9.1 COMBINED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)

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The Board of Directors
MSM Malaysia Holdings Berhad
Level 3, Balai Felda
Jalan Gurney 1
54000 Kuala Lumpur

20 May 2011

PwC/TSP/AZ/yl/1952J

Dear Sirs,

INTRODUCTION

This Accountants' Report ('the Report') has been prepared by an approved company auditor for the purpose of inclusion in the Prospectus in connection with the listing of the MSM Malaysia Holdings Berhad ('MSM Holdings' or 'the Company') on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities').

MSM Holdings, set up to be the listing vehicle, will acquire the Sugar Business of Felda Global Ventures Holdings Sdn Bhd ('FGVH'), which was previously acquired from PPB Group Berhad ('PPB') in January 2010. The Sugar Business includes the following entities (collectively known as the 'Subsidiaries'):

(i) Malayan Sugar Manufacturing Company Berhad ('MSM')
(ii) Astakonas Sdn Bhd ('Astakonas')
(iii) MSM Properties Sdn Bhd ('MSMP')
(iv) Kilang Gula Felda Perlis Sdn Bhd ('KGFP')
(v) Felda Global Ventures Perlis Sdn Bhd ('FGVP')/Chuping Cane Division – a cane plantation division of PPB ('Chuping Cane Division')

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INTRODUCTION (CONTINUED)

Pre-listing and Listing Proposal

In February 2011, the Board of Directors of FGVH approved a proposed corporate reorganisation to list its Sugar Business on the Main Market of Bursa Securities. The corporate reorganisation includes the following:

(i) Declaration of special dividends on 2 March 2011:

- by Malayan Sugar Manufacturing Company Berhad ('MSM') amounting to RM300.0 million to its shareholder, Felda Global Ventures Sugar Sdn Bhd ('FGVS') (formerly known as Felda Global Ventures Brazil Sdn Bhd);
- by Kilang Gula Felda Perlis Sdn Bhd ('KGFP') amounting to RM35.0 million to its shareholders, FGVH and Felda Holdings Berhad ('FHB');

(ii) Incorporation of MSM Holdings on 10 March 2011 to be the listing vehicle;

(iii) Pre-Listing Restructuring:

- Transfer of Felda Global Ventures Perlis Sdn Bhd's (formerly known as Global Sonata Sdn Bhd) ('FGVP') sugar cane cultivation operations in Chuping including certain assets and liabilities to KGFP for a purchase consideration of RM76.9 million, which was satisfied through the issuance of 25.4 million new KGFP shares at issue price of RM3.03 per share. FGVP nominated FGVH to receive KGFP's shares. The excluded assets and liabilities totalling RM11.9 million (net) are not included in MSM Holding's post-reorganisation group;
- Acquisition of the entire equity interest in MSM and KGFP by MSM Holdings ('Acquisition') for a purchase consideration of RM175.9 million and RM113.2 million respectively satisfied by issuance of a total of 578.0 million new MSM Holdings shares at issue price of RM0.50 per share.

(iv) Listing of MSM Holdings in Bursa Securities upon completion of the Pre-Listing Acquisition, Public Issue and Offer For Sale of MSM Holdings shares.

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INTRODUCTION (CONTINUED)

Content of this Report

This Accountants' Report includes the following sections:

Section	Content
I MSM Malaysia Holdings Berhad	Background information on MSM Holdings
II Subsidiaries	Combined Financial Information of the Subsidiaries comprising the financial information of the Sugar Business of PPB for the financial years ended 31 December 2008 and 31 December 2009, which was subsequently acquired by FGVH in January 2010 and therefore reported by FGVH for the financial year ended 31 December 2010.

