appear with reasonable prominence statement that a Member entitled to attend and vote is entitled to appoint one (1) but not more than two (2) proxies to attend and vote instead of him at the same meeting, ~~and that~~ a proxy may, but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act, shall not apply to the Company ~~and that~~ where a Member appoints two (2) proxies to attend and vote instead of him at the same Meeting, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.	**Requirement in notice calling meeting** In every notice calling a meeting of the Company there shall appear with reasonable prominence statement that a Member entitled to attend and vote is entitled to appoint one (1) but not more than two (2) proxies to attend and vote instead of him at the same meeting <u>of the Company, or at a meeting of any class of members of the Company</u>. A proxy may, but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act, shall not apply to the Company <u>and there shall be no restriction as to the qualification of the proxy</u>. Where a Member appoints two (2) proxies to attend and vote instead of him at the same Meeting, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

APPENDIX A TO THE COMPANY'S ANNUAL REPORT 2012 IN RELATION TO PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (continued)

Article No.	Existing Provisions	Proposed Provisions
78.	**(a) Voting** Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of Members or classes of Members, on a resolution to be decided on a show of hands a holder of ordinary shares or preference shares who is present in person or by proxy or by attorney or in the case of a corporation by a duly authorized representative and entitled to vote, shall be entitled to one (1) vote. A proxy shall be entitled to vote on a show of hands on any question at any general meeting. On a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. The provisions of Section 149(1)(a) of the Act shall not apply to the Company.	**(a) Voting** Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of Members or classes of Members, on a resolution to be decided on a show of hands a holder of ordinary shares or preference shares who is present in person or by proxy or by attorney or in the case of a corporation by a duly authorized representative and entitled to vote, shall be entitled to one (1) vote. A proxy shall be entitled to vote on a show of hands on any question at any general meeting. On a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. The provisions of Section 149(1)(a) of the Act shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.
82A.	**~~Proxy for authorised nominee~~** Where a Member of the Company is an authorised nominee ~~as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account~~ ~~it~~ holds ~~with~~ ordinary shares ~~of~~ the Company ~~standing to the credit of the said securities account.~~	**Appointment of multiple proxies** Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
85.	**Form of proxy** Notes: (a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act, shall not apply to the Company.	**Form of proxy** Notes: (a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act, shall not apply to the Company and there shall be no restriction as to the qualification of the proxy.

Article No.	Existing Provisions	Proposed Provisions
	Form of proxy (cont'd) **New Provision**	**Form of proxy (cont'd)** (c) Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
	~~(c)~~ The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.	(d) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
	~~(d)~~ The instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the time for holding the meeting.	(e) The instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the time for holding the meeting.
113.	**Meetings of Directors** The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Any Directors may at any time and the Secretary shall on the requisition of any of the Directors summon a meeting of the Directors.	**Meetings of Directors** The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Any Directors may at any time and the Secretary shall on the requisition of any of the Directors summon a meeting of the Directors. The Directors may participate in a meeting of the Directors by means of a conference telephone, video conference or similar electronic telecommunicating equipment by means of which all persons participating in the meeting can hear each other and participates throughout the duration of the communication between the Directors. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such meeting shall be deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the Chairman of the meeting then is. For the purpose of recording attendance, the Chairman or Secretary shall mark on the attendance sheet that the Director was present and participating by telephone, video-conferencing or other electronic means.

Article No.	Existing Provisions	Proposed Provisions
157.	**~~Payment by post and discharge~~** Any ~~dividend, interest~~ or other money payable in cash in respect of ~~shares~~ may be paid by cheque or warrant sent through the post direct to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named in the register of members or to such person and to such address as the holder or joint holders may in writing direct or by directly crediting the ~~shareholders' dividend entitlements into their~~ bank accounts as provided to the Depository from time to time. Every such cheque or warrant or direct crediting shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant or direct crediting shall operate as the good discharge to the Company in respect of the ~~dividend~~ represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Where the ~~shareholders~~ have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash ~~dividends~~ out of its accounts. Every such cheque or warrant or direct crediting shall be sent or made at the risk of the person entitled to the money thereby presented.	**Electronic payment of cash distributions** Any cash distributions as prescribed by the Exchange from time to time which include: (a) cash dividends; (b) payments of interest or profit rates on debt securities or sukuk respectively; (c) income distributions made by collective investment schemes; (d) capital repayment; and (e) cash payments in lieu of odd lots arising from distributions in specie or other money payable in cash in respect of securities may be paid by cheque or warrant sent through the post direct to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named in the register of members or to such person and to such address as the holder or joint holders may in writing direct or by directly crediting the payments into the securities holders' bank accounts as provided to the Depository from time to time. Every such cheque or warrant or direct crediting shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant or direct crediting shall operate as the good discharge to the Company in respect of the money represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Where the securities holders have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash distributions out of its accounts. Every such cheque or warrant or direct crediting shall be sent or made at the risk of the person entitled to the money thereby presented.

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INNOPRISE PLANTATIONS BERHAD

PROXY FORM

COMPANY NO. 285072-M
(Incorporated in Malaysia)

I/We, ………………………………………………………….................. of ……………………………………………………...………………..........

………………………………………………………………………….............. being a Member/Members of INNOPRISE PLANTATIONS BERHAD

hereby appoint ……………..............……………………………………………………………………………………………….................................

of …….....................................

or failing him …….................................

of …….....................................

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 19th Annual General Meeting of the Company, to be held at Ruby II, 1st Floor, Belmont Marco Polo Hotel, Jalan Clinic, 91000 Tawau, Sabah, on Thursday, 23 May 2013 at 11:30 am or any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated.

No.	Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon.		
2.	To approve the payment of Directors' fees of RM166,000 for the financial year ended 31 December 2012.		
3.	To re-elect Encik Lim Fook Hin as Director.		
4.	To re-elect Tuan Haji Othman Bin Walat as Director.		
5.	To re-elect Datuk (Dr.) Kelvin Tan Aik Pen as Director.		
6.	To re-appoint Datuk Jaswant Singh Kler as Director.		
7.	To retain Datuk Hajah Mary @ Mariati Robert as Independent Director.		
8.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
9.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
10.	Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
11.	Proposed Amendments to the Articles of Association of the Company.		

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit).

Dated this ……….. day of …………………… 2013

No. of shares held	

…………………………………………….......................
Signature/Common Seal of Member(s)

NOTES

(a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same meeting, the appointment shall be invalid unless he specified the proportions of his holdings to be represented by each proxy.

(c) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(d) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 6th Floor, Menara Tun Mustapha, Likas Bay, 88400 Kota Kinabalu, Sabah, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.