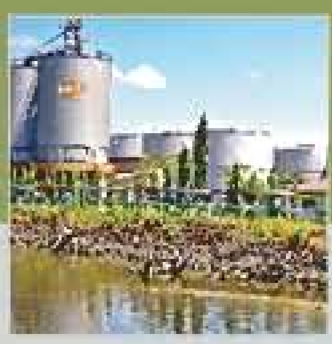
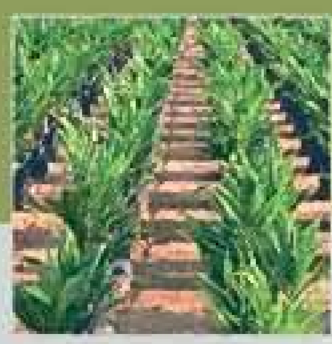
SAWIT KINABALU





annual report 2010

BOARD OF DIRECTORS

YAB Datuk Seri Panglima Musa bin Haji Aman
- CHAIRMAN

Tuan Haji Othman bin Walat
- GROUP MANAGING DIRECTOR

Datuk K Y Mustafa
Datuk Seri Panglima Stephen Robert Evans
Datuk Dr Pang Teck Wai
Encik George @ Jhuvarri bin Majid

COMPANY SECRETARY

Ms Mary Ku Mei Li (MIA 11263)

CORPORATE OFFICE

Jalan Kelapa Sawit, KM 4 Jalan Tuaran,
88300 Kota Kinabalu, Sabah Malaysia.

www.sawitkinabalu.com.my

AUDITORS

Ernst & Young (Firm No. AF: 0036)
(Charted Accountants)
Kota Kinabalu, Malaysia.

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Alliance Bank Malaysia Berhad
AmInvestment Service Berhad

SAWIT KINABALU SDN BHD (403109-W)

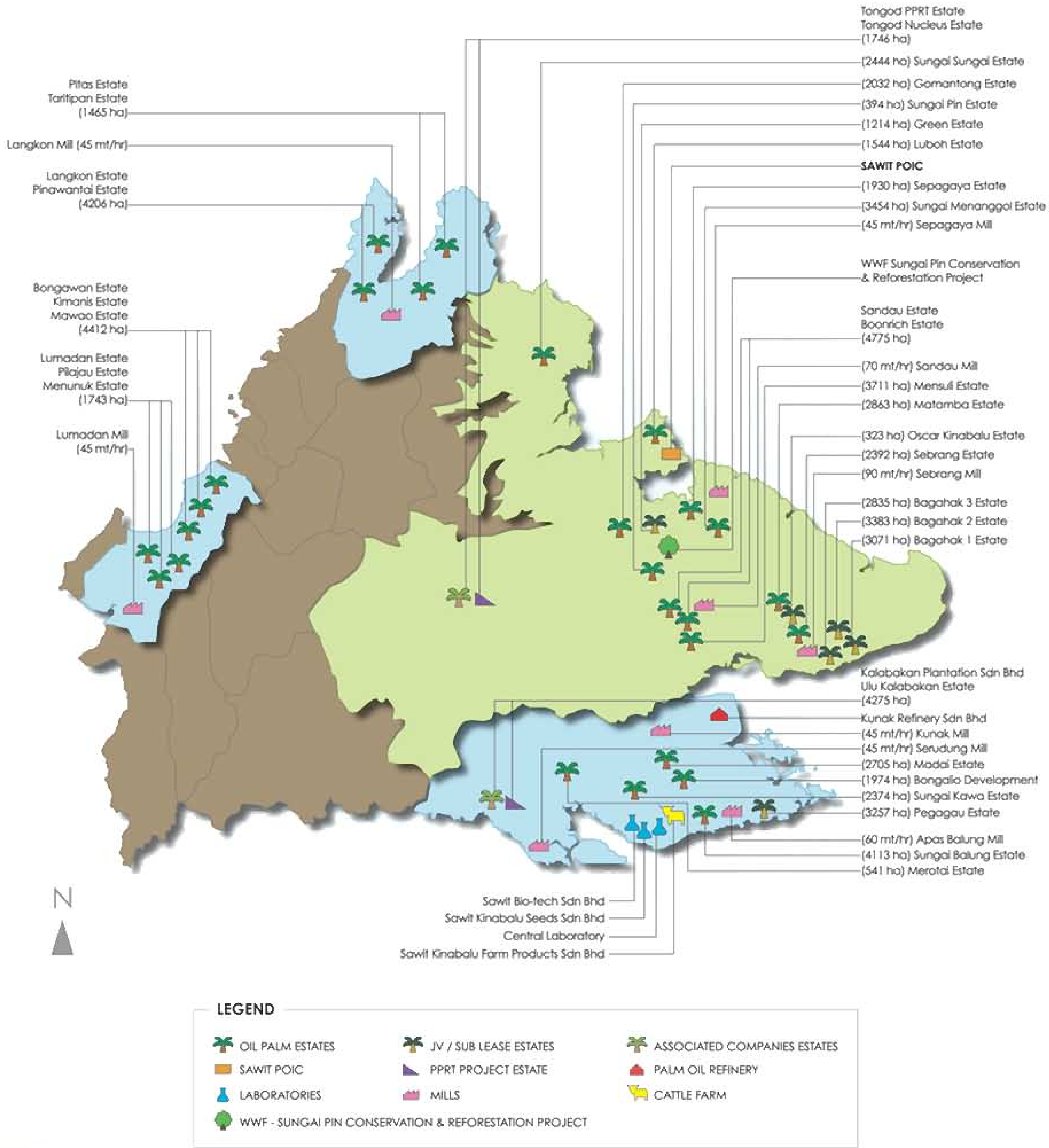
INCORPORATED IN MALAYSIA
and its subsidairy companies

ANNUAL REPORT 2010

Financial Statements for the year ended
December 31, 2010 (In Ringgit Malaysia)

content

MAP OF SAWIT KINABALU GROUP BUSINESS OPERATION



VISION, MISSION & CORPORATE VALUES

OUR VISION

To be a premier Sabah-based oil palm producer and property developer

OUR MISSION

We create sustainable value from oil palm and property related business

CORPORATE VALUES

Integrity, Professionalism, Synergy, Accountability, Caring and Responsible

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of Sawit Kinabalu Sdn Bhd will be held at Keningau Room, Level 3, Le Meridien Hotel, Kota Kinabalu, Sabah on Monday, 27 June 2011 at 4.30 pm for the following purposes:

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with Reports of Directors and Auditors thereon.	(Resolution 1)
2.	To declare a first and final dividend of 12.2 cent (gross) per ordinary share for the financial year ended 31 December 2010.	(Resolution 2)
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2010.	(Resolution 3)
4.	To re-elect the following Directors retiring in accordance with the Company's Articles of Association:-	
	a) YAB Datuk Seri Panglima Musa bin Haji Aman	(Resolution 4)
	b) YB Datuk KY Mustafa	(Resolution 5)
	c) Datuk Dr Pang Teck Wai	(Resolution 6)
	d) Encik George @ Jhuvarri bin Majid	(Resolution 7)
5.	To re-appoint Ernst & Young as Auditors of the Company and to authorise Directors to fix their remuneration.	(Resolution 8)
6.	To transact any other business for which due notice shall have been given.	

By Order of the Board,

MARY KU MEI LI
Group Company Secretary

Kota Kinabalu
27 June 2011

Note.
A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy may, but need not be a member of the Company.
The form of proxy must be deposited at the Registered Office of the company not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election at the Fifteenth Annual General Meeting of Sawit Kinabalu Sdn Bhd are:-

YAB Datuk Seri Panglima Musa bin Haji Aman	(Resolution 4)
YB Datuk KY Mustafa	(Resolution 5)
Datuk Dr Pang Teck Wai	(Resolution 6)
Encik George @ Jhuvarri bin Majid	(Resolution 7)

2. Datuk Panglima Robert S Evans, Director who is retiring at the AGM does not propose to stand for re-election.

3. In accordance to the company's articles of association No. 96, the Group Managing Director is not subject to retirement by rotation but shall be subjected to provision of contract between him and the company.

4. Details of Attendance of Directors at Board Meetings

Three Board of Director Meetings were held during the financial year ended 31 December 2010. Attendance of the Directors holding office at the end of the financial year is shown below:-

Names of Directors	No. of Meetings Attended
YAB Datuk Seri Panglima Musa bin Haji Aman	3/3
Tuan Haji Othman bin Walat	3/3
YB Datuk KY Mustafa	3/3
Datuk Seri Panglima Robert S Evans	2/3
Datuk Dr Pang Teck Wai	2/3
Encik George @ Jhuvarri bin Majid	3/3

5. Place, date and time of General Meetings held

Two (2) General Meetings were held during the year ended 31 December 2010.

Date	Time	Venue
Annual General Meeting		
28 June 2010	11.45 am	Keningau Room, 3rd Floor, Le Meredien Hotel, Kota Kinabalu, Sabah, Malaysia
Extraordinary General Meeting		
3 December 2010	5.00 pm	Function Room 7, Level 3, The Pacific Sutera Hotel, Kota Kinabalu, Sabah, Malaysia

BOARD OF DIRECTORS

YAB DATUK SERI PANGLIMA MUSA HAJI AMAN
- Chairman

DATUK K Y MUSTAFA
- Director

DATUK SERI PANGLIMA STEPHEN R EVANS
- Director

TUAN HAJI OTHMAN WALAT
- Group Managing Director

DATUK DR PANG TECK WAI
- Director

ENCIK GEORGE @ JHUVARRI BIN MAJID
- Director

SENIOR MANAGEMENT

(From left to right)

- **MASRI PUDIN**
  - Head of Plantation Business
- **TUAN HAJI OTHMAN WALAT**
  - Group Managing Director
- **MARY KU MEI LI**
  - Head of Finance and Corporate Services
- **THOMAS LIM SAU FONG**
  - Head of Human Resource and Corporate Communications

CHAIRMAN'S STATEMENT

On behalf of the board of Directors, I am pleased to present to you the Audited Financial Statements of Sawit Kinabalu Sdn Bhd and its subsidiaries (Sawit Kinabalu Group) for the year ended 31 December 2010.

Business environment

2010 was a good year for the palm oil sector with prices of crude palm oil (CPO) soaring from around RM2,500 per tonne in the first half of the year to above RM3,600 by year end. This positive sentiment was due to tight supply of vegetable oils in the world market and low domestic palm oil stocks due to the effects of low production volume.

Production of fresh fruit bunches (FFB) were affected by cyclical biological factors as well as erratic weather conditions with hot and dry conditions caused by El Nino in the first part of the year followed by excessive rainfall later in the year caused by La Nina phenomenon. Most estates throughout Sabah recorded low crop trend in the first seven months of the year and crop losses were also recorded due to labour shortages. In addition, reduction in sunshine has also affected the production of female flowers in 2010 while flooding has hampered field operations. FFB yield in Malaysia averaged only 18.03 tonnes per hectare, a drop of more than 1 tonne compared to the average yield of 19.20 tonnes per hectare in 2009. The country's CPO production has also declined with 17.0 million tonnes production in 2010 compared to 17.6 million tonnes in 2009.

On the export front, the country's total palm oil exports for the year increased by 4.9% over 2009 with 16.7 million tonnes against 15.9 million tonnes in 2009. However, towards the end of the year, refined palm oil products shipments to China slowed down due to their high domestic vegetable oil stocks resulting in refined palm oil prices being discounted.

Financial highlights

I am happy to announce that the Sawit Kinabalu Group recorded revenue of RM1.4 billion compared to RM1.0 billion in 2009. Profit after tax (PAT) also increased significantly to RM150.4 million in 2010 from RM57.9 million in 2009. The positive results were mainly attributed to the higher average prices of CPO and Palm Kernel (PK) realised in 2010 of RM2,674 per MT and RM1,703 per MT respectively (2009: average CPO price was RM2,165 and PK price was RM1,016 per MT), together with better OER achievement which effectively countered off the effect of low estate production volume.

Sustainable growth initiatives

The Group has continued with its replanting programme and todate 29,675 hectares has been replanted with superior planting materials. By managing the Group's palm age profile, average yield can be expected to increase in the near future.

The Group has also invested in biomass and biogas initiatives aimed at reducing the cost of power in our refinery and mill operations. This has allowed us to turn our waste products into valuable energy source, and provides sustainability in our environmental efforts to minimize carbon footprint.

Our communities

Sawit Group supports the Government's Halatuju in building communities we operate in to ensure that nobody is left out. Our joint venture projects in Kalabakan and Tongod have been reaping good profits during the year and dividends from the project have been declared to the hardcore poor participants through the State Government.

In addition, village settlements in these two areas funded by the State and Federal Governments are being developed for the participants, while Sawit Kinabalu Group, as part of our on-going corporate social responsibility joins hand with the Government to provide adequate training to the participants so that they can be gainfully employed, earn a living and move out of poverty.

Acknowledgements

On behalf of the Board of Directors, I would like to extend our deepest appreciation to the management and staff of Sawit Kinabalu Group for their hard work, dedication and committed service during the year. Their contribution has allowed the Group to persevere through the difficulties faced in the Group's daily operations and with this we look forward to further improvements in the coming years.

I would also like to thank our shareholders, associates, government authorities and all other stakeholders for your trust and support to the Group. Our unheeding partnership with you will enable us to continue to strive forward to meet our common goals.

YAB DATUK SERI PANGLIMA MUSA BIN HAJI AMAN
Chairman

GROUP MANAGING DIRECTOR'S STATEMENT

Core Business Review

The year 2010 was a good year for the Group and palm oil industry in general. The continued high price of Crude Palm Oil (CPO) has significantly contributed to the positive result of the Group's profitability.

For the financial year under review, Sawit Kinabalu Group's total planted hectarage was 65,908 hectares, of which 52,135 hectares was fully matured. Estate yield was about 17 tonnes per hectare. The effects of El Nino weather phenomenon and reduction in sunshine experienced by most estates in Sabah have also affected production of female flowers, therefore negatively affecting the yield in 2010 not only for the Group but also for the industry.

The Group processed a total of 1,123,116 tonnes of Fresh Fruit Bunches (FFB) during the year and has been successful in sustaining crop quality in its effort to maximize oil production and. The mills' annual average Oil Extraction Ratio (OER) stood at 21.51% compared to 20.84% in 2009.

In our efforts to increase long term yield, the Group focused on several key result areas. Road conditions for all-weather accessibility as well as expanding its areas on infield mechanization to improve harvesting efficiency and productivity. The Group's replanting exercise has also been ongoing in order to manage the Group's optimum palm age profile and replace aging palms using the Group's high yielding planting materials.

On downstream processing, Kunak Refinery has processed a total of 337,728 tonnes of CPO with RBD Palm Olein yield of 81.76%. Its Palm Kernel Crushing Plant crushed a total of 54,309 tonnes of Palm Kernels (PK). The Crude Palm Kernel Oil (CPKO) produced was 24,489 tonnes and the Palm Kernel Expeller (PKE) produced was 27,698 tonnes. As part of the planned expansion, the storage capacity in Kunak Refinery was increased significantly from 55,000 to 72,000 tonnes by the year end.

Environmental Initiatives

The Group continued its initiatives to reduce the emission of gases into the atmosphere by the construction and commissioning of a Biogas Power Plant in Apas Balung Mill, Tawau. The biogas power plant has dual benefits: firstly to capture the methane from POME and convert them into energy, thus reducing global warming and secondly to displace the use of fossil fuel, thus reducing carbon footprint. This plant is expected to be fully operational in the second half of 2011.

With the objective of reducing the use of fossil fuel, the Group has constructed a biomass steam and power plant at Kunak Refinery. The plant commenced full operation in 2010 and has shown commendable performance in the production of steam and power.

The Group has also ventured into composting of empty fruit bunches (EFB) with the aid of worms (Vermi compost) in Langkon Mill, Kudat. The Vermi Compost Plant produced 6,833 tonnes of solid worm cast (compost fertilizer) in 2010 for the Group to apply in its estates specifically in the Kudat region. This will displace some of the inorganic fertilizers applied in the estates.

The Group is now exploring new ventures which includes the conversion of EFB to liquid fuel for power generation, supply of power to the electricity grid and the pelletizing of oil palm fronds (OPF) for energy and animal feed.




Research & Development

Research and development continues to be given emphasis to tap on cutting edge technology towards productivity and profitability improvement. As an investment in the company's future business, planting of clonal materials to improve performance was intensified. A large scale experiment on the types and the rates of fertilizers for sustainable high yield in clonal planting has been set up at Sg Menanggol Estate, Sandakan.

In our commitment to be an environmentally conscious company, experiments are being undertaken to tackle problems in fertilizer application faced by estates with high rainfall. Studying the efficiency and impact of different herbicide brands in the control of weeds has been initiated. We have also intensified works on biological control of pests such as rats using barn owls.

Research work in Ganoderma is ongoing and we are in collaboration with Universiti Malaysia Sabah (UMS) to identify Ganoderma isolates, which is an important step towards successful screening of resistant progenies of oil palm.

Central Laboratory

I am also pleased to report that pursuant to the Group's continuous improvement programme, the Central Laboratory continued into its 11th year, awarded with the IKM Laboratory Excellent Award. This award and the ISO accreditation are an assurance of consistent high standard of laboratory analysis works by the Group.

In accommodating the increased volume of soil samples testing from our own and from other private estates, the Group has built a new soil laboratory building.

Seed Production

Sawit Kinabalu Seeds Sdn Bhd sold 5.7 million oil palm seeds this year, 88 % of which were sold to plantations outside the Group in Sabah and Sarawak. To maintain high quality management standards, Sawit Kinabalu Seeds Sdn Bhd was re-certified with the new version of MS ISO 9001 by IQ Net and SIRIM QAS.

The breeding and selection works for future materials are on-going which includes screening for Ganoderma resistance.

Biotechnology Laboratory

Around 4,000 clonal materials were planted in two estates for commercial evaluation. To expand the production, liquid suspension culture method was introduced with the assistance of MPOB. Extensive selection programme for good ortet source continues in the breeding trials and high yielding blocks of the Group's estates. This year the Group has also initiated a programme to produce semi-clonal seeds.




Cattle-Oil Palm Integration

The inception of Sawit Kinabalu Farm Products Sdn Bhd marked the beginning of the Group's involvement in the development of beef cattle industry in Sabah, an agriculture sub-sector which is strategic in nature in ensuring national food security. The sustainable integrated cattle-oil palm production system has positioned the Group to be a major live cattle producer in Sabah since then.

By the end of 2010, the total population of beef cattle under the integrated farming system was 8,018 heads of various age and categories. They were spread out over fourteen estates throughout Sabah, utilising a total grazing area of approximately 22,949 hectares and is expected to increase in the coming years in tandem with the increasing number of the cattle population. With the average stocking rate of 2.5 - 3.0 hectares per head, the grazing cattle or popularly known as live lawn mower has contributed in the reduction of 17% - 30% of weeding cost as well as reduction in chemical weedicides application for the estates involved.




Human Resource

In supporting the new corporate structure, the Group focuses on re-engineering a more conducive work culture which places great emphasis on Teamwork, Synergy and Passion for success. The role of the "Plantation Executives" was duly recognised through the Inaugural Plantation Executive Seminar 2010 with the theme of "Change for Excellence". It provided an excellent opportunity for the young and aspiring future leaders of the Group to share their creativity, synergize their passion and appreciate the value of teamwork.

The performance of the Group's employees is well guided by the new Performance Management System through the cascaded Key Performance Indicators (KPIs) which includes OER and FFB Yield. Further improvements in efficiencies will be achieved with the introduction of multi-tasking, competency enhancement, career progression and the continuous incorporation of the latest technologies such as farm mechanization and Enterprise Resource Planning (ERP).

On the labour front, the Group is committed to reduce its dependency on foreign workers with substantial investment in machineries as well as actively working with Department of Labour on the Job Placement Programme for locals and Department of Skills Development on the Malaysia Skill Certificate Level 1 and 2. We are also targeting to increase the percentage of local workers from the current 23.5% to 31% by 2015.

Acknowledgement

On behalf of the Management Team, I would like to extend our gratitude and appreciation to all our employees for their dedicated service and continuous contribution in making the Group a success.

To the shareholders, customers, business associates and all relevant authorities, I would like to convey our sincere thanks for their support and confidence in the Group.

Last but not least, my special thanks to the Chairman and Board of Directors for their invaluable contributions, advice and support during the year.

TUAN HAJI OTHMAN WALAT
Group Managing Director

STATEMENT OF CORPORATE GOVERNANCE

The Group's policy is to achieve best practice of business integrity in all its activities. This includes a commitment to follow good corporate governance in line with Malaysian Code on Corporate Governance. The principles of code are divided into four sections:-

Section 1: Directors
Section 2: Directors' Remuneration
Section 3: Shareholders
Section 4: Accountability and Audit

The practices of the Corporate Governance applied are set out as follows:-

SECTION 1: DIRECTORS

The Board assumes responsibility for leading and controlling the Group towards realising long term shareholders' values.

Composition of the Board

The Board of Directors comprises of six (6) Directors of whom five (5) are non-executive. The composition of the Board reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group. As and when the conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the decision making process.

Supply of Information

The members of the Board in their individual capacity have access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Besides direct access to management staff, external professional advisers are also made available to render their independent views and advice to the Board.

Re-election

All directors except the managing director are required to submit for re-election on a yearly basis.

The Board Committee

The Board may form committees delegated with specific authority and which operate under approved terms of reference or guidelines, whenever required, to assist it in discharging its duties.

SECTION 2: DIRECTORS' REMUNERATION

Remuneration Policy and Procedure

Directors do not participate in decision regarding their own remuneration. Directors' fees and emoluments are endorsed by the Board for approval by shareholders of the Company at Annual General Meetings.

SECTION 3: SHAREHOLDERS

The Annual General Meeting is the principal forum for dialogue with the shareholders in which the shareholders may ask questions in relation to the Group's business and affairs. The Chairman and the Board members are in attendance to provide explanations to all shareholders' queries.

SECTION 4: ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for ensuring that the accounting records of the Group are properly kept. The Board also discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the financial statements of the Group and of the Company.

Internal Controls

The Board has overall responsibility for maintaining a sound system of internal controls which encompasses financial, operational and compliance, controls and risk management necessary for the Group to achieve its objectives within an acceptable risk profile. These controls can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

Relationship with the External Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of the shareholders in general meeting whilst their remuneration is determined by the Board.

REPORT ON AUDIT COMMITTEE - 2010

As at the date of this Annual Report, the composition of the Audit Committee is as follows:

MEMBERS

- **Datuk K Y Mustafa**
  Chairman and Non - Executive Director
- **Datuk Seri Panglima Stephen Robert Evans**
  Non - Executive Director
- **Datuk Dr Pang Teck Wai**
  Non - Executive Director
- **Tuan Haji Othman Walat**
  Group Managing Director

SECRETARY

- **Haliden Abdul Rahman**
  Secretary (Internal Audit Manager)

AUTHORITY

The Audit Committee is authorised by the Board to review and investigate any matter within its Terms of Reference. The Committee is authorised to seek any information it requires from any director or management staff in the discharge of its duties, including seeking external professional advise.

TERMS OF REFERENCE

- To consider the appointment of external auditors and the audit fee;
- To review the external auditors' management letter and management's response thereto;
- To establish the internal audit function;
  - review internal audit programmes
  - ensure co-ordination of external audit with internal audit
- Consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations;
- To review the effectiveness of internal control system;
- To review any related party transactions that may arise within the Group;
- To review the accounting policies adopted and any changes in accounting principle or practices;
- To review financial statements prior to them being submitted to the Board;
- Other functions as may be agreed by the Audit Committee and the Board of Directors

MEETING

The Audit Committee met twice during the financial year under review.

ACTIVITIES

During the financial year, the Audit Committee met to review the financial statements of the Company and its subsidiaries. The Audit Committee has met with the external auditors and management of the various issues and internal control weaknesses highlighted by external auditor in the management report to the Board. The Audit Committee concurrently reviewed and endorsed the internal audit programme of the Group and deliberated on the internal auditors' findings and recommendations.

The Audit Committee discharged its duties and responsibilities in accordance with its Terms of Reference.

INTERNAL AUDIT FUNCTION

The internal audit function team performed its duties to accordance with its annual audit plan covering management operations and system audit of various subsidiaries. The audit team also played a role in facilitating operating companies in assessing their principal business risks and plans of action to address the risks.

STATEMENT OF INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control. Due to limitations that are inherent in any system of internal control, the system is designed to manage, rather than eliminate the risk of failure in achieving the Group's business objectives. Internal control can only provide reasonable and not absolute assurance against material error, misstatement, loss or breach of set regulation.

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risk faced by the Group, which has been in place for the financial year under review and up to the date of approval of the annual report and financial statements.

TERMS OF REFERENCE

1. The Group's risk management principles and procedures are clearly documented. The Group's management operates a risk management process that identifies the key risk by line of business and key function activities.

2. There is a comprehensive budgeting and forecasting system that is governed by the policies and guidelines of the Group. The financial results of the lines business are reported monthly in the management financial reports where variances are analysed against budget and acted on in a timely manner. Forecasts are revised on a half-yearly basis, taking into account significant business risks.

3. The Group's Internal Audit Department, reporting to the Audit Committee, performs regular reviews of business processes and assesses the effectiveness of internal controls and highlights significant risks facing the Group. The Audit Committee conducts annual reviews on the adequacy of internal control department's scope of work and resources.

4. The Audit Committee, on behalf of the Board, regularly reviews and hold discussions with management on the action taken on internal control issues identified in reports prepared by the internal audit department, the external auditors and the management.

5. There is a clearly defined framework for investment, appraisal covering the acquisition or disposal of any business, acceptance of projects, application of capital expenditure and approval of borrowings. Post implementation reviews are conducted and reported to the Board.

6. Policies and standard operating procedures manuals are set to all employees setting out the Group's reporting hierarchy and procedures.

reports & financial statements

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 activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 13 to the financial statements.

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

RESULTS	GROUP (RM)	COMPANY (RM)
Profit after tax	150,418,743	81,373
Minority interests	(11,664,688)	-
Profit for the year	138,754,055	81,373

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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 as disclosed in 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:

YAB Datuk Seri Panglima Musa bin Haji Aman
Datuk K Y Mustafa
Datuk Seri Panglima Stephen Robert Evans
Othman bin Walat
Datuk Dr Pang Teck Wai
George @Jhuvarri bin Majid

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 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 7 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 he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

DIRECTORS' INTERESTS

None of the director in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

HOLDING ENTITY

The Company is wholly-owned by Chief Minister, State of Sabah, a body corporate constituted under the Chief Minister (Incorporation) Ordinance, 1949.

OTHER STATUTORY INFORMATION

a) Before the income statements and balance sheets 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; 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) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and

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

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

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

OTHER STATUTORY INFORMATION (Continued)

e) 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 year of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 June 2011.

K Y MUSTAFA **OTHMAN BIN WALAT**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, K Y Mustafa and Othman Bin Walat, being two of the directors of Sawit Kinabalu Sdn Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 28 to 63 are drawn up in accordance with Private Entity 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 June 2011.

K Y MUSTAFA

OTHMAN BIN WALAT

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Mary Ku Mei Li, being the officer primarily responsible for the financial management of Sawit Kinabalu Sdn Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 63 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 above-named Mary Ku Mei Li
at Kota Kinabalu in the State of Sabah
on 27 June 2011.

MARY KU MEI LI

Before me,

WILLIAM Y P CHIA
Justice of Peace
Sabah

INDEPENDENT AUDITORS' REPORT

to the members of Sawit Kinabalu Sdn Bhd (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Sawit Kinabalu Sdn Bhd, which comprise the balance sheets as at 31 December 2010 of the Group and the Company, and the income statements, 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 28 to 63.

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 Private Entity 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity 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 of the Group and of the Company for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

OTHER MATTERS

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

YONG VOON KAR
1769/04/12(J/PH)
Chartered Accountant

Kota Kinabalu, Malaysia
27 Jun 2011

INCOME STATEMENTS
for the year ended 31 December 2010

		GROUP		COMPANY	
	Note	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Revenue	3	1,428,368,114	1,003,273,292	1,541,470	60,000
Cost of sales	4	(1,096,708,447)	(797,634,297)	-	-
Gross profit		331,659,667	205,638,995	1,541,470	60,000
Other income	5	23,339,361	21,544,325	111,632	101,985
Selling and distribution expenses		(70,208,609)	(66,459,234)	-	-
Administrative expenses		(85,736,398)	(85,304,867)	(139,439)	56,852
Other expenses		(1,413,294)	-	(1,413,294)	-
Operating profit		197,640,727	75,419,219	100,369	218,837
Finance costs	6	(258,756)	(446,932)	-	-
Share of profit of associates		4,412,760	1,084,225	-	-
Profit before tax	7	201,794,731	76,056,512	100,369	218,837
Income tax expense	8	(51,375,988)	(18,174,448)	(18,996)	(19,341)
Profit after tax		150,418,743	57,882,064	81,373	199,496
Minority interests		(11,664,688)	(5,926,480)	-	-
Profit for the year		138,754,055	51,955,584	81,373	199,496

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

BALANCE SHEETS
As at 31 December 2010

	Note	GROUP 2010 (RM)	GROUP 2009 (RM)	COMPANY 2010 (RM)	COMPANY 2009 (RM)
Non-Current Assets					
Property, plant and equipment	9	914,936,150	919,739,844	3	3
Livestock	10	9,984,156	10,324,807	-	-
Intangible assets	11	500,000	500,000	-	-
Plantation held for sale	12	7,312,204	6,694,102	-	-
Investments in subsidiaries	13	-	-	2	2
Investments in associates	14	9,832,001	5,419,241	-	-
Other investments	15	682,500	682,500	682,500	682,500
Amounts due from subsidiaries	16	-	-	532,753,811	531,305,811
Deferred tax assets	30	1,037,185	809,658	-	-
		944,284,196	944,170,152	533,436,316	531,988,316
Current assets					
Property development costs	17	102,184,300	94,110,050	-	-
Livestock	11	3,815,967	4,195,057	-	-
Inventories	18	156,567,281	132,100,779	-	-
Amounts due from subsidiaries	16	-	-	756,616,060	737,947,508
Amounts due from associates	19	26,268,537	62,891,245	-	-
Trade receivables	20	81,319,519	72,038,388	-	-
Other receivables	21	46,827,803	42,408,457	5,441	4,632
Tax refundable		5,445,603	16,659,949	-	-
Short term investments	22	169,687,533	43,069,859	3,311,653	3,225,368
Cash and bank balances	23	187,302,883	231,979,900	1,032,383	1,043,737
		779,419,426	699,453,684	760,965,537	742,221,245
Less: Current liabilities					
Borrowing	24	729,294	701,244	-	-
Amounts due to subsidiaries	16	-	-	36,206,977	248,567
Amounts due to associates	19	2,327,379	-	-	-
Trade payables	25	9,814,404	27,659,992	-	-
Other payables	26	69,940,018	90,938,412	31,946	71,517
Current tax payable		4,830,791	78,901	2,796	2,259
		87,641,886	119,378,549	36,241,719	322,343

		GROUP		COMPANY	
	Note	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Net current assets		691,777,540	580,075,135	724,723,818	741,898,902
		1,636,061,736	1,524,245,287	1,258,160,134	1,273,887,218
Financed by:					
Share capital	27	549,000,000	549,000,000	549,000,000	549,000,000
Retained earnings	28	937,836,334	823,082,279	665,124,843	665,043,470
Shareholders' equity		1,486,836,334	1,372,082,279	1,214,124,843	1,214,043,470
Minority interests		87,785,097	76,120,409	-	-
Total equity		1,574,621,431	1,448,202,688	1,214,124,843	1,214,043,470
Non-current liabilities					
State Government loan	29	44,035,291	59,843,748	44,035,291	59,843,748
Borrowing	24	5,038,357	5,767,652	-	-
Deferred tax liabilities	30	12,366,657	10,431,199	-	-
		61,440,305	76,042,599	44,035,291	59,843,748
		1,636,061,736	1,524,245,287	1,258,160,134	1,273,887,218

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

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

	Share Capital (RM)	Distributable Retained Earnings (RM)	Total (RM)
GROUP			
At 1 January 2009	549,000,000	771,126,695	1,320,126,695
Profit for the year	-	51,955,584	51,955,584
At 31 December 2009	549,000,000	823,082,279	1,372,082,279
Profit for the year	-	138,754,055	138,754,055
Adjustment in cost of investment	-	(24,000,000)	(24,000,000)
At 31 December 2010	549,000,000	937,836,334	1,486,836,334
COMPANY			
At 1 January 2009	549,000,000	664,843,974	1,213,843,974
Profit for the year	-	199,496	199,496
At 31 December 2009	549,000,000	665,043,470	1,214,043,470
Profit for the year	-	81,373	81,373
At 31 December 2010	549,000,000	665,124,843	1,214,124,843

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

CASH FLOW STATEMENTS

For the year ended 31 December 2010

		GROUP		COMPANY	
	Note	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Cash flows from operating activities					
Profit before tax	7	201,794,731	76,056,512	100,369	218,837
Adjustments for:					
Adjustments of property, plant and equipment		-	99,244	-	-
Bad debts written off		143,596	2,375,805	-	-
Depreciation of property, plant and equipment		41,654,621	40,412,475	-	-
Dividend income		(4,936,239)	(1,595,627)	(1,448,000)	-
Finance costs	6	258,756	496,515	-	-
Gain on disposal of property, plant and equipment	5	(184,204)	(821,095)	-	-
Gain on disposal of short term investments		(32,159)	(226,213)	-	-
Gain arising from reproduced breeder livestock		(582,122)	(735,473)	-	-
Interest income		(5,128,831)	(4,496,093)	(25,347)	(22,462)
Investment income	5	(86,285)	(84,600)	(86,285)	(79,523)
Inventories written down		-	2,161,200	-	-
Inventories written off		53,345	737,600	-	-
Livestock written off		512,785	610,359	-	-
Loss on disposal of property, plant and equipment		4,167,934	-	-	-
Property, plant and equipment written off	7	47,028	31,132	-	-
Provision for doubtful debts	7	1,588,741	-	-	-
Provision for diminution in value of short term investments		-	(2,686,352)	-	-
Reversal of diminution in value of short term investments		(600,144)	-	-	-
Reversal of provision for doubtful debts	7	-	(42,587)	-	-
Share of profit of associates		(4,412,760)	(1,084,225)	-	-
Operating profit/(loss) before working capital changes		234,258,793	111,208,577	(1,459,263)	116,852

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

	Note	GROUP 2010 (RM)	GROUP 2009 (RM)	COMPANY 2010 (RM)	COMPANY 2009 (RM)
Operating profit/(loss) before working capital changes		234,258,793	111,208,577	(1,459,263)	116,852
Increase in property development cost		(8,074,250)	(36,594,617)	-	-
Decrease in livestock		789,078	294,503	-	-
(Increase)/decrease in inventories		(24,519,847)	4,180,375	-	-
(Increase)/decrease in receivables		(15,432,814)	24,273,392	(809)	11,978
Decrease in amount due from associate		36,622,708	5,760,083	-	-
Increase in amount due from subsidiaries		-	-	(18,668,552)	(478)
Increase in amount due to subsidiaries		-	-	35,958,410	-
Increase in amount due to associate		2,327,379	-	-	-
(Decrease)/increase in payables		(38,862,917)	16,313,599	(39,571)	(214,663)
Cash generated from/ (used in) operations		187,108,130	125,435,912	15,790,215	(86,311)
Income tax refunded		15,502,186	272,171	-	-
Income tax paid		(49,185,072)	(22,173,000)	(18,459)	(18,527)
Interest received		-	767,310	-	-
Interest paid		-	(210,788)	-	-
Net cash generated from/ (used in) operating activities		153,425,244	104,091,605	15,771,756	(104,838)
Cash flows from investing activities					
Additional investment in associate		-	(79,996)	-	-
Addition in plantation held for sale		(618,102)	-	-	-
Dividend received		4,936,239	1,595,627	-	-
Interest received		5,128,831	3,232,165	25,347	22,462
Investment income		-	84,600	-	79,523
Purchase of property, plant and equipment	9	(58,360,256)	(48,813,791)	-	-
Purchase of short term investments		(127,607,924)	(38,980,504)	-	(79,523)

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

	Note	GROUP 2010 (RM)	GROUP 2009 (RM)	COMPANY 2010 (RM)	COMPANY 2009 (RM)
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		17,478,571	1,240,004	-	-
Proceeds from disposal of short term investments		1,708,838	34,324,958	-	100,252
Net cash (used in)/generated from investing activities		(157,333,803)	(47,396,937)	25,347	122,714
Cash flows from financing activities					
Repayment to State Government of Sabah		(39,808,457)	-	(15,808,457)	-
Repayment of borrowings		(701,245)	(674,273)	-	-
Interest paid		(258,756)	(285,727)	-	-
Net cash used in financing activities		(40,768,458)	(960,000)	(15,808,457)	-
Net (decrease)/increase in cash and cash equivalents		(44,677,017)	55,734,668	(11,354)	17,876
Cash and cash equivalents at 1 January		231,979,900	176,245,232	1,043,737	1,025,861
Cash and cash equivalents at 31 December		187,302,883	231,979,900	1,032,383	1,043,737

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010

1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Jalan Kelapa Sawit, Off Km 4 Jalan Tuaran, 88300 Kota Kinabalu, Sabah, Malaysia.

The Company is wholly-owned by Chief Minister, State of Sabah, a body corporate constituted under the Chief Minister (Incorporation) Ordinance, 1949.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 13 to the financial statements.

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

The number of employees in the Group and in the Company at the end of the financial year were 725 (2009: 744) and nil (2009: nil) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 June 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared on the historical cost basis and are presented in Ringgit Malaysia (RM).

b. Basis of consolidation

i. Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gain are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Basis of consolidation (Continued)

i. Subsidiaries (Continued)

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unauthorised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquire as at the acquisition date and the minorities' share of movements in the acquiree's equity since then.

ii. Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

c. Investments in subsidiaries and associates entities

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(t).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

d. Property, plant and equipment, and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(t).

Leasehold lands are depreciated over lease terms. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

2% - 10%	Buildings
4% - 20%	Infrastructure costs and golf course
10% - 50%	Plant, machinery and workshop equipment
20% - 25%	Motor vehicles
10% - 25%	Furniture, fixtures and fittings

Construction-in-progress is not depreciated as these assets are not available for use.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Property, plant and equipment, and depreciation (Continued)

Plantation development expenditure

New development expenditure, which represents planting expenditure incurred from new development to maturity is capitalised under plantation development expenditure and is not amortised. Replanting expenditure, which represents expenditure incurred in replanting of planted areas, is recognised in the income statement.

e. Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

f. Livestock

Breeder livestock comprises of purchased breeder cattle and reproduced breeder cattle. Purchased breeder cattle are stated at cost. Reproduced breeder cattle are stated at market value at the time of classification as breeder livestock, unless the cost is higher. Where the market value of reproduced breeder cattle is higher than the cost, the difference is recognised in the income statement. Breeder livestock are amortised on a straight-line method to their residual values at rates based on the age of cattle ranging from 2 to 7 years.

Livestock for commercial sale comprising heifers, weaners and calves are valued at the lower of cost and net realisable value. The cost of such livestock comprises operational costs (including the amortisation cost of breeder livestock) and direct costs incurred in maintaining and rearing cattle. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated cost to completion of sales.

g. Intangible assets

Intangible asset comprises technology licensing fee.

On initial recognition, intangible assets acquired separately are recognised at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Intangible assets (Continued)

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired.

h. Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of inventories comprises costs of purchase and other direct costs.

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

i. Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

j. Short term investments

Short term investments are carried at lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of short term investments are recognised in income statement. On disposal of short term investment, the difference between net disposal proceeds and its carrying amounts recognised in the income statement.

k. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts, if any.

l. Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

m. Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

n. Interest-bearing borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Interest-bearing borrowings (Continued)

Other borrowing costs are recognised as an expense in the income statement in the year in which they are incurred.

o. Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

p. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

q. Employee benefits

i. Short term benefits

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

ii. Defined contribution plans

As required by law, employers in Malaysia make contributions to the Employees' Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

r. Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

2. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

r. Revenue recognition (Continued)

i. Sale of goods

Revenue from sale of fresh fruit bunches, oil palm seeds, oil palm produces, refined oil palm produces, mechanical cutters and cattles, is recognised upon delivery and when the risks and rewards of ownership have passed to the customers. Sales represent gross invoiced value of goods sold net of trade discounts.

ii. Bulking operation

Revenue from bulking operation related to the rendering of services and is recognised when services are performed.

iii. Rental income

Rental income is accrued on a time basis, by reference to the agreement entered into.

iv. Insurance commissions

Insurance commissions received and receivables are recognised on the effective commencement or renewal dates of the related policies.

v. Management fees

Fee received from management services is recognised upon performance of services.

vi. Dividend income

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

s. Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date.

All exchange rate differences are taken to the income statement.

t. Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately.

3. REVENUE

	GROUP		COMPANY	
	2010 (RM)	2009 (RM) - Restated	2010 (RM)	2009 (RM) - Restated
Bulking fee	591,465	457,926	-	-
Dividend and investment income	1,242,651	21,578	1,481,470	-
Insurance commission	388,632	119,362	-	-
Management fees	-	-	60,000	60,000
Rental income	765,150	721,400	-	-
Sale of crude palm oil	322,159,403	251,554,581	-	-
Sale of mechanical cutters	-	35,000	-	-
Sale of palm kernel	40,866,836	49,282,056	-	-
Sale of cattles	2,572,479	2,547,091	-	-
Sale of fresh fruit bunches, seedlings and seeds	63,875,373	39,873,549	-	-
Sale of refined palm oil produces	995,906,125	658,660,749	-	-
	1,428,368,114	1,003,273,292	1,541,470	60,000

4. COST OF SALES

Cost of sales represents cost of inventories sold and cost of services provided.

Cost of inventories sold includes all costs incurred in producing the inventories as well as costs incurred in bringing the inventories to their present location and condition.

Cost of services provided includes all costs incurred in rendering the services.

5. OTHER INCOME

Included in the other income are the followings:

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Dividend and investment income	3,789,054	1,658,649	86,284	79,523
Gain arising from reproduced breeder livestock	582,122	735,473	-	-
Gain on disposal of short term investments	32,159	226,213	-	-
Gain on disposal of property, plant and equipment	184,204	821,095	-	-
Interest income	5,128,831	4,496,093	25,347	22,462
Management fee	446,590	453,017	-	-
Realised gain on foreign exchange	-	168,412	-	-
Rental income	494,602	550,387	-	-

6. FINANCE COSTS

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Interest expense on:				
Federal Government loan	258,756	285,727	-	-
Trade finance	-	210,788	-	-
	258,756	496,515	-	-

7. PROFIT BEFORE TAX

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

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Auditors' remuneration				
- current	170,471	156,715	26,000	28,000
- (over)/under provision in prior year	(710)	7,000	2,500	-
Bad debts written off	143,596	2,375,805	-	-
Depreciation of property, plant and equipment (Note 9)	41,654,621	40,412,475	-	-
Directors' remuneration:				
- Executive director:				
Salaries	521,927	449,004	-	-
Other emoluments	166,417	30,840	9,000	3,500
- Non-executive directors:				
Fees	304,400	278,200	72,000	72,000
- Other emoluments:				
Current year	55,890	59,762	19,990	58,262
Over provision in prior year	-	(230,190)	-	(230,190)
Inventories written off	53,345	737,600	-	-
Inventories written down	-	2,161,200	-	-
Lease charges	392,989	456,295	-	-
Livestock written off	512,785	610,359	-	-
Loss on property, plant and equipment	4,167,934	-	-	-
Management fee	2,280,283	3,087,068	-	-
Property, plant and equipment written off	47,028	31,132	-	-
Provision for doubtful debts	1,588,741	-	-	-
Reversal of provision for diminution in value of short term investments	(600,144)	(2,686,352)	-	-
Reversal of provision for doubtful debts	-	(42,587)	-	-
Rental expenses	627,999	550,014	-	-
Net foreign exchange losses				
- Realised	3,321,025	1,033,277	-	-

7. PROFIT BEFORE TAX (Continued)

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Staff costs:				
Salaries, allowances, overtime, and bonus	28,848,349	22,891,382	-	-
EPF contributions	3,076,933	3,251,527	-	-
Social security contributions	271,546	137,810	-	-
	32,196,828	26,280,719	-	-

8. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Current income tax:				
Malaysia income tax	50,671,064	20,457,774	18,996	19,341
Over provision in prior year	(1,003,007)	(897,783)	-	-
	49,668,057	19,559,991	18,996	19,341
Deferred tax (Note 30):				
Relating to origination and reversal of temporary differences	549,232	245,422	-	-
Under/(over) provision in prior year	1,158,699	(1,630,965)	-	-
	1,707,931	(1,385,543)	-	-
Income tax expense recognised in income statements	51,375,988	18,174,448	18,996	19,341

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

8. INCOME TAX EXPENSE (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Profit before tax	201,794,731	76,056,512	100,369	218,837
Tax at Malaysian statutory tax rate of 25% (2009: 25%)	50,448,683	19,014,128	25,092	54,709
Adjustments:				
Income not subject to taxation	(3,711,678)	(1,226,835)	(379,375)	(67,113)
Non-deductible expenses	3,248,120	2,031,659	373,279	31,745
Share of profits of associated companies	-	(271,056)	-	-
Effect of utilisation of previously unrecognised unabsorbed capital allowances	(1,111)	-	-	-
Utilisation of investment tax allowance	-	(10,685)	-	-
Utilisation of current year's agricultural allowances	(23,960)	-	-	-
Utilisation of previously unrecognised tax losses	(4,092)	-	-	-
Deferred tax assets not recognised	2,367,524	984,198	-	-
Effect of share of profits of associates	(1,103,190)	-	-	-
Over provision of income tax in prior year	(1,003,007)	(897,783)	-	-
Under/(over) provision of deferred tax in prior year	1,158,699	(1,630,965)	-	-
Others	-	181,787	-	-
Income tax expense recognised in income statements	51,375,988	18,174,448	18,996	19,341

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land (RM)	Buildings (RM)	Infrastructure costs and golf course (RM)	Plant and machinery (RM)	Other assets* (RM)	Plantation development expenditure (RM)	Capital work-in-progress (RM)	Total (RM)
GROUP								
Cost								
At 1 January 2010	91,266,646	178,741,301	119,288,810	266,566,512	43,758,963	478,591,793	104,404,096	1,282,618,121
Additions	2,675,000	2,566,224	3,060,109	6,761,555	5,186,305	3,413,163	34,697,900	58,360,256
Disposals	(28,190)	(2,669,142)	(2,331,911)	(4,166,919)	(875,286)	(4,926,124)	(13,121,587)	(28,119,159)
Write offs	-	(7,071)	-	(50,439)	(58,347)	-	(46,984)	(162,841)
Reclassifications	22,182,805	9,789,651	15,221,799	27,988,608	4,761	(6,715,915)	(68,471,709)	-
At 31 December 2010	116,096,261	188,420,963	135,238,807	297,099,317	48,016,396	470,362,917	57,461,716	1,312,696,377
Accumulated depreciation								
At 1 January 2010	5,846,313	123,362,578	29,851,519	162,061,038	39,268,166	2,488,663	-	362,878,277
Depreciation charge for the year	3,086,526	9,195,547	5,076,376	20,214,708	3,658,039	423,425	-	41,654,621
Disposals	-	(2,382,422)	(40,622)	(3,031,087)	(1,202,727)	-	-	(6,656,858)
Write offs	-	(7,063)	-	(50,431)	(58,319)	-	-	(115,813)
Reclassifications	-	-	-	12,803	(12,803)	-	-	-
At 31 December 2010	8,932,839	130,168,640	34,887,273	179,207,031	41,652,356	2,912,088	-	397,760,227
Net carrying amount								
At 31 December 2010	107,163,422	58,252,323	100,351,534	117,892,286	6,364,040	467,450,829	57,461,716	914,936,150
At 31 December 2009	85,420,333	55,378,723	89,437,291	104,505,474	4,490,797	476,103,130	104,404,096	919,739,844
Depreciation charge for year ended 2009	1,047,443	11,620,314	4,613,255	19,296,920	3,457,181	377,362	-	40,412,475

Other assets comprise motor vehicles, furniture fixture and fittings, computer equipment, office equipment and workshop equipment

9. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Office Equipment (RM)
COMPANY	
Cost	
At 1 January and 31 December 2010	9,175
Accumulated depreciation	
At 1 January and 31 December 2010	9,172
Net carrying amount	
At 31 December 2010	3
At 31 December 2009	3
Depreciation charge for year ended 2009	-

GROUP

	2010		2009	
	Parcel of land	**(RM)**	**Parcel of land**	**(RM)**
Leasehold land and plantation development expenditure (excluding infrastructure and buildings):				
Under land application	14	122,703,381	20	230,310,455
Letter of offer issued by the authority but pending issuance of land title	8	150,933,064	11	179,544,813
	22	273,636,445	31	409,855,268

10. LIVESTOCK

Breeder livestock classified under non-current assets are as follows:

	GROUP	
	2010 (RM)	2009 (RM)
Cost		
At 1 January	13,726,650	12,351,526
Transfer from current assets	1,365,461	1,464,416
Gain arising from reproduced breeder livestock	582,122	735,473
Disposals	(488,486)	(429,162)
Write-off	(314,960)	(395,603)
At 31 December	14,870,787	13,726,650
Accumulated depreciation		
At 1 January	3,401,843	1,716,717
Amortisation for the year	1,733,193	1,871,651
Disposals	(144,007)	(89,876)
Write-off	(104,398)	(96,649)
At 31 December	4,886,631	3,401,843
Net carrying amount		
At 31 December	9,984,156	10,324,807

Livestock for commercial sale classified under current assets are as follows:

	GROUP	
	2010 (RM)	2009 (RM)
Cost		
At 1 January	4,195,057	4,054,444
Additions	3,028,251	3,282,131
Transfer to non-current assets	(1,365,461)	(1,460,527)
Sales	(1,739,657)	(1,369,585)
Write-off	(302,223)	(311,406)
At 31 December	3,815,967	4,195,057

11. INTANGIBLE ASSET

The intangible asset represents technology licensing fee paid to the Malaysian Agricultural Research and Development Institute (MARDI) in obtaining a body of knowledge and skill for the purpose of converting oil palm frond as animal feed and is stated at cost.

The related production plant is yet to be constructed as of the end of the financial year. The Company and MARDI have agreed to mutually terminate the said agreement with effect from 12 January 2011.

12. PLANTATION HELD FOR SALE

	GROUP	
	2010 (RM)	2009 (RM)
At 1 January	6,694,102	6,694,102
Additions	618,102	-
At 31 December	7,312,204	6,694,102

This represents plantation development expenditure for the Tambisan Estate, Sandakan which has attained maturity.

On 1 November 2002, the Company entered into a conditional sale and purchase agreement with Felda Agriculture Services Sdn Bhd, a company incorporated in Malaysia, for the sale of Tambisan Estate for a total consideration of RM16,490,000. The sale will only be completed upon the delivery of the land title by the Company, which is to be done within 24 months from the date of the agreement.

Although the completion date of the said agreement had expired and the land titles have yet to be delivered on 31 October 2004, both parties have agreed that the time for fulfilment of conditions stipulated in the said agreement shall be further extended until such time as the land title are delivered.

Felda Agriculture Services Sdn Bhd has, with effect from the date of the said agreement, occupied the Tambisan Estate as licensee and assumed all risks and benefits associated with the operations of the Tambisan Estate. The land title is currently in the final stage of issuance, upon which the sale of the above land will be completed.

13. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2010 (RM)	2009 (RM)
Unquoted shares at cost in Malaysia	2	2

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010 (%)	2009 (%)
Held by the Company				
Rikaworth Sdn Bhd *	Malaysia	Investment holding	100	100
Held through Rikaworth Sdn Bhd				
Fokasrama Sdn Bhd *	Malaysia	Plantation ownership, property investment and rental of land	100	100
Sawit Kinabalu Farm Products Sdn Bhd *	Malaysia	Cattle farming	100	100
Borneo Samudera Sdn Bhd *	Malaysia	Oil palm cultivation and production and sale of palm oil produces	100	100
Cemasjaya Bhd (In Members' Voluntary Liquidation)	Malaysia	Investment holding	68	-
Sandau Mill Sdn Bhd *	Malaysia	Operations of palm oil mills	100	100
Bongalio Development Sdn Bhd *	Malaysia	Oil palm cultivation	100	100
Oscajaya Sdn Bhd *	Malaysia	Insurance agent	100	100
Kunak Mill Sdn Bhd *	Malaysia	Provision of management services	100	100
Saplantco Sdn Bhd *	Malaysia	Purchase and sale of mechanical cutters	100	100
Sandakan Bulkers Sdn Bhd *	Malaysia	Property development	100	100
Kunak Refinery Sdn Bhd *	Malaysia	Operations of palm oil refinery	100	100
Sawit Kinabalu Seeds Sdn Bhd *	Malaysia	Production and sale of oil palm seeds	100	100

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2010 (%)	2009 (%)
Minyak Berjaya Sdn Bhd *	Malaysia	Property investment and rental of commercial shoplots	100	100
Sawit Kinabalu Edible Oils Sdn Bhd *	Malaysia	Dormant	100	100
Oscar Kinabalu Sdn Bhd *	Malaysia	Oil palm cultivation	72	72
Bagahak Plantation Sdn Bhd *	Malaysia	Oil palm cultivation	71	71
Tawau Bulking Installation Sdn Bhd *	Malaysia	Operations of a bulking installation for palm oil related produces	51	51
Sawit Kinabalu Bio-Tech Sdn Bhd *	Malaysia	Research, development and commercial production oil palm ramets	100	100
Sandakan Mowtas Jetty Sdn Bhd *	Malaysia	Dormant	100	100
Sawit Bio Diesel Sdn Bhd *	Malaysia	Dormant	100	100
Estrowasa Sdn Bhd *	Malaysia	Dormant	100	100
Bypower Sdn Bhd *	Malaysia	Dormant	100	100
Synergy Percent Sdn Bhd *	Malaysia	Dormant	100	100
Held through Borneo Samudera Sdn Bhd				
Cemasjaya Bhd (In Members' Voluntary Liquidation)	Malaysia	Investment holding	-	68

* Audited by Ernst & Young, Malaysia.

14. INVESTMENT IN ASSOCIATES

	GROUP	
	2010 (RM)	2009 (RM)
Shares of unquoted corporation		
Unquoted shares in Malaysia at cost	80,003	80,003
Share of post-acquisition reserves	9,751,998	5,339,238
	9,832,001	5,419,241
The Group's interests in associates is analysed as follows:		
Share of net asset	9,815,260	5,402,500
Goodwill on acquisition	16,741	16,741
	9,832,001	5,419,241

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Proportion of ownership interest 2010 (%)	2009 (%)
Tongod Plantation Sdn Bhd	Malaysia	Oil palm cultivation	40	40
Kalabakan Plantation Sdn Bhd	Malaysia	Oil palm cultivation	40	40
Jurusan Borneo Sdn Bhd	Malaysia	Dormant	30	30

14. INVESTMENT IN ASSOCIATES (Continued)

The summarised financial information of the associates are as follows:

	GROUP	
	2010 (RM)	2009 (RM)
Assets and liabilities		
Current assets	15,982,241	4,397,460
Non-current assets	123,242,485	122,139,560
Total assets	139,224,726	126,537,020
Current liabilities	54,521,160	52,944,460
Non-current liabilities	60,190,233	60,110,755
Total liabilities	114,711,393	113,055,215
Results		
Revenue	31,198,958	28,474,419
Profit for the year	14,031,527	2,709,052

15. OTHER INVESTMENTS

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Cost:				
Unquoted shares at cost	1,472,500	1,472,500	1,472,500	1,472,500
Less: Provision for diminution in value	(790,000)	(790,000)	(790,000)	(790,000)
	682,500	682,500	682,500	682,500

16. AMOUNTS DUE FROM/TO SUBSIDIARIES

Amounts due from/to subsidiaries are unsecured, non-interest bearing and are repayable upon demand.

17. PROPERTY DEVELOPMENT COSTS

	GROUP	
	2010 (RM)	2009 (RM)
At 1 January		
Leasehold land	4,250	4,250
Development expenditure	94,105,800	57,511,183
	94,110,050	57,515,433
Cost incurred during the year:		
Leasehold land	256,035	-
Development expenditure	7,818,215	36,594,617
	8,074,250	36,594,617
At 31 December		
Leasehold land	260,285	4,250
Development expenditure	101,924,015	94,105,800
	102,184,300	94,110,050

Leasehold land cost comprises land premium and land survey fee paid for Phase 1. As of 31 December 2010, the title to the Phase 1 land has not yet been issued to the Company by the relevant authorities.

Development expenditure comprises mainly costs incurred for the site clearing and earthworks on parcels of land for a palm oil industrial cluster for Phase 1A and Phase 1B.

Sandakan POIC Phase 1C is one of the projects under the Sabah Development Corridor (SDC) which is managed and funded by Sabah Economic Development & Investment Authority (SEDIA). Accordingly, the costs incurred for the infrastructure works for Phase 1C which are funded by SEDIA and disbursed through Sawit Kinabalu Sdn Bhd have not been taken up in the Company's financial statements.

18. INVENTORIES

	GROUP	
	2010 (RM)	2009 (RM)
Costs		
Commercial properties:		
Buildings	4,038,981	4,026,981
Long leasehold land	1,964,989	1,964,989
Consumable stores	15,233,662	23,053,842
Nursery and seeds stocks	5,284,901	4,928,278
Palm oil produces	126,044,930	94,090,118
	152,567,463	128,064,208
Net realisable value		
Mechanical cutters	4,038,000	4,038,000
Less: allowances for inventories obsolescence	(38,182)	(1,429)
	156,567,281	132,100,779

19. AMOUNTS DUE FROM/TO ASSOCIATES

Amounts due from/to associates are unsecured, non-interest bearing and are repayable upon demand.

20. TRADE RECEIVABLES

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Trade receivables				
Third parties	82,785,658	72,038,388	-	-
Less: Provision for doubtful debts	(1,466,139)	-	-	-
	81,319,519	72,038,388	-	-

21. OTHER RECEIVABLES

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Advance	7,389	703	-	-
Deposits	860,240	876,353	-	-
Interest receivables	15,559	-	-	-
Prepayments	118,775	109,753	25	-
Sundry receivables	46,013,077	41,447,234	5,416	4,632
	47,015,040	42,434,043	5,441	4,632
Less: Provision for doubtful debts	(187,237)	(25,586)	-	-
	46,827,803	42,408,457	5,441	4,632

22. SHORT TERM INVESTMENTS

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Cost				
Quoted shares at cost				
In Malaysia	748,800	-	-	-
Outside Malaysia	1,517,322	1,517,322	-	-
Unit trust funds	183,878,123	58,609,393	3,311,653	3,225,368
	186,144,245	60,126,715	3,311,653	3,225,368
Less: Provision for diminution value				
Quoted shares at cost				
Outside Malaysia	(1,442,178)	(1,454,357)	-	-
Unit trust funds	(15,014,534)	(15,602,499)	-	-
	(16,456,712)	(17,056,856)	-	-
	169,687,533	43,069,859	3,311,653	3,225,368

22. SHORT TERM INVESTMENTS (Continued)

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Market value				
Quoted shares				
In Malaysia	794,880	-	-	-
Outside Malaysia	75,144	62,965	-	-
Unit trust funds	170,453,956	43,011,974	3,311,653	3,225,368

23. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Cash on hand and at banks	47,422,868	39,362,506	32,383	43,737
Deposits with licensed banks	139,880,015	192,617,394	1,000,000	1,000,000
	187,302,883	231,979,900	1,032,383	1,043,737

Included in deposits placed with licensed banks of the group is an amount of RM641,899 (2009: RM626,242) which has been charged to certain local banks as security for bank guarantee granted to a subsidiary company, Borneo Samudera Sdn Bhd.

The interest rates of deposits at the balance sheet date were as follows:

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Deposits with licensed banks	1.45 - 3.70	1.42 - 4.20	2.85	2.67

Deposits of the Group and of the Company have maturity period ranging from 5 days - 1 year (2009: 7 days - 1 year).

24. BORROWING

	GROUP	
	2010 (RM)	2009 (RM)
Short term borrowing		
Unsecured:		
Federal Government loan	729,294	701,244
Long term borrowing		
Unsecured:		
Federal Government loan	5,038,357	5,767,652
Total borrowing		
Federal Government loan	5,767,651	6,468,896

The weighted average effective interest rates at the balance sheet date for borrowing, was as follows:

	GROUP	
	2010 (RM)	2009 (RM)
Maturity of borrowing:		
Within 1 year	729,294	701,244
More than 1 year and less than 2 years	758,466	729,294
More than 2 years and less than 5 years	2,462,331	1,547,270
5 years or more	1,817,560	3,491,088
	5,767,651	6,468,896

	2010 (%)	2009 (%)
Federal Government loan	4	4

The Federal Government loan is unsecured and is repayable by 25 annual instalments commencing December 1993.

25. TRADE PAYABLES

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Third parties	9,814,404	27,659,992	-	-

26. OTHER PAYABLES

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Accruals	24,097,523	20,296,392	27,300	29,400
Amount due to a director	-	42,117	-	42,117
Deposits	3,656,099	3,404,910	-	-
Retention monies payable	3,277,502	11,156,098	-	-
Sundry payables	38,908,894	56,038,895	4,646	-
	69,940,018	90,938,412	31,946	71,517

27. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES OF RM1 EACH		AMOUNT	
	2010	2009	2010 (RM)	2009 (RM)
Issued and fully paid				
As at 1 January and 31 December	549,000,000	549,000,000	549,000,000	549,000,000
Authorised share capital				
As at 1 January and 31 December	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000

28. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends 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 6 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 balance which is equivalent to the tax credit as defined under Section 108 of the Income Tax Act, 1967 ("108 balance"), prior to the enactment of the Finance Act 2007 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 and 2009 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 RM200,813,639 (2009: RM200,813,639) out of its retained earnings. If the balance of the retained earnings of RM464,311,204 (RM464,229,831) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

29. STATE GOVERNMENT LOAN

In accordance with the Corporatisation Agreement dated 26 November 1996, the State Government loan will be capitalised as share capital pending the approval of the relevant Government authorities.

30. DEFERRED TAX

	GROUP		COMPANY	
	2010 (RM)	**2009 (RM)**	**2010 (RM)**	**2009 (RM)**
At 1 January	9,621,541	11,007,084	-	-
Recognised in income statement (Note 8)	1,707,931	(1,385,543)	-	-
At 31 December	11,329,472	9,621,541	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(1,037,185)	(809,658)	-	-
Deferred tax liability	12,366,657	10,431,199	-	-
	11,329,472	9,621,541	-	-

30. DEFERRED TAX (Continued)

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

Deferred tax liability/(assets) of the Group:

	DEFERRED TAX LIABILITY	DEFERRED TAX ASSETS		
	Property, plant and equipment (RM)	Unabsorbed allowances (RM)	Tax losses (RM)	Total (RM)
GROUP				
At 1 January 2010	10,431,199	(588,959)	(220,699)	9,621,541
Recognised in income statement (Note 8)	1,935,458	(151,281)	(76,246)	1,707,931
At 31 December 2010	12,366,657	(740,240)	(296,945)	11,329,472
At 1 January 2009	11,254,123	(78,962)	(168,077)	11,007,084
Recognised in income statement (Note 8)	(822,924)	(509,997)	(52,622)	(1,385,543)
At 31 December 2009	10,431,199	(588,959)	(220,699)	9,621,541

31. COMMITMENTS

	GROUP	
	2010 (RM)	2009 (RM)
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	21,121,895	215,658,774
Approved but not contracted for:		
- Property, plant and equipment	8,822,581	425,500
	29,944,476	216,084,274

32. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
a) Corporate guarantees				
Corporate guarantee given to subsidiary company Sawit Kinabalu Edible Oils Sdn Bhd, for trade finance and credit facilities	-	-	145,000,000	211,000,000
Corporate guarantee given to subsidiary company Borneo Samudera Sdn Bhd. for trade finance and credit facilities	-	-	60,000,000	60,000,000
Corporate guarantee given to subsidiary company Kunak Refinery Sdn Bhd, for trade finance and credit facilities	-	-	120,000,000	40,000,000
	-	-	325,000,000	311,000,000

The corporate guarantees totalling RM325,000,000 given to local licensed banks in favour of subsidiaries of the Company, namely Sawit Kinabalu Edible Oils Sdn Bhd, Kunak Refinery Sdn Bhd and Borneo Samudera Sdn Bhd are in respect of the following banking facilities from local licensed banks:

i. Banking facilities provided to Sawit Kinabalu Edible Oils Sdn Bhd to the extent of RM165,000,000, which are secured by Corporate Guarantees of RM145,000,000 from the Company. However, these facilities have not been utilised by Sawit Kinabalu Edible Oil Sdn Bhd as of the end of the financial year.

ii. Banking facilities provided to Borneo Samudera Sdn Bhd to the extent of RM60,465,250, which are secured by Corporate Guarantees of RM60,000,000 from the Company. However, these facilities have not been utilised by Borneo Samudera Sdn Bhd as of the end of the financial year.

iii. Banking facilities provided to Kunak Refinery Sdn.Bhd to the extent of RM160,000,000, which are secured by Corporate Guarantees of RM120,000,000 from the Company. However, these facilities have not been utilised by Kunak Refinery as of the end of the financial year.

32. CONTINGENT LIABILITIES (Continued)

b) Litigations

i. In 2006, legal actions have been instituted by a third party on a related company, Borneo Samudera Sdn Bhd, for delivery of vacant possession of certain parcels of land which have been sold by certain smallholders of the Company together with all the profits and income generated from the proceeds of the agricultural products on the said land less cost and expenses. These smallholders and Borneo Samudera Sdn Bhd are operating on a joint venture basis to develop parcels of plantation land which were alienated to the Company for development by the Company and Borneo Samudera Sdn Bhd by an order of the Deputy Registrar of the High Court on October 20, 2006, the Company was made a party to these actions as 3rd Defendant. On the same day, Borneo Samudera Sdn Bhd appealed to the High Court against the order. The appeal had been stayed in favour of arbitration.

On November 30, 2006, the Company filed an application to set aside the order dated October 20, 2006 and various other relief. However, this application is still not disposed of yet. As of the date of this report, this case is under arbitration proceedings and its effects on the financial statements of the Company cannot be ascertained.

ii. Also in 2006, further legal actions have been instituted by the third party as mentioned in (i) in above on Borneo Samudera Sdn. Bhd. and the Company for the delivery of vacant possession of additional parcels of land which have been sold by certain smallholders of the Company together with all the profits and income generated from the proceeds of the agricultural products on the said land less cost and expenses. As of the date of this report, the outcome of this case and its effects on the financial statements of the Company cannot be ascertained.

iii. In 2007, the Company has obtained the land title of the said land from the relevant authorities and accordingly, the directors of the Company are of the opinion that the Company has plausible defence to the above claims. However, the issuance of the title by the relevant authorities was challenged by the third parties. The challenged by the third parties had been dismissed by the High Court on November 16, 2009.

33. SIGNIFICANT RELATED PARTY TRANSACTION

	GROUP		COMPANY	
	2010 (RM)	2009 (RM)	2010 (RM)	2009 (RM)
Transaction with subsidiary				
Dividend income	-	-	1,448,000	-
Management fees	-	-	60,000	60,000

FORM OF PROXY

I / We .... of ....
being a member / members of Sawit Kinabalu Sdn Bhd hereby appoint

.... or
failing him, the Chairman of the Meeting as my / our proxy to vote for me / us on my / our behalf, at the Fifteenth Annual General Meeting to be held at Keningau Room, Level 3, Le Meridian Hotel, Kota Kinabalu, Sabah on Monday, 27 June 2011 at 4.30 pm and / or at any adjournment thereof

My / Our proxy is to vote as indicated below:

No.	Resolutions	For	Against
1	Adopt the Directors' Report and Accounts		
2	Declaration of a first and final dividend of 12.2 sen (gross) per share before the deduction of income tax of 25% for the financial year ended 31 December 2010.		
3	Approval of Directors' Fees		
4	Re-election of YAB Datuk Seri Musa bin Haji Aman as Director.		
5	Re-election of YB Datuk KY Mustafa as Director.		
6	Re-election of Datuk Dr Pang Teck Wai as Director.		
7	Re-election of Encik George @ Jhuvarri bin Majid as Director.		
8	Re-election of Ernst & Young as Auditors of the Company and authorise the Directors to determine their remuneration.		

Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his / her discretion.

Signed this day of 2011

No. of shares held

....
Signature / Common Seal

Note:
(a) A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead. A proxy need not be a member of the Company.
(b) The instrument appointing a proxy, in the case of an individual shall be signed by the appointer or his / her attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
(c) The instrument appointing a proxy must be deposited at Registered Office of the Company at Jalan Kelapa Sawit, Off Km 4, Jalan Tuaran, 88300 Kota Kinabalu not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

SAWIT KINABALU SDN BHD
Incorporated in Malaysia (403109-W)

AND ITS SUBSIDIARY COMPANIES

Jalan Kelapa Sawit, Off Km 4, Jalan Tuaran,
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