This Report has been prepared based on the audited Combined Financial Information of the Subsidiaries, which were drawn up so as to give a true and fair view of the financial position of the Subsidiaries and of their financial performance and cash flows and reported by us without qualification, as follows:

(i) The Combined Financial Information for the financial years ended 31 December 2008 and 31 December 2009 has been carved-out of the historical consolidated financial statements of PPB for the financial years ended 31 December 2008 and 31 December 2009, being the period prior to the acquisition of the Sugar Business by FGVH in January 2010. In this respect, the financial data is presented on a 'Predecessor' basis (reflecting PPB's ownership of the Sugar Business) in the Combined Financial Information; and

(ii) The Combined Financial Information of the Subsidiaries for the financial year ended 31 December 2010 has been carved-out of the historical consolidated financial statements of FGVH for the financial year ended 31 December 2010. In this respect, the financial data is presented on a 'Successor' basis (reflecting FGVH's ownership of the Sugar Business) in the Combined Financial Information. In connection with the Sugar Business acquisition by FGVH in January 2010, the carrying values of the assets and liabilities of the Subsidiaries included in the consolidated financial statements of FGVH were revised to reflect their fair values, based upon an allocation of the overall purchase price of the Sugar Business to the underlying net assets acquired.

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INTRODUCTION (CONTINUED)

Content of this Report

The data within the Combined Financial Information has therefore been separated by a vertical line to identify the different bases of accounting.

As part of the Pre-Listing Restructuring exercise undertaken by FGVH, certain selected assets and liabilities of FGVP were not transferred to form part of the Company's new group. These net assets and their contribution to the Subsidiaries' results have not been adjusted in the Combined Financial Information as their operations cannot be distinguished clearly from the rest of the business of the Subsidiaries.

The analysis of the assets and liabilities, which were not transferred, is as follows:

	Excluded assets/ (liabilities) RM'000
Property, plant and equipment	55,931
Biological assets	2,632
Loan from FGVH	(44,500)
Amount due to FGVH	(2,163)
	11,900

In the financial years presented, the Subsidiaries had not operated as an independent stand alone entity. The Combined Financial Information, therefore, does not reflect what the financial position, results of operations and cash flows of the Subsidiaries would have been had the Subsidiaries operated as a separate, stand-alone entity during the financial years presented or future results of the Subsidiaries.

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2010.

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INTRODUCTION (CONTINUED)

Separate Accountants' Report

A separate Accountants' Report on the individual historical financial information of each of the Subsidiaries has also been prepared for financial years ended 31 December 2008, 31 December 2009 and 31 December 2010.

The financial information in the other report is not comparable to this Report for the following reasons:

- The financial statements of MSM for the financial year ended 31 December 2008 and 31 December 2009 include assets and liabilities that are not part of the Sugar Business acquired by FGVH in January 2010; and
- The separate financial statements of each of the Subsidiaries are from the perspective of each entity and do not reflect the perspective and accounting policies of the controlling party for the respective years (namely, PPB for the financial years ended 31 December 2008 and 31 December 2009 and FGVH for the financial year ended 31 December 2010).

SECTION I

MSM MALAYSIA HOLDINGS BERHAD

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I MSM MALAYSIA HOLDINGS BHD

1 BACKGROUND INFORMATION AND PRINCIPAL ACTIVITIES

MSM Malaysia Holdings Berhad ('MSM Holdings' or 'the Company') was incorporated in Malaysia under the Malaysian Companies Act, 1965 on 10 March 2011 as a public limited company. The Company has yet to commence operations since its incorporation. The Company has been set up to be the listing vehicle in connection with the listing of the MSM Holdings on the Main Market of Bursa Securities.

The intended principal activities of MSM Holdings Group is investment holding company, sugar cane cultivation, cane milling, sugar refining, marketing and sales of sugar products and transportation.

The address of the registered office of MSM Holdings is at 3rd Floor, Balai Felda, Jalan Gurney Satu, 54000 Kuala Lumpur.

As at the date of this Report, the authorised and issued share capital of MSM Holdings is as follows:

	RM
Share capital	
Authorised:	
1,000,000,000 ordinary shares of RM0.50 each	500,000,000
Issued and paid up:	
577,980,000 ordinary shares of RM0.50 each	288,990,000

The movement in the authorised share capital since incorporation are as follows:

At date of incorporation on 10 March 2011	
200,000 ordinary shares of RM0.50 each	100,000
Increase by creation of 999,800,000 ordinary shares of RM 0.50 each	499,900,000
At 20 May 2011	500,000,000

The movement in issued and paid up share capital since incorporation is as follows:

At date of incorporation on 10 March 2011	
200 ordinary shares of RM0.50 each at par for cash	100
Issue of 577,979,800 shares of RM0.50 each at par	288,989,900
At 20 May 2011	288,990,000

SECTION II

SUBSIDIARIES

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II SUBSIDIARIES

1 BACKGROUND INFORMATION AND PRINCIPAL ACTIVITIES

The principal activities of the entities within the Subsidiaries are as follows:

Name	Principal activities
MSM	Sugar refining, sales and marketing of refined sugar products
KGFP	Cane milling, sugar refining and sale of refined sugar
FGVP/Chuping	Sugar cane cultivation
Astakonas	Provision of lorry transportation services
MSMP	Yet to commence operations

The address of the registered office of MSM Holdings and the Subsidiaries is as follows:

3rd Floor, Balai Felda
Jalan Gurney Satu
54000 Kuala Lumpur

2 GROUP STRUCTURE

On 30 October 2009, FGVH entered into an agreement with PPB for the acquisition of the sugar businesses of PPB, which consist of the following Subsidiaries for a total purchase consideration of RM1,292.5 million in cash:

- 100% equity interest in MSM, which in turn holds 100% equity interest in Astakonas and MSMP. Subsequently, FGVH nominated FGVS as a transferee of the agreement;
- 50% equity interest in KGFP. Note that the remaining 50% of KGFP is owned by FHB, an associate of FGVH. Subsequent to the acquisition, KGFP and both shareholders of KGFP (namely FGVH and FHB) regard FGVH as the holding company of KGFP; and
- Chuping Cane Division, the sugar plantation division of PPB. Subsequently, FGVH nominated FGVP as a transferee of the agreement.

The above acquisitions were completed in January 2010.

Subsequently, the Subsidiaries became subsidiary companies of a group headed by Lembaga Kemajuan Tanah Persekutuan ('FELDA').

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II SUBSIDIARIES

2 GROUP STRUCTURE (CONTINUED)

This acquisition was accounted for by FGVH as a purchase of business and the purchase price was therefore allocated to the identifiable net assets and liabilities including contingent liabilities acquired based on their fair values at the date of the acquisition.

The total purchase price exceeded the fair value of the identifiable net assets and liabilities and resulted in goodwill on acquisition of RM576.2 million as indicated below:

	Successor	
	Carrying value RM'000	Fair value RM'000
Acquisition of Sugar Business		
Property, plant and equipment	215,466	484,002
Prepaid lease payment	990	925
Intangible assets	-	86,032
Inventories	315,803	341,742
Biological assets	12,643	18,778
Receivables	161,808	161,766
Derivative financial assets	6,034	6,034
Cash and cash equivalents	150,793	150,793
Payables	(198,304)	(197,020)
Current tax liabilities	(24,100)	(24,100)
Bank borrowings	(136,500)	(136,500)
Provision for retirement benefits	(1,446)	(1,446)
Deferred tax liabilities	(23,300)	(120,231)
Total identifiable net assets		770,775
Minority interest		(39,709)
Fair value of identifiable net assets and liabilities acquired		731,066
Goodwill on acquisition		576,240
Purchase consideration		1,307,306
Analysis of purchase consideration:		
- settled in cash		1,292,471
- dividends paid to PPB during the year		14,835
		1,307,306

Subsequent to acquisition of the Subsidiaries, for the purpose of preparing the Combined Financial Information, the assets and liabilities of the Subsidiaries are presented as 'Successor'.

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II SUBSIDIARIES (CONTINUED)

3 BASIS FOR PREPARATION OF THE COMBINED FINANCIAL INFORMATION IN THIS REPORT

3.1 The Combined Financial Information has been prepared using the accounting policies that are in accordance with the Financial Reporting Standards, the Malaysian Accounting Standard Board ('MASB') Approved Accounting Standards for Entities Other than Private Entities.

3.2 The Combined Financial Information for the financial years ended 31 December 2008 and 31 December 2009 has been carved-out of the historical consolidated financial statements of PPB for the financial years ended 31 December 2008 and 31 December 2009. In this respect, the selected financial data for the financial years ended 31 December 2008 and 31 December 2009 is presented on a 'Predecessor' basis.

3.3 The Combined Financial Information for the financial year ended 31 December 2010 has been carved-out of the historical consolidated financial statements of FGVH for the financial year ended 31 December 2010. In this respect, the data for the financial year ended 31 December 2010 is presented on a 'Successor' basis. Following the acquisition of the Sugar Business and the Subsidiaