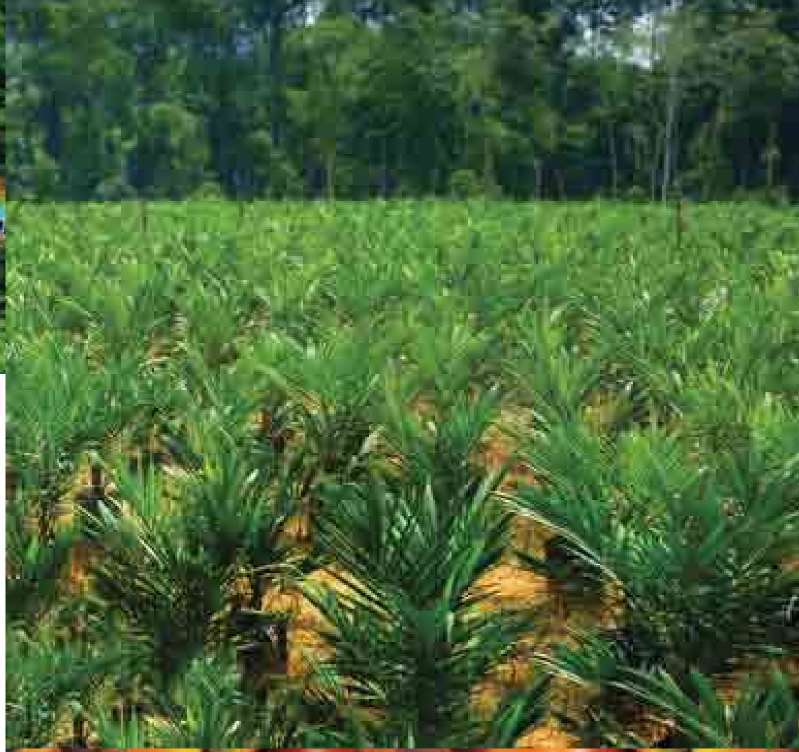
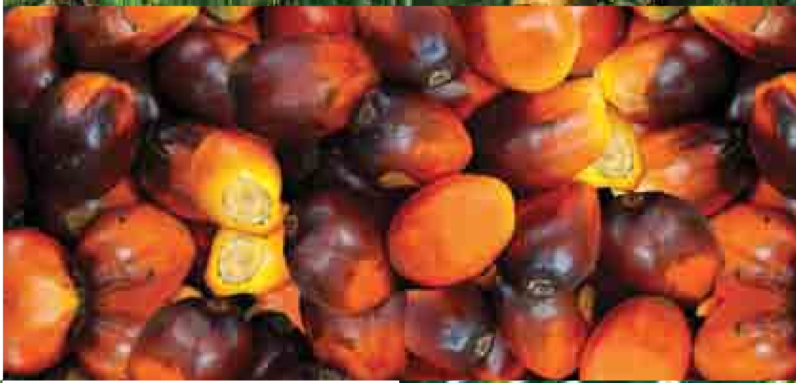


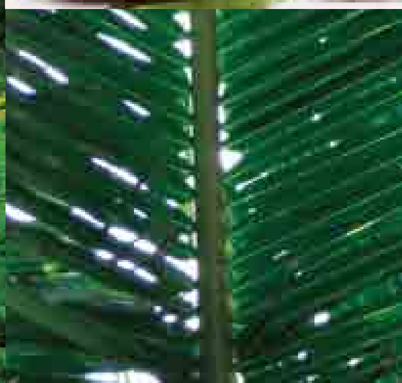
Innoprise Plantations

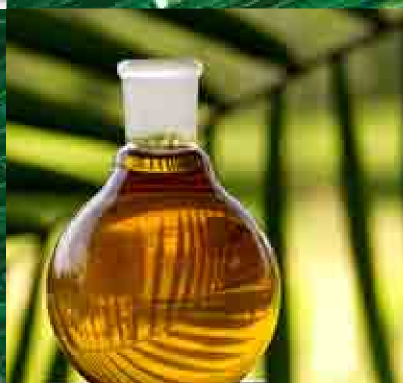
Innoprise Plantations Berhad

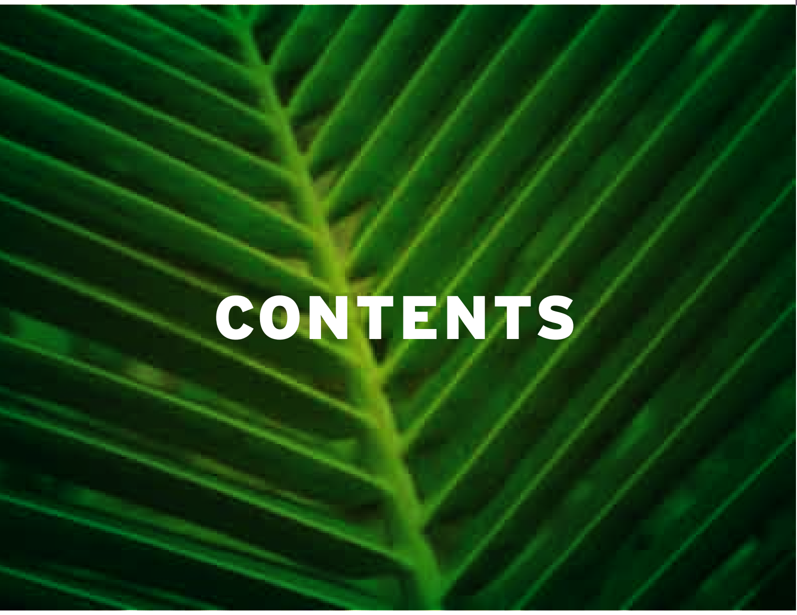
(Company No. 285072-M)



ANNUAL REPORT 2010







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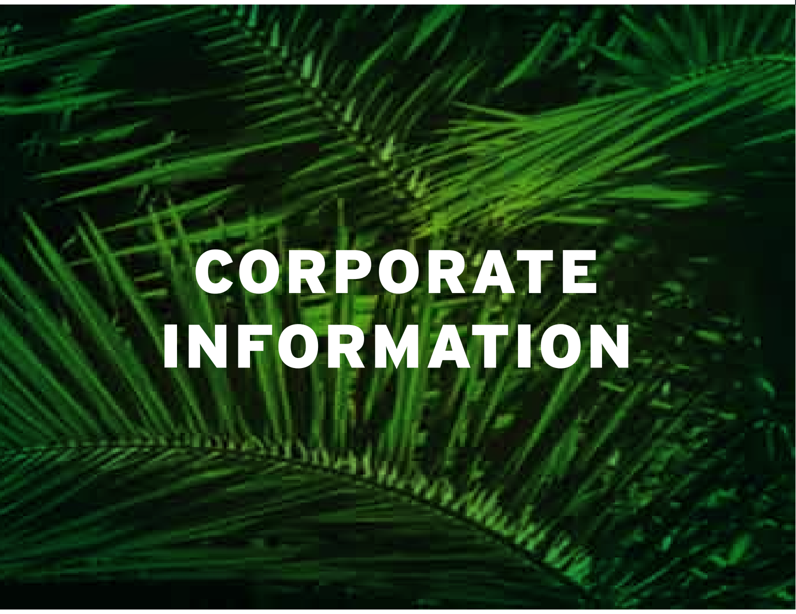


CORPORATE INFORMATION

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 Jaswant Singh Kler
Independent Non-Executive Director

Datuk Hajah Mary @ Mariati Robert
Independent Non-Executive Director

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

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

Nip Wing Hon
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 Jaswant Singh Kler
Datuk Hajah Mary @ Mariati Robert

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

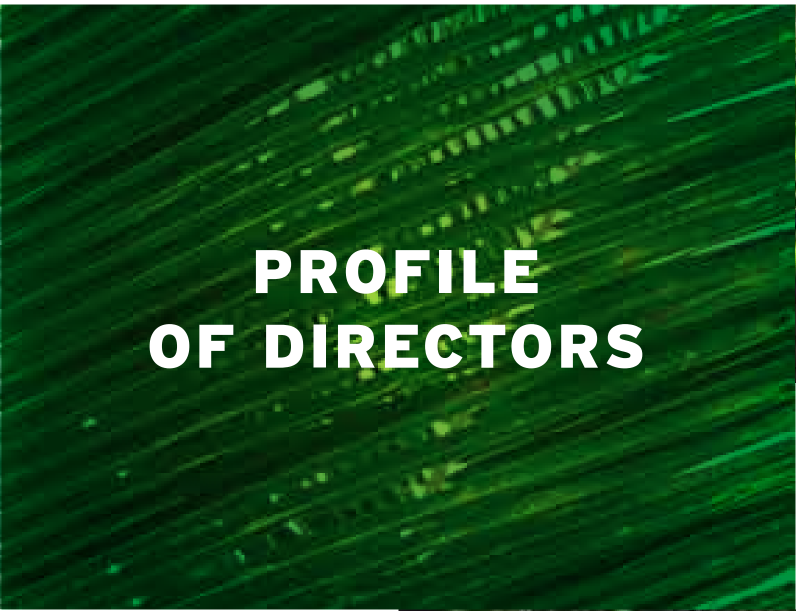
6th Floor, Menara Tun Mustapha
Likas Bay, 88400 Kota Kinabalu, Sabah
Tel: 088-326415 Fax: 088-432104

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)



PROFILE OF DIRECTORS

DATUK (DR.) KELVIN TAN AIK PEN, PGDK, DPMP, aged 53, 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.

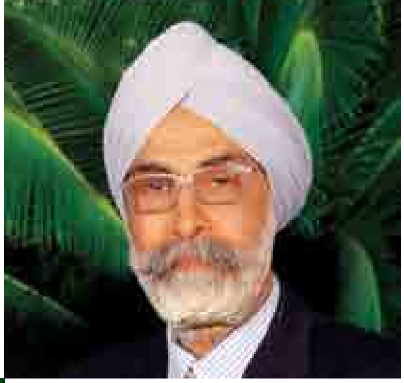
Datuk (Dr.) Kelvin Tan has more than twenty five (25) years experience in resource based industry, which includes extensive working knowledge in international trade practices. He was the Chairman of the Malaysian Cocoa Board for 8 consecutive years from 1997 – 2004. He serves as Honorary Director of 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.

DATUK HJ. MAJIN HJ. AJING, aged 62 years, a Malaysian, was appointed as Independent Non-Executive Director on 1st May 2005. He serves a member 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 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.

PROFILE OF DIRECTORS

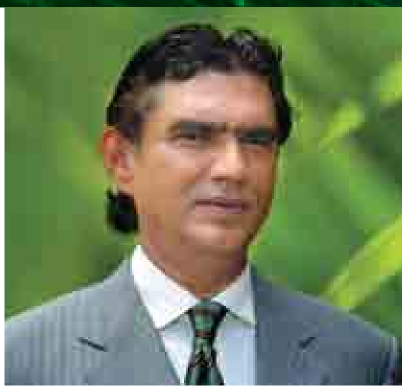


DATUK JASWANT SINGH KLER, aged 70 years, a Malaysian, was appointed as an Independent Non-Executive Director on 7th December 2006. He serves as a member of Audit Committee, Nomination Committee, Remuneration Committee and ESOS Committee. He is an Associate member of the Incorporated Society of Planters and continues to play active role as senior member of the planting fraternity in Malaysia. He sits on the Board of TSH Resources Berhad and is a member of The Institute for Development Studies (Sabah). He also 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. ("BENA") when he left in 2006 and 1984 respectively. During that period, he was also appointed as a director of Saudi Sabah Palm Oil Corporation Sdn. Bhd., which was the first palm oil refinery in Sabah. He started his planting career with BAL Plantation Sdn. Bhd., as a cadet in 1960 and left as a senior manager to join BENA in 1977 as General Manager for the plantation project. He now manages his own plantation consultancy business under Agri Cek Sdn. Bhd. and is a consultant to Smith Gore, a property valuation firm. He is also as an advisor for Incorporated Society of Planters Sabah-Tawau Branch.

He participates actively in the 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 was on the Sabah Business Council sub-committee on Human Resources and Agricultural, Food & Poverty Eradication and inter-alia, a member of Sabah BIMP-EAGA Council previously. He is also a life member of Agricultural Institute of Malaysia.

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.



DATUK SAM MANNAN @ SHAM MANNAN, aged 53 years, a Malaysian, was appointed as a Non Independent Non-Executive Director of the Company on 10th 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. He has no conflict of interest with the Company and has never been charged for any offence.

PROFILE OF DIRECTORS

LIM FOOK HIN, aged 62 years, a Malaysian, was appointed as an Executive Director on 7th 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 in 1997.

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.

DATUK HAJAH MARY @ MARIATI ROBERT, aged 58 years, a Malaysian, has been an Independent Non-Executive Director of the Company since 17th 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.

TUAN HAJI OTHMAN BIN WALAT, aged 61 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 shareholder of the company. He has no conflict of interest with the company and has never been charged for any offence.

PROFILE OF DIRECTORS

AINAHWATI BINTI ABD SANI, aged 37 years, a Malaysian, was appointed as Non-Independent Non-Executive Director on 3rd 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 was appointed as Group Company Secretary.

She has no family relationship with any of the directors or substantial shareholder 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.

NIP WING HON, aged 51 years, a Malaysian was appointed as a Non-Independent Non-Executive Director on 15 July 2010. He graduated with Bachelor of Science in International management. He has more than 30 years experience in forestry logging and vast experience in international business. He sits on the board of a list of private companies.

He has no family relationship with any of the Directors or substantial shareholder of the company. He has no conflict of interest with the company and has never been charged for any offence.

ROSELY BIN KUSIP, aged 59 years, a Malaysian, was appointed as an Alternate Director to Lim Fook Hin on 6 September 2010. Encik Rosely has 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.

Encik Rosely 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 director or other major shareholders of the Company. 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 Director, I am pleased to present the Annual Report and Audited Financial Statements of the company and the Group for the financial year ended 31 December 2010.

FINANCIAL PERFORMANCE

The group recorded turnover of RM27.690 million for the period under review compared to the previous year of RM28.246 million. Pretax profit for the year was RM9.338 million against pretax profit of RM7.797 million for the previous year.

Eco-Logging activities continued at full scale basis and generated most of the revenue for the year with salvage logging ahead of land clearing for oil palm development contributing the balance.

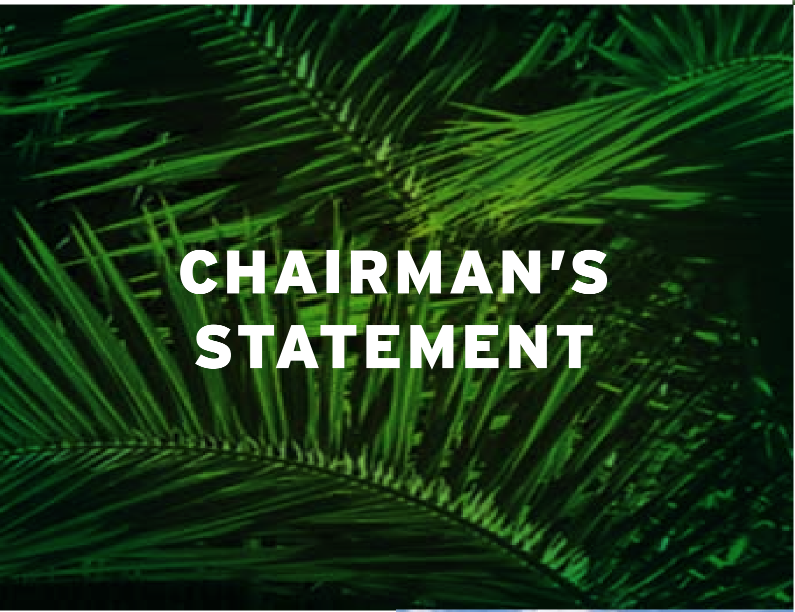
CORPORATE DEVELOPMENT

During the year under review, the Company successfully completed a capital restructuring programme involving firstly a capital reduction to write off accumulated losses followed by a Rights Issue to recapitalize the Company. A total of RM132 million was raised from the Rights Issue exercise.

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 will be 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.



CHAIRMAN'S STATEMENT

PROSPECTS

Our company's strategy is to transform itself into an oil palm plantation company, which in the longer term will be the main revenue source. Towards this end, the company started plantation development on 22,763 hectares of forest concession in 2007. However, due to the requirement to adopt an environmental sustainable development model, steep area above 20 degree slope and riparian reserve are left untouched as bio-diversity conservation area. Consequently, the estimated total plantable area is now revised down to approximately 13,000 hectares.

By the end of 2010, a total of 10,827 hectares have been planted with 946 hectares due to mature in 2011. The balance of plantable area will be developed in 2011 and planning for construction of a palm oil mill is in progress. With the harvesting from the mature oil palm and scout harvesting from the immature area, FFB sales will contribute to the revenue of the Group in a more meaningful way in 2011.

In light of the above development, the board views the prospect of the company with guarded optimism.

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. I would like to take this opportunity to welcome Mr. Nip Wing Hon and Encik Rosely Bin Kusip who joined the board in 2010.

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 support recommendations of the Malaysian Code on Corporate Governance (Revised 2007) ("the Code") which came into effect on 1 October 2007 and the Company has complied with the Principles and Best Practices of the Code as set out in Part 1 and 2 of the Code as follows:-

A. BOARD OF DIRECTORS

Board Composition

The Board comprises nine (9) members and one (1) alternate director of which six (6) Non-Executive Directors, one (1) Executive Director, One (1) Managing Director and a Non-Executive Chairman. The Board's composition represents a mix of knowledge, skills and expertise relevant to the diversified activities of the Group.

The roles of the Chairman and Managing Director are separately and clearly defined and the positions are individually held by two (2) persons. Generally, the Executive Directors are responsible for making and implementing operational and corporate decisions and Non-Executive Directors play key supporting roles, contributing knowledge and experience towards the formulation of policies and in decision-making process. 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.

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.

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. Details of attendance of each Board member were as follows:

Name	23/02/10	24/05/10	23/08/10	10/11/10	Total
Datuk Hj. Majin Hj. Ajing	✓	✓	✓	✓	4/4
Datuk (Dr.) Kelvin Tan Aik Pen	✓	✓	✓	✓	4/4
Datuk Sam Mannan @ Sham Mannan	✓	✓	✓	x	3/4
Datuk Jaswant Singh Kler	✓	x	✓	✓	3/4
Datuk Hajah Mary @ Mariati Robert	✓	✓	✓	✓	4/4
Tuan Haji Othman Bin Walat	✓	x	✓	✓	3/4
Puan Ainahwati Binti Abd Sani	✓	✓	✓	x	3/4
Nip Wing Hon *(Appointed with effect from 15 July 2010)*	N/A	N/A	✓	x	1/2
Lim Fook Hin	✓	✓	✓	✓	4/4
Encik Rosely Bin Kusip *(Appointed as alternate director to Lim Fook Hin with effect from 6 September 2010)*	-	-	-	✓	1/1

CORPORATE GOVERNANCE STATEMENT
[CONT'D]

Principal responsibilities of the Board

The main responsibilities of the Board comprise the followings:-

- Setting the objectives, goals and strategic plan for the Company with a view to maximizing shareholder value;
- Adopting and monitoring progress of the Company's strategic, 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.

Directors' 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 Malaysia").

The seminars, courses or in-house training attended by the Directors during the year, collectively or individually included the followings:

Title of Workshop / Course / Seminar	Type of training	No. of hours days spent
• The Challenges of Implementing on FRS 139 Financial Instruments : Recognition and Measurement	Forum	1 day
• EMPA Conference 2010 'Sustainable Growth for People Planet & Profit'	Conference	1 day
• IPS National Seminar 2010 (NATSEM)	Conference	3 days
• 6th Asia Pacific Audit and Governance Summit 2010	Seminar	2 days
• Seminar & Workshop on Palm Oil Mill Effluent Tertiary Treatment Technologies (POMET)	Seminar	1 day
• The International Conference on 'Forest and Climate Change – Decoding and Realising REDD-Plus in the heart of Borneo (HoB)	Conference	2 days
• MPOB Mini Transfer of Technology Seminar 2010	Seminar	1 day
• International Conference on Forests and Climate Change	Workshop	3 days
• Forest Restoration Workshop	Convention	1 day
• Mangrove Conference	Congress	1 day
• Palm Industry Labour: Issues, Performance & Sustainability (PILIPS) Workshop	Workshop	2 days
• Oils and Fats International Congress 2010 (Ofic 2010)	Congress	2 days
• POC 2010: Palm & Lauric Oils Conference & Exhibition Price Outlook	Conference	2 days
• MPOB Mini Transfer of Technology Seminar 2010	Seminar	1 day
• How to Retain and Motivate Top Talent	Workshop	1 day
• 2010 National Seminar Palm Oil Milling, Refining, Environment & Quality (POMREQ)	Seminar	2 days
• Tax Presentation by Pricewaterhouse Coopers, Jakarta	Presentation	1 day
• Tax Briefing on 2011 Malaysian Budget by Ernst & Young, KK.	Briefing	1 day
• Mandatory Accreditation Programme for Directors of Public Listed Companies	Seminar	2 days
• Intellectual Property	Workshop	1 day
• Results Through Relationship – Building Trust, Performance and Profit through People	Workshop	1 day
• Sabah International Business Conference 2010	Conference	1 day

CORPORATE GOVERNANCE STATEMENT
[CONT'D]

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 appointment and removal of the Company Secretaries is a matter for the Board as a whole.

Re-election of Directors

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

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

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 Auditor 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 Malaysia Listing Requirements is set out in the ensuing pages of this Annual Report.

CORPORATE GOVERNANCE STATEMENT
[CONT'D]

Nomination Committee

In compliance with the Code, 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. In making its recommendations, the Nomination Committee will consider the candidates' skills, knowledge, expertise and experience, professionalism, intergrity 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 Jaswant Singh Kler	- Member, Independent Non-Executive Director
Datuk Hajah Mary @ Mariati Robert	- 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 Malaysia Listing Requirements or other statutory requirements.

During the financial year ended 31 December 2010, 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 nominating 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.

Remuneration Committee

In compliance with the Code, 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 aggregated 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.

CORPORATE GOVERNANCE STATEMENT
[CONT'D]

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:-

Remuneration Packages	Total per annum for the financial year ended 31 December 2010			
	Company		Group	
	Executive Directors RM'000	Non-Executive Directors RM'000	Executive Directors RM'000	Non-Executive Directors RM'000
Directors' Fees	-	155	-	299
Salaries & other emoluments	-	-	254	-
Bonuses	-	-	-	-
Allowance	-	-	-	-
Benefits-in-kind	-	-	-	-
Share option granted under ESOS	178	164	178	213
TOTAL	178	319	432	512

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
Below RM50,000	-	3
RM50,001 – RM100,000	-	3
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.

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

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 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 Malaysia 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 meetings of the Audit Committee.

CORPORATE GOVERNANCE STATEMENT
[CONT'D]

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

1. Utilisation of proceeds

During the year, the Company had raised RM132,361,000 through issuance of 132,361,300 ordinary shares of RM1 each at RM1 each for cash pursuant to the Rights Issue Exercise.

Part of the proceed raised from the Rights Issue Exercise have been utilized in the following manner;

- Plantation and Development Expenses (direct and indirect)	-	RM27,741,663
- Property, plant and equipment	-	RM9,407,595
- Expenses for corporate exercise	-	RM712,042

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

Non-audit fees amounting to RM2,800 (Group) and RM2,800 (Company) were paid to External Auditors for the financial year ended 31 December 2010.

7. Variation in Results

There were no material variations between the audited results for the financial year ended 31 December 2010 and the unaudited results for the quarter ended 31 December 2010 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 14 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. Revaluation Policy on Landed Properties

The Company did not adopt any revaluation policy on landed properties during the financial year.

CORPORATE GOVERNANCE STATEMENT
[CONT'D]

11. Recurrent Related Party Transactions of a revenue or trading nature

At the last Annual General Meeting of the Company held on 24 May 2010, the Company had obtained a Mandate from its shareholders to allow Innoprise Plantations Berhad to enter into Recurrent Related Party Transaction of a Revenue or Trading Nature ("Recurrent Transactions"). In accordance with Paragraph 10.09(2)(b) of Bursa Malaysia Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 December 2010 pursuant to the said shareholders' mandate are as follows:

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 wholly owned subsidiary of Innoprise Corporation Sdn Bhd. ("ICSB"), a major shareholder. Datuk Sam Mannan @ Sham Mannan is a Director in RBJ & ICSB.	Log extraction contract fees	25,116,774
Serijaya Industri Sdn. Bhd.	TSH Biotech Sdn. Bhd. ("TSHB")	TSHB is a wholly owned subsidiary of CocoaHouse Industries Sdn Bhd which is in turn wholly owned by TSH Resources Berhad ("TSHR"), a major shareholder. Datuk (Dr.) Kelvin Tan Aik Pen is a director of TSHB. Mr Lim Fook Hin is a director of TSHR.	Supply of ramets seedlings	5,481,911
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	400,652

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.

INTERNAL CONTROL STATEMENT

The Malaysian Code of Corporate Governance requires listed companies to maintain a sound system of Internal Controls to safeguard shareholders' investment and the companies' assets.

The Board of Director is pleased to provide the following statement of internal control which outlines the natures and scope of 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 shareholder performs 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;
- Strategic planning on business operation.

AUDIT COMMITTEE REPORT

Members

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

Term of Reference of the Audit Committee

Objective

The primary objectives of the Audit Committee Meetings 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 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 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 Malaysia.

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 7 days' notice in writing is required for convening the meeting which shall be held at any place as maybe determined by the Audit Committee.

AUDIT COMMITTEE REPORT
[CONT'D]

Votes Of Members

Questions arising at the Committee meeting shall be decided by a simple majority of votes. Where 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 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 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 31st December 2010. The details of attendance of the Committee members are as follows:-

Name of Committee Member	23/02/10	24/05/10	23/08/10	10/11/10	Attended total
Datuk Hj. Majin Hj. Ajing	✓	✓	✓	✓	4/4
Datuk Jaswant Singh Kler	✓	x	✓	✓	3/4
Datuk Hajah Mary @ Mariati Robert	✓	✓	✓	✓	4/4
Puan Ainahwati Binti Abd Sani	✓	✓	✓	x	3/4

Functions

The Audit Committee shall discharge the following functions:-

(1) Review the following and report the same to the Board of Directors of the Company:-

a) with the external auditor, the audit plan;
b) with the external auditor, his evaluation of the system of internal controls;
c) with the external auditor, his audit report;
d) the assistance given by the employees of the Company to the external auditor;
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 recommendation of the internal audit function ;
g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors focusing particularly on:-
i. changes in or implementation of major accounting policy changes;
ii. significant and unusual events; and
iii. compliance with accounting standards and other legal requirements;
h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that arises questions of management integrity;
i) any letter of resignation from the external auditors of the Company;
j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

AUDIT COMMITTEE REPORT
[CONT'D]

(2) Recommend the nomination of a person or persons as external auditors.

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 31st December 2010 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.

(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 Return.

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

Internal Audit Function

The Group's major shareholder performed internal audit function on the Group, at no fee imposed. 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 know 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 Malaysia 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 2010 set out on pages 32 to 86 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 subsidiary 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 is released to the Bursa Malaysia in a timely manner in order to keep our investing public informed of the Group's latest development.

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 2010.

Principal activities

The principal activities of the Company are investment holding and provision of management services to subsidiary. The principal activities of the subsidiary are those of log extraction contractor and operation of oil palm plantations.

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	7,133,071	18,691,820

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 Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature. Other than the effects arising from the changes in accounting policies due to the adoption of FRS 139 Financial Instruments: Recognition and Measurement which has resulted in an increase in the Group's and Company's profit net of tax by RM1,690,285 as disclosed in Note 2.2(d) to the financial statements.

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 Haji Majin Haji Ajing
Datuk (Dr.) Kelvin Tan Aik Pen
Datuk Sam Mannan @ Sham Mannan
Datuk Hajah Mary @ Mariati Robert
Datuk Jaswant Singh Kler
Tuan Haji Othman bin Walat
Lim Fook Hin
Ainahwati binti Abdul Sani (F)
John Nip Wing Hon (Appointed on 15 July 2010)

Alternate director

Rosely Bin Kusip (Alternate to Lim Fook Hin)

DIRECTORS' REPORT (CONT'D.)

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				
	At date of appointment/ 1.1.2010	**Acquired**	**Sold**	**31.12.2010**
Direct interest:				
Datuk Hajah Mary				
@ Mariati Robert	3,000	-	-	3,000
John Nip Wing Hon	5,805,600	-	-	5,805,600

Number of options over ordinary shares of RM1 each				
	1.1.2010	**Granted**	**Exercised**	**31.12.2010**
Datuk (Dr.) Kelvin Tan Aik Pen	-	800,000	-	800,000
Lim Fook Hin	-	475,000	-	475,000
Datuk Haji Majin Haji Ajing	-	500,000	-	500,000
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

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.

DIRECTORS' REPORT (CONT'D.)

Share capital

(a) Capital Reconstruction

On 22 March 2010, the High Court of Sabah and Sarawak had confirmed and sanctioned the Company's Petition for an order for reduction of the Company's share capital pursuant to Section 64 of the Companies Act, 1965, in respect of the Proposed Capital Reconstruction.

On 12 April 2010, the existing issued and paid-up share capital of the Company of RM112,500,000 comprising 112,500,000 ordinary shares of RM1 each was reduced to RM56,250,000 comprising 112,500,000 ordinary shares of RM0.50 each by the cancellation of RM0.50 of the par value of each existing ordinary share of the Company. Subsequent to that, the entire paid-up share capital of 112,500,000 ordinary shares of RM0.50 each were consolidated into 56,250,000 ordinary shares of RM1 each.

(b) Paid-up Share Capital

Subsequent to the Capital Reconstruction Exercise, the issued and paid-up ordinary share capital of the Company was increased from RM56,250,000 to RM188,611,300 by way of the issuance of 132,361,300 ordinary shares of RM1 each at RM1 each for cash pursuant to the Rights Issue Exercise for working capital purposes.

The new ordinary shares rank pari passu in all respects with existing shares of the Company.

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 24 to the financial statements.

During the financial year, the Company granted 3,511,000 share options under the ESOS at an exercise price of RM1.00. These options expire on 25 May 2021.

DIRECTORS' REPORT (CONT'D.)

Employee share option plans (cont'd.)

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 100,000 ordinary shares of RM1 each. The names of option holders granted options to subscribe for 100,000 or more ordinary shares of RM1 each during the financial year are as follows:

				Number of share options		
Name	**Grant Date**	**Expiry Date**	**Exercise Price**	**Granted**	**Exercised**	**31.12.2010**
Shridharan Manickam	25.05.2010	25.05.2021	1.00	130,000	–	130,000
Shanmugam AE Cumaraswamy	25.05.2010	25.05.2021	1.00	162,000	–	162,000
Mohd Daud Tampokong	25.05.2010	25.05.2021	1.00	175,000	–	175,000
Saharuddin Bin Salleh	25.05.2010	25.05.2021	1.00	175,000	–	175,000

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 values 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.

DIRECTORS' REPORT (CONT'D.)

Other statutory information (cont'd.)

(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.

(e) As 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.

Significant events

Details of the significant events are disclosed in Note 31 to the financial statements.

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.

Datuk (Dr.) Kelvin Tan Aik Pen

Lim Fook Hin

20th April 2011

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 32 to 86 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 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 33 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.

Datuk (Dr.) Kelvin Tan Aik Pen

Lim Fook Hin

20th April 2011

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 32 to 86 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 20th April 2011

Lim Fook Hin

Before me,

INDEPENDENT AUDITORS' REPORT
to the members of Innoprise Plantations Berhad

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 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and cash flow statements 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 32 to 86.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 and fair presentation of the financial statements 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.

INDEPENDENT AUDITORS' REPORT
to the members of Innoprise Plantations Berhad (cont'd.)

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 2010 and of their 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 subsidiary have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the finan cial 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 subsidiary were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
to the members of Innoprise Plantations Berhad (cont'd.)

Other matters

The supplementary information set out in Note 33 on page 86 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

Chin Mui Khiong Peter
1881/03/12(J)
Chartered Accountant

Tawau, Malaysia
20th April 2011

INCOME STATEMENTS
For the financial year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Revenue	3	27,690,231	28,245,940	360,000	360,000
Cost of sales	4	(18,583,448)	(19,033,107)	-	-
Gross profit		9,106,783	9,212,833	360,000	360,000
Other income	5	2,426,197	589,086	19,190,780	118,396
Administrative expenses		(2,195,436)	(2,004,977)	(858,960)	(508,280)
Profit/(loss) before tax	6	9,337,544	7,796,942	18,691,820	(29,884)
Income tax expense	9	(2,204,473)	(969,876)	-	(1,711)
Profit/(loss) net of tax		7,133,071	6,827,066	18,691,820	(31,595)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		7,133,071	6,827,066	18,691,820	(31,595)

Earnings per share attributable to owners of the parent (sen):	Note	2010	2009
Basic	10	4.64	6.07
Diluted	10	4.58	-

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS
as at 31 December 2010

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
Assets					
Non-current assets					
Property, plant and equipment	11	35,163,464	26,367,345	186,535	13,658
Biological assets	12	86,178,992	56,612,680	-	-
Investment in subsidiary	13	-	-	91,148,092	46,000,000
		121,342,456	82,980,025	91,334,627	46,013,658
Current assets					
Inventories	14	9,891,880	5,450,095	-	-
Trade and other receivables	15	2,161,954	2,676,121	6,580,986	4,786,263
Investment securities	16	96,626,674	-	96,626,674	-
Tax refundable		-	81,938	-	81,938
Cash and bank balances	17	136,275	527,824	122,977	550
		108,816,783	8,735,978	103,330,637	4,868,751
Total assets		230,159,239	91,716,003	194,665,264	50,882,409
Equity and liabilities					
Current liabilities					
Borrowing	18	171,130	7,188,487	-	7,188,487
Trade and other payables	19	15,497,070	11,513,337	194,448	54,242
		15,668,200	18,701,824	194,448	7,242,729
Net current assets/(liabilities)		93,148,583	(9,965,846)	103,136,189	(2,373,978)
Non-current liabilities					
Deferred tax liabilities	20	9,388,833	7,184,360	-	-
Total liabilities		25,057,033	25,886,184	194,448	7,242,729
Net assets		205,102,206	65,829,819	194,470,816	43,639,680

BALANCE SHEETS (CONT'D.)
as at 31 December 2010

		Group		Company	
	Note	**2010 RM**	**2009 RM**	**2010 RM**	**2009 RM**
Equity attributable to owners of the parent					
Share capital	21	188,611,300	112,500,000	188,611,300	112,500,000
Other reserves	22	490,058	-	490,058	-
Retained earnings/ (accumulated losses)	23	16,000,848	(46,670,181)	5,369,458	(68,860,320)
Total equity		205,102,206	65,829,819	194,470,816	43,639,680
Total equity and liabilities		230,159,239	91,716,003	194,665,264	50,882,409

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2010

		Attributable to equity holders of the Company			
		Non-distributable		Distributable	
	Note	Share capital RM	Other reserve RM	Retained earnings/ (accumulated losses) RM	Total Equity RM
Group					
At 1 January 2009		112,500,000	-	(53,497,247)	59,002,753
Profit for the year, representing total recognised income and expense for the year		-	-	6,827,066	6,827,066
At 31 December 2009		112,500,000	-	(46,670,181)	65,829,819
At 1 January 2010		112,500,000	-	(46,670,181)	65,829,819
Profit for the year, representing total recognised income and expense for the year		-	-	7,133,071	7,133,071
Capital reconstruction	21	(56,250,000)	-	56,250,000	-
Issue of ordinary shares	21	132,361,300	-	-	132,361,300
Right issue expenses		-	-	(712,042)	(712,042)
Share options granted under ESOS:					
Recognised in income statement		-	341,966	-	341,966
Included in investments in subsidiary		-	148,092	-	148,092
At 31 December 2010		188,611,300	490,058	16,000,848	205,102,206

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2010 (cont'd.)

		Attributable to equity holders of the Company			
		Non-distributable		Distributable	
	Note	Share capital RM	Other reserve RM	Retained earnings/ (accumulated losses) RM	Total Equity RM
Company					
At 1 January 2009		112,500,000	-	(68,828,725)	43,671,275
Loss for the year, representing total recognised income and expense for the year		-	-	(31,595)	(31,595)
At 31 December 2009		112,500,000	-	(68,860,320)	43,639,680
At 1 January 2010		112,500,000		(68,860,320)	43,639,680
Profit for the year, representing total recognised income and expense for the year		-	-	18,691,820	18,691,820
Capital reconstruction	21	(56,250,000)	-	56,250,000	-
Issue of ordinary shares	21	132,361,300	-	-	132,361,300
Right issue expenses		-	-	(712,042)	(712,042)
Share options granted under ESOS:					
Recognised in income statement		-	341,966	-	341,966
Included in investments in subsidiary		-	148,092	-	148,092
At 31 December 2010		**188,611,300**	**490,058**	**5,369,458**	**194,470,816**

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

For the year ended 31 December 2010

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Cash flow from operating activities				
Profit/(loss) before tax	**9,337,544**	**7,796,942**	**18,691,820**	**(29,884)**
Adjustments for:				
Depreciation of property, plant and equipment	80,617	91,888	6,696	6,696
Dividend income	(433,200)	(113,478)	(17,433,200)	(113,478)
Interest income	(116,233)	(25,446)	(67,295)	(4,918)
Share options granted under ESOS	341,966	-	341,966	-
Net fair value gain on held for trading investment securities	(1,690,285)	-	(1,690,285)	-
Operating profit/(loss) before working capital changes	7,520,409	7,749,906	(150,298)	(141,584)
(Increase)/decrease in inventories	(4,441,785)	2,205,429	-	-
Decrease/(increase) in receivables	514,167	2,759,196	304,743	(289,811)
Increase/(decrease) in payables	4,131,825	5,206,190	140,206	(2,718)
(Increase)/decrease in amount due from subsidiary	-	-	14,900,534	11,216,417
Cash generated from operations	7,724,616	17,920,721	15,195,185	10,782,304
Income tax paid	(1,229)	(54,583)	(1,229)	(5,000)
Income tax refunded	83,167	658,422	83,167	-
Net cash generated from operating activities	7,806,554	18,524,560	15,277,123	10,777,304
Cash flow from investing activities				
Purchase of property, plant and equipment	(11,250,595)	(12,856,119)	(179,573)	-
Plantation development expenditure	(27,192,453)	(25,683,357)	-	-
(Purchase)/disposal of short term investments	(94,936,389)	5,910,839	(94,936,389)	5,910,839
Additional investment in subsidiary		-	(45,000,000)	(25,000,000)
Interest received	116,233	25,446	67,295	4,918
Dividend received	433,200	113,478	433,200	113,478
Net cash used in investing activities	(132,830,004)	(32,489,713)	(139,615,467)	(18,970,765)

CASH FLOW STATEMENTS (CONT'D.)
For the year ended 31 December 2010

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash flow from financing activity				
Rights issue expense	(712,042)	-	(712,042)	-
Proceeds from issuance of ordinary share capital	132,361,300	-	132,361,300	-
Net cash generated from financing activity	131,649,258	-	131,649,258	-
Net increase/(decrease) in cash and cash equivalents	6,625,808	(13,965,153)	7,310,914	(8,193,461)
Cash and cash equivalents at beginning of year	(6,660,663)	7,304,490	(7,187,937)	1,005,524
Cash and cash equivalents at end of year (note 17)	(34,855)	(6,660,663)	122,977	(7,187,937)

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board 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 subsidiary. The principal activities of the subsidiary are those of log extraction contractor and operation of oil palm plantations. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20th April 2011.

2. 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 and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and the Company have also been prepared on a historical basis and 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 2010, 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 2010.

- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

FRS 4 *Insurance Contracts* and *TR i-3 Presentation of Financial Statements of Islamic Financial Institutions* will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

(a) FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

(b) FRS 8 Operating Segments

FRS 8, which replaces FRS 114 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(c) FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company has elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 29).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

(d) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below.

<u>Equity Instruments</u>
Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for trading purposes as marketable securities. Such investments were carried at the lower of cost and market value, determined on an aggregate basis. Upon the adoption of FRS 139, these investments are designated as financial assets at fair value through profit or loss. The adoption of FRS 139 has no effect to the opening balance of retained earnings as at 1 January 2010.

The following are effects arising from adoption of FRS 139:

	Increase As at 31 December 2010 RM Statements of financial position
Group and Company	
Investment securities	1,690,285
Retained earnings	1,690,286
	===========
Earnings per shares:	
Basis	1.10
Diluted	1.087
	=========

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 132: Financial Instruments: Presentation (paragraphs 11, 16 and 97E relating to classification of Right Issues)	1 March 2010
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3: Business Combinations (revised)	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127: Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010

2.3 Standards issued but not yet effective (cont'd.)

Description	Effective for annual periods beginning on or after
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 15: Agreements for the Construction of Real Estate	30 August 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Group Cash - Settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4 : Determining whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 18: Transfer of Assets from Customers	1 January 2011
Technical Release 3: Guidance on Disclosures of Transition to IRFSs	1 January 2011
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirements	1 July 2011
IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 15: Agreements for the Construction of Real Estate	1 January 2012
Amendments to FRS 124: Related Party Disclosure	1 January 2012

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

The Malaysian Accounting Standards Board also issued "Improvements to FRSs (2010)" which contain amendments to eleven FRSs and are effective for financial periods beginning on or after 1 January 2011.

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

Revised FRS 3 *Business Combinations and Amendments* to FRS 127 *Consolidated and Separate Financial Statements*

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 *Statement of Cash Flows*, FRS 112 *Income Taxes*, FRS 121 *The Effects of Changes in Foreign Exchange Rates*, FRS 128 *Investments in Associates* and FRS 131 *Interests in Joint Ventures*. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. 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.

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

Acquisitions of subsidiaries are accounted for by applying the purchase 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. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 4.10. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are 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.

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.

2.5 Transactions with minority interests

Minority interests 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 minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, 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 minority interests is recognised directly in equity

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

2. Summary of significant accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

2. Summary of significant accounting policies (continued)

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 20%
- Plantation infrastructure 3.3%
- Plant and machinery 20%
- Motor vehicles 20%
- Equipment, furniture and fittings 10% - 20%

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

2. Summary of significant accounting policies (continued)

2.8 Oil palm plantations

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

Oil palm plantations are not amortised. 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.

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 revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

2. Summary of significant accounting policies (continued)

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 where as 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

d) Available-for-sale financial assets (continued)

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 where 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 market place 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.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

2. Summary of significant accounting policies (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

2. Summary of significant accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

2. Summary of significant accounting policies (continued)

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 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.19 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

2. Summary of significant accounting policies (continued)

2.20 Leases

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

2. Summary of significant accounting policies (continued)

2.21 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

2. Summary of significant accounting policies (continued)

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

2. Summary of significant accounting policies (continued)

2.22 Income taxes (continued)

b) Deferred tax (cont'd.)

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.

2.23 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.

2.24 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.

2.25 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 event(s) not wholly within the control of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

2. Summary of significant accounting policies (continued)

2.26 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 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 15.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

2. Summary of significant accounting policies (continued)

2.26 Significant accounting estimates (cont'd.)

Key sources of estimation uncertainty (cont'd.)

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 depends 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 2010 was RM20,827,278 (2009: RM12,998,047) and recognised tax losses at 31 December 2010 was RM6,943,689 (2009: RM3,422,958) and the unrecognised tax losses at 31 December 2010 was RM3,689,676 (2009: RM3,857,426).

c) Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions, sensitivity analysis and the carrying amounts are disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

3. Revenue

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Management fees from subsidiary	-	-	360,000	360,000
Log extraction contract fees	25,116,775	26,227,001	-	-
Log salvaging income	420,960	2,018,939	-	-
Sales of oil palm fresh fruit bunches	2,152,496	-	-	-
	27,690,231	28,245,940	360,000	360,000

4. Cost of sales

Contract fees	17,954,563	19,033,107	-	-
Cost of fresh fruit bunches sold	628,885	-	-	-
	18,583,448	19,033,107	-	-

5. Other income

Interest income	116,233	25,446	67,295	4,918
Dividend income	433,200	113,478	17,433,200	113,478
Rental income	-	2,102	-	-
Miscellaneous	186,479	448,060	-	-
Net fair value gain on financial instruments (Held for trading investment securities)	1,690,285	-	1,690,285	-
	2,426,197	589,086	19,190,780	118,396

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

6. Profit/(loss) before tax

The following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Employee benefits expense (Note 7)	635,453	674,499	341,966	-
Non-executive directors' remuneration (Note 8)	299,097	288,000	155,097	144,000
Auditors' remuneration:				
- Statutory audits	38,000	38,000	23,000	23,000
- Other services	2,800	10,500	2,800	2,500
Depreciation of property, plant and equipment (Note 11)	80,617	91,888	6,696	6,696
Rental of premises	114,750	117,600	42,750	45,600

7. Employee benefits expense

Wages and salaries	4,281,702	3,092,513	-	-
Contributions to defined contribution plan	377,514	296,581	-	-
Other benefits	35,823	23,743	-	-
Social security contributions	31,019	43,219	-	-
Share options granted under ESOS	341,966	-	341,966	-
	5,068,024	3,456,056	341,966	-
Less: Amount capitalised in plantation development expenditure	(4,432,571)	(2,781,557)	-	-
	635,453	674,499	341,966	-

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM254,000 (2009: RM201,600) as further disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

8. Directors' remuneration

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Executive directors' remuneration (Note 7):				
- Salaries and other emoluments	254,000	201,600	-	-
- Share option granted under ESOS	177,962	-	177,962	-
	431,962	201,600	177,962	-
Non-executive directors' remuneration (Note 6):				
- Fees	299,097	288,000	155,097	144,000
- Share option granted under ESOS	212,856	-	164,004	-
	511,953	288,000	319,101	144,000
Total directors' remuneration	943,915	489,600	497,063	144,000

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Executive:				
- Salaries and other emoluments	224,000	201,600	-	-
- Share option granted under ESOS	177,962	-	177,962	-
	401,962	201,600	177,962	-
Non-executive:				
- Fees	275,097	264,000	155,097	144,000
- Share option granted under ESOS	164,004	-	164,004	-
	439,101	264,000	319,101	144,000
Total directors' remuneration	841,063	465,600	497,063	144,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

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 2010	2009
Executive directors:		
RM50,001 – RM100,000	-	1
RM100,001 – RM150,000	-	1
RM150,001 and above	2	-
Non-executive directors:		
RM50,000 and below	3	5
RM50,001 – RM100,000	3	-
RM100,001 and above	1	-

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current income tax:				
Provision for the year	-	1,229	-	1,229
(Over)/underprovision in prior years	-	(1,056,819)	-	482
	-	(1,055,590)	-	1,711
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences	2,059,978	2,078,990	-	-
Under/(over)provision in prior years	144,495	(53,524)	-	-
	2,204,473	2,025,466	-	-
Income tax expense recognised in profit or loss	2,204,473	969,876	-	1,711

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

9. Income tax expense (cont'd.)

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 2010 and 2009 are as follows:

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Profit/(loss) before tax	9,337,544	7,796,942	18,691,820	(29,884)
Tax at Malaysian statutory tax rate of 25% (2009: 25%)	2,334,386	1,949,236	4,672,955	(7,471)
Adjustments:				
Income not subject to tax	(457,695)	-	(4,797,695)	-
Effect of expenses not deductible for tax purposes	270,211	144,864	211,664	22,581
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(86,924)	(59,068)	(86,924)	(59,068)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	-	45,187	-	45,187
(Over)/underprovision of income tax in prior years	-	(1,056,819)	-	482
Under/(over)provision of deferred tax in prior years	144,495	(53,524)	-	-
Income tax expense recognised in profit or loss	2,204,473	969,876	-	1,711

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Tax savings during the financial year arising from:				
Utilisation of previously unrecognised tax losses	167,750	-	167,750	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

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.

During the year, the Company completed its Capital Reconstruction Exercise by cancelling RM0.50 of the par value of the existing 112,500,000 ordinary shares of RM1.00 each, after which, the resulting 112,500,000 shares of RM0.50 each were consolidated into 56,250,000 shares of RM1.00 each.

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	
	2010 RM	**2009 RM**
Profit net of tax attributable to owners of the parent used in the computation of basic earnings per share	7,133,071	6,827,066
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for basic earnings per share computation	153,435,053	112,500,000
Effects of dilution:		
- Share options	2,072,822	-
Weighted average number of ordinary shares for diluted earnings per share computation	155,507,875	112,500,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

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 2010							
Cost							
At 1 January 2010	7,714,265	13,402,286	4,113,858	614,508	1,549,423	1,959,302	29,353,642
Additions	571,964	4,821,628	2,507,633	273,053	998,342	2,077,975	11,250,595
Reclassifications	3,716,227	-	1,634,150	-	(1,706,850)	(3,643,527)	-
At 31 December 2010	12,002,456	18,223,914	8,255,641	887,561	840,915	393,750	40,604,237
Accumulated depreciation							
At 1 January 2010	1,003,182	-	1,371,336	344,265	267,514	-	2,986,297
Depreciation charge for the year	968,694	-	1,148,437	92,123	245,222	-	2,454,476
Recognised in income statement (Note 6)	-	-	42,999	37,618	-	-	80,617
Capitalised in biological assets (Note 12)	968,694	-	1,105,438	54,505	245,222	-	2,373,859
Reclassifications	19,248	-	230,450	-	(249,698)	-	-
At 31 December 2010	1,991,124	-	2,750,223	436,388	263,038	-	5,440,773
Net carrying amount							
At 31 December 2010	10,011,332	18,223,914	5,505,418	451,173	577,877	393,750	35,163,464

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

11. **Property, plant and equipment (cont'd.)**

	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 (cont'd.)							
At 31 December 2009							
Cost							
At 1 January 2009	1,937,654	8,442,404	2,829,358	509,974	689,360	2,088,773	16,497,523
Additions	366,289	4,959,882	1,284,500	104,534	860,063	5,280,851	12,856,119
Reclassifications	5,410,322	-	-	-	-	(5,410,322)	-
At 31 December 2009	7,714,265	13,402,286	4,113,858	614,508	1,549,423	1,959,302	29,353,642
Accumulated depreciation							
At 1 January 2009	200,022	-	789,067	238,635	47,189	-	1,274,913
Depreciation charge for the year	803,160	-	582,269	105,630	220,325	-	1,711,384
Recognised in income statement (Note 6)	-	-	51,600	40,288	-	-	91,888
Capitalised in biological assets (Note 12)	803,160	-	530,669	65,342	220,325	-	1,619,496
At 31 December 2009	1,003,182	-	1,371,336	344,265	267,514	-	2,986,297
Net carrying amount							
At 31 December 2009	6,711,083	13,402,286	2,742,522	270,243	1,281,909	1,959,302	26,367,345

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

11. Property, plant and equipment (cont'd.)

	Motor vehicles RM	Equipment, furniture and fittings RM	Total RM
Company			
At 31 December 2010			
Cost			
At 1 January 2010	153,062	159,939	313,001
Addition	174,543	5,030	179,573
At 31 December 2010	327,605	164,969	492,574
Accumulated depreciation			
At 1 January 2010	153,060	146,283	299,343
Depreciation charge for the year (Note 6)	-	6,696	6,696
At 31 December 2010	153,060	152,979	306,039
Net carrying amount			
At 31 December 2010	174,545	11,990	186,535
At 31 December 2009			
Cost			
At 1 January 2009	153,062	159,939	313,001
At 31 December 2009	153,062	159,939	313,001
Accumulated depreciation			
At 1 January 2009	153,060	139,587	292,647
Depreciation charge for the year (Note 6)	-	6,696	6,696
At 31 December 2009	153,060	146,283	299,343
Net carrying amount			
At 31 December 2009	2	13,656	13,658

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

12. Biological assets

	Group	
	2010	**2009**
	RM	**RM**
Plantation development expenditure:		
At 1 January	56,612,680	29,309,827
Additions during the year	29,566,312	27,302,853
At 31 December	86,178,992	56,612,680

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

	Group	
	2010	**2009**
	RM	**RM**
Depreciation (Note 11)	2,373,859	1,619,496
Employee benefits expenses	4,432,571	2,781,557
Interest expense	242,289	155,501

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 subsidiary

	Company	
	2010	**2009**
	RM	**RM**
Unquoted shares, at cost	91,148,092	46,000,000

Details of the subsidiary are as follows:

Name of subsidiary	**Country of incorporation**	**Principal activities**	**Proportion of ownership interest**	
			2010	**2009**
			%	**%**
Serijaya Industri Sdn. Bhd.	Malaysia	Log extraction contractor and operation of oil palm plantations	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

14. Inventories

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Cost				
Oil palm nursery	7,757,663	3,721,339	-	-
Stores and supplies	2,134,217	1,728,756	-	-
	9,891,880	5,450,095	-	-

There were no inventories stated at net realisable value as at 31 December 2010 (2009: nil).

15. Trade and other receivables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Trade receivables				
Related parties	356,457	-	--	
Other receivables				
Amount due from subsidiary	-	-	6,570,719	4,471,253
Deposits	173,099	169,899	7,074	7,074
Prepayments	129,674	40,133	-	-
Other receivables	1,502,724	2,466,089	3,193	307,936
	1,805,497	2,676,121	6,580,986	4,786,263
Total trade and other receivables	2,161,954	2,676,121	6,580,986	4,786,263
Add: Cash and bank balances	136,275	527,824	122,977	550
Total loans and receivables	2,298,229	3,203,945	6,703,963	4,786,813

(a) Trade receivables

Trade receivables represent amount due from companies related to Innoprise Corporation Sdn. Bhd., a major corporate shareholder of the Company.

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.

Trade receivables are neither past due nor impaired.

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

(b) Amount due from subsidiary

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

16. Investment securities

	Group			
	2010 RM		2009 RM	
	Carrying amount	Market value of quote investment	Carrying amount	Market value of quote investment
Held for trading investment				
- Equity instruments (quoted in Malaysia)	96,626,674	96,626,674	-	-

	Company			
	2010 RM		2009 RM	
	Carrying amount	Market value of quote investment	Carrying amount	Market value of quote investment
Held for trading investment				
- Equity instruments (quoted in Malaysia)	96,626,674	96,626,674	-	-

17. Cash and cash equivalents

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash on hand and at bank	136,275	527,824	122,977	550

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash and bank balances	136,275	527,824	122,977	550
Bank overdraft (Note 18)	(171,130)	(7,188,487)	-	(7,188,487)
Cash and cash equivalents	(34,855)	(6,660,663)	122,977	(7,187,937)

18. Borrowing

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
Unsecured				
Bank overdraft (Note 17)	171,130	7,188,487	-	7,188,487

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

19. Trade and other payables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade payables				
Third parties	11,438,686	7,950,850	-	-
Related parties	2,026,944	405,436	-	-
	13,465,630	8,356,286	-	-
Other payables				
Accruals	867,890	653,536	192,055	54,242
Sundry payables	1,163,550	2,503,515	2,393	-
	2,031,440	3,157,051	194,448	54,242
Total trade and other payables	15,497,070	11,513,337	194,448	54,242
Add: Borrowing	171,130	7,188,487	-	7,188,487
Total financial liabilities carried at amortised cost	15,668,200	18,701,824	194,448	7,242,729

(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.

Included in amounts due to related parties are amounts due to:

	2010 RM	2009 RM
A company related to Innoprise Corporation Sdn. Bhd.	199,927	149,927
A company related to TSH Resources Berhad	1,371,084	255,508
Asiatic Lumber Industries Sdn. Bhd., a company in which a director of the Company has interest	455,933	-
	2,026,944	405,436

(b) Sundry payables

These amounts are non-interest bearing.

Included in other payables is an amount of RM29,522 (2009: RM48,248) due to TSH Resources Berhad, a corporate shareholder of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

20. Deferred tax

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1 January	7,184,360	5,158,894	-	-
Recognised in income statement (Note 9)	2,204,473	2,025,466	-	-
At 31 December	9,388,833	7,184,360	-	-
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	9,388,833	7,184,360	-	-

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Biological assets RM	Property, plant and equipment RM	Total RM
At 1 January 2010	15,479,422	664,009	16,143,431
Recognised in income statement	9,715,740	667,264	10,383,004
At 31 December 2010	25,195,162	1,331,273	26,526,435
At 1 January 2009	6,816,376	309,962	7,126,338
Recognised in income statement	8,663,046	354,047	9,017,093
At 31 December 2009	15,479,422	664,009	16,143,431

Deferred tax assets of the Group:

	Tax losses and unabsorbed agriculture allowances RM
At 1 January 2010	(8,959,071)
Recognised in income statement	(8,178,531)
At 31 December 2010	(17,137,602)
At 1 January 2009	(1,967,444)
Recognised in income statement	(6,991,627)
At 31 December 2009	(8,959,071)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

20. Deferred tax (cont'd.)

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Unused tax losses	3,689,676	3,857,426	3,689,676	3,857,426
Unabsorbed capital allowances	-	180,750	-	180,750
	3,689,676	4,038,176	3,689,676	4,038,176

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.

21. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2010 RM	2009 RM	2010 RM	2009 RM
Authorised				
At 1 January	500,000,000	200,000,000	500,000,000	200,000,000
Created during the year	-	300,000,000	-	300,000,000
At 31 December	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid				
At 1 January	112,500,000	112,500,000	112,500,000	112,500,000
Share capital reduction and consolidation	(56,250,000)	-	(56,250,000)	-
Issued during the year	132,361,300	-	132,361,300	-
At 31 December	188,611,300	112,500,000	188,611,300	112,500,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

21. Share capital (cont'd.)

(a) Capital Reconstruction

On 12 April 2010, pursuant to the Capital Reconstruction Exercise, the existing issued and paid-up share capital of the Company of RM112,500,000 comprising 112,500,000 ordinary shares of RM1 each was reduced to RM56,250,000 comprising 112,500,000 ordinary shares of RM0.50 each by the cancellation of RM0.50 of the par value of each existing ordinary share of the Company. Subsequent to that, the entire paid-up share capital of 112,500,000 ordinary shares of RM0.50 each were consolidated into 56,250,000 ordinary shares of RM1 each.

(b) Paid-up Share Capital

Subsequent to the Capital Reconstruction Exercise, the issued and paid-up ordinary share capital of the Company was increased from RM56,250,000 to RM188,611,300 by way of the issuance of 132,361,300 ordinary shares of RM1 each at RM1 each for cash pursuant to the Rights Issue Exercise for working capital purposes.

The new ordinary shares rank pari passu in all respects with existing shares of the Company.

22. Other reserve

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Non-distributable				
Employee share option reserve	490,058	-	341,966	-

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

23. Retained earnings

Prior to the year of assessment 2009, 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 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 2010, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM2,831,267 out of its retained earnings. If the balance of the retained earnings of RM2,538,191 were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

24. Employee benefits

Employee share option plans

Executive' Share Options Scheme ("ESOS")

The Innoprise Plantations Berhad Executive's 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

24. Employee benefits

The salient features of the ESOS are as follows: (cont'd.)

(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.

Movement of share options during the financial year

- The weighted average fair value of options granted during the financial year was RM0.30.
- The range of exercise price for options outstanding at the end of the year was RM1.00. The weighted average remaining contractual life for these options is 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 2010:

	2010
Dividend yield (%)	5.00
Expected volatility (%)	49.00
Risk-free interest rate (% p.a.)	2.00
Expected life of option (years)	7.90
Weighted average share price (RM)	1.00

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

25. Capital commitments

	Group 2010 RM	Group 2009 RM
Capital expenditure (oil palm plantations development):		
Approved and contracted for	4,146,000	9,430,000
Approved but not contracted for	66,870,000	60,611,000
	71,016,000	70,041,000

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:

	2010 RM	2009 RM
Group		
Trade transactions		
Transaction with a related party:		
Log extraction contract fee income from Rakyat Berjaya Sdn. Bhd.+	25,116,774	26,227,001
Sale of oil palm seedlings to Benta Wawasan Sdn. Bhd.+	-	(2,057,541)
Purchase of oil palm seedlings from TSH Biotech Sdn. Bhd.,++	5,481,911	377,850
Rental paid to TSH Resources Bhd.,*	72,000	72,000
Sale of oil palm fresh fruit bunches to Sabah Softwood Sdn. Bhd.+	400,652	-
Sale of oil palm fresh fruit bunches to Regional Harvest Sdn. Bhd.+	1,751,844	-
Log extraction fee paid to Asiatic Lumber Industries Sdn. Bhd., a company in which a director of the Company has interest	5,622,539	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

26. Related party transactions (cont'd.))

(a) Sale and purchase of goods and services (cont'd.)

	2010 RM	2009 RM
Company		
Trade transaction		
Management fees 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 2010 are disclosed in Note 15 and 19.

(b) Compensation of key management personnel

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term employee benefits	553,097	489,600	155,097	144,000
Share-based payments	390,818	-	341,966	-
	943,915	489,600	497,063	144,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

27. Fair value of financial instruments

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	19

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, interest rate risk and foreign currency 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

28. Financial risk management objectives and policies

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

28. Financial risk management objectives and policies (cont'd.)

(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 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents.

		Group		Company	
	Note	**2010 RM**	**2009 RM**	**2010 RM**	**2009 RM**
Loans and borrowings	18	171,130	7,188,487	-	7,188,487
Trade and other payables	19	15,497,070	11,513,337	194,418	54,242
Less:Cash on hand and at bank	17	(136,275)	(527,824)	(122,977)	(550)
Net debt		15,531,925	18,174,000	71,441	7,242,179
Capital:					
Equity attributable to owners of the parent		205,102,206	65,829,819	194,470,816	43,639,680
Capital and net debt		220,634,131	84,003,819	194,542,257	50,881,859
Gearing ratio		7.04%	21.6%	0.04%	14.23%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 December 2010

30. Segment information (cont'd)

	Plantation		Timber		Corporate		Adjustment and elimination		Note	Per consolidated financial statements	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM		2010 RM	2009 RM
Revenue:											
External customers	2,152,496	-	25,537,735	28,245,940	-	-				27,690,231	28,245,940
Results:											
Interest income	-	-	-	-	116,233	25,446				116,233	25,446
Depreciation and amortisation	-	-	80,617	91,888	-	-				80,617	91,888
Dividend income	-	-	-	-	433,200	113,478				433,200	113,478
Fair value gain on investment	-	-	-	-	1,690,285	-	-	-		1,690,285	-
Other non-cash expenses	-	-	-	-	341,966	-			A	341,966	-
Segment profit	187,135	-	7,769,651	8,166,298	2,239,718	138,924	(858,960)	(508,280)	B	9,337,544	7,796,942
Assets:											
Additions to non-current assets	40,816,907	40,158,972	-	-	94,936,389	-	-	-	C	135,753,296	40,158,972
Segment assets	133,532,565	91,716,003	-	-	96,626,674	-	-	-		230,159,239	91,716,003
Segment liabilities	15,041,137	11,042,204	455,933	471,133	-	-	9,559,963	14,372,847	D	25,057,033	25,886,184

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

30. Segment information (cont'd.)

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:

	2010 RM	2009 RM
Share-based payments	341,966	-

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

	2010 RM	2009 RM
Unallocated corporate expenses	(858,960)	(508,280)

C. Additions to non-current assets consist of:

	2010 RM	2009 RM
Property, plant and equipment	11,250,595	13,856,119
Biological assets	29,566,312	27,302,853
Investment securities	94,936,389	-
	135,753,296	40,158,972

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

	2010 RM	2009 RM
Deferred tax liabilities	9,388,833	7,184,360
Loans and borrowings	171,130	7,188,487
	9,559,963	14,372,847

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
31 December 2010

31. Significant Events

(a) On 22 March 2010, the High Court of Sabah and Sarawak had confirmed and sanctioned the Company's Petition for an order for reduction of the Company's share capital pursuant to Section 64 of the Companies Act, 1965, in respect of the Proposed Capital Reconstruction.

On 12 April 2010, the existing issued and paid-up share capital of the Company of RM112,500,000 comprising 112,500,000 ordinary shares of RM1 each was reduced to RM56,250,000 comprising 112,500,000 ordinary shares of RM0.50 each by the cancellation of RM0.50 of the par value of each existing ordinary share of the Company. Subsequent to that, the entire paid-up share capital of 112,500,000 ordinary shares of RM0.50 each were consolidated into 56,250,000 ordinary shares of RM1 each.

Subsequent to the Capital Reconstruction Exercise, the issued and paid-up ordinary share capital of the Company was increased from RM56,250,000 to RM188,611,300 by way of the issuance of 132,361,300 ordinary shares of RM1 each at RM1 each for cash pursuant to the Rights Issue Exercise for working capital purposes.

The new ordinary shares rank pari passu in all respects with existing shares of the Company.

(b) On 21 December 2010 the Company subscribed for 45,000,000 redeemable convertible non cumulative preference share of RM0.01 each at a premium of RM0.99 per share in its subsidiary company by way of capitalising part of the advances given to it.

32. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 20 April 2011.

33. 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 2010 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	25,147,396	3,679,173
- Unrealised	(7,698,548)	1,690,285
	17,440,848	5,369,458
Less: Consolidation adjustments	(1,440,000)	-
Retained earnings as per financial statements	16,000,848	5,369,458

SHAREHOLDING STRUCTURE
as at 31 March 2011

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 Holdings	%
1	-	99	22	0.49	750	0.01
100	-	1,000	3,081	69.02	1,963,900	1.04
1,001	-	10,000	1,200	26.88	3,770,700	2.00
10,001	-	100,000	121	2.71	3,288,500	1.74
100,001	-	9,430,564*	38	0.85	49,387,450	26.18
9,430,565 and above **			2	0.05	130,200,000	69.03
		TOTAL	4,464	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	Percentage
1.	Innoprise Corporation Sdn Bhd	88,175,763	46.75
2.	TSH Resources Berhad	42,024,237	22.28
3.	Innoprise Corporation Sdn Bhd	8,016,000	4.25
4.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Nip Wong Hin (E-KKU)	5,805,600	3.08
5.	Mutual Corridor Sdn Bhd	5,002,000	2.65
6.	Embun Yakin Sdn Bhd	4,235,100	2.25
7.	Kemudi Seraya Sdn Bhd	4,000,000	2.12
8.	Tunas Lestari SdnBhd	4,000,000	2.12
9.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ngai Chee Ping (009)	2,385,850	1.26
10.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Edwin Chok Ka How (E-KKU)	1,837,700	0.97
11.	HDM Nominees (Asing) Sdn Bhd DBS Vickers Secs (S) Pte Ltd For River Estates Incorporated	1,500,000	0.80
12.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yap Pak Leong	1,494,600	0.79
13.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Maurice Liew Teck Leong (E-KKU)	1,255,100	0.67
14.	Angeline Wong Yu Ching	1,100,000	0.58
15.	Wong Chai Hoon Nee Yap	1,000,000	0.53
16.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chua Thear Ho (CEB)	800,000	0.42
17.	Christopher Lim Foo Vui	640,200	0.34
18.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Pang Yok Chin (CEB)	619,500	0.33
19.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Salbiah Binti Shuib (MM0641)	600,000	0.32
20.	Chua Thear Ho	558,750	0.30

SHAREHOLDING STRUCTURE (CONT'D.)
as at 31 March 2011

List Of Top 30 Securities Account Holders (Cont'd)

No.	Name	Shareholdings	Percentage
21.	Embun Yakin Sdn Bhd	440,200	0.23
22.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Julie Mae Yeong (009)	438,600	0.23
23.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Julie Mae Yeong	347,950	0.18
24.	Ng Nyuk Me @ Ng Nyuk Fung	326,500	0.17
25.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohan A/L Ramalingam (8059306)	300,000	0.16
26.	Simfoni Bernas Sdn Bhd	300,000	0.16
27.	Mohd Fazli Bin Mazlan	269,350	0.14
28.	Ngai Chee Ping	230,250	0.12
29.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Han Siong (8055382)	225,950	0.12
30.	DB (Malaysia) Nominees (Asing) Sdn Bhd Exempt An For EFG Bank AG (A/C Client)	200,000	0.11
	TOTAL	**178,129,200**	**94.44**

Substantial Shareholdings

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

Directors' Shareholdings

According to the register to be kept under Section 134 of the Companies Act, 1965, the directors' shareholdings in the Company are as follows:

		No. of shares held			
No.	**Name**	**Direct**	**%**	**Indirect**	**%**
1.	Datuk Hajah Mary @ Mariati Robert	3,000	0.00	-	-
2.	Nip Wing Hon	5,805,600	3.08	-	-

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

NOTICE OF 17TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting of the Company will be held at Belian Room, 7th Floor, Promenade Hotel, Eastern Plaza, Mile 1, Jalan Kuhara, 91000 Tawau, Sabah, on Monday, 23 May 2011 at 11:30 am to transact the following business:

AGENDA

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2010 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' fees of RM155,097 for the financial year ended 31 December 2010. **Resolution 2**

3. To re-elect the following Directors retiring in accordance with Article 90 of the Company's Articles of Association:
   (a) Datuk Hajah Mary @ Mariati Robert; and **Resolution 3**
   (b) Datuk Sam Mannan @ Sham Mannan **Resolution 4**

4. To re-elect Mr Nip Wing Hon, a Director of the Company retiring in accordance with Article 97(1) 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 re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS

7. 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 8**

   "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."

NOTICE OF 17TH ANNUAL GENERAL MEETING (CONT'D.)

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

Ordinary Resolution

Proposed Shareholders' Mandate And Proposed Ratification For Recurrent Related Party Transactions Of A Revenue Or Trading Nature **Resolution 9**

" 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 the Shareholders dated 28 April 2011 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 a New Shareholders' Mandate be and is hereby granted for the Company and/or its subsidiary to enter into additional recurrent related party transactions, of a revenue or trading nature as set out in Section 2.4.2 of the Circular to the Shareholders dated 28 April 2011 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 all the recurrent related party transactions of a revenue or trading nature and which are necessary for the day to day operation of the Company's subsidiary entered into prior to the Mandate Period involving the related parties, Regional Harvest Sdn. Bhd. and Asiatic Lumber Industries Sdn. Bhd., as specified in Section 2.4.2 (b) of the Circular to the Shareholders dated 28 April 2011, be hereby ratified;

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. "

NOTICE OF 17TH ANNUAL GENERAL MEETING (CONT'D.)

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

Special Resolution

Proposed Amendment to the Articles of Association in relation to eDividend **Resolution 10**

" THAT the existing Article 157 be deleted in its entirety and that the following new Article 157 be adopted:

Article 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. "

NOTICE OF 17TH ANNUAL GENERAL MEETING (CONT'D.)

10. 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.

By Order of the Board

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

Kota Kinabalu, Sabah
Dated: 28 April 2011

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.

NOTICE OF 17TH ANNUAL GENERAL MEETING (CONT'D.)

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. 8, 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 24 May 2010. 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 Shareholders' Mandate And Proposed Ratification For Recurrent Related Party Transactions of A Revenue Or Trading Nature

The proposed Ordinary Resolution No. 9, 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. The Proposed Ratification if approved by the Shareholders of the Company serve to ratify the recurrent related party transactions entered into prior to the Mandate Period by the Company's subsidiary with the related parties, Regional Harvest Sdn. Bhd. and Asiatic Lumber Industries Sdn. Bhd. Shareholders are directed to refer the Circular to Shareholders dated 28 April 2011 for more information.

(c) Special Resolution In Relation To The Proposed Amendment To The Articles of Association

The proposed Special Resolution No. 10, if passed, shall amend the Company's Articles of Association in line with the amendments in the Listing Requirements of Bursa Malaysia Securities Berhad in relation to eDividend.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election and re-appointment at the 17th Annual General Meeting are:

   (a) Datuk Hajah Mary @ Mariati Robert
   (b) Datuk Sam Mannan @ Sham Mannan
   (c) Mr. Nip Wing Hon
   (d) Datuk Jaswant Singh Kler

2. The details of the abovementioned Directors who are standing for re-election are disclosed in the Directors' Profiles appearing on page 3 to page 6. And their interest in shares of the Company are disclosed under Directors' Interests on page 24.

PROXY FORM

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 17th Annual General Meeting of the Company, to be held at Belian Room, 7th Floor, Promenade Hotel, Eastern Plaza, Mile 1, Jalan Kuhara, 91000 Tawau, Sabah, on Monday, 23 May 2011 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 2010 and the Reports of the Directors and Auditors thereon.		
2.	To approve the payment of Directors' fees of RM155,097 for the financial year ended 31 December 2010.		
3.	To re-elect Datuk Hajah Mary @ Mariati Robert as Director.		
4.	To re-elect Datuk Sam Mannan @ Sham Mannan as Director.		
5.	To re-elect Encik Nip Wing Hon as Director.		
6.	To re-appoint Datuk Jaswant Singh Kler as Director.		
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
9.	Proposed Shareholders' Mandate and Proposed Ratification For Recurrent Related Party Transaction of a Revenue or Trading Nature.		
10.	Proposed Amendment to the Articles of Association.		

(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 …………………… 2011

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.

Innoprise Plantations Berhad
(Company No. 285072-M)

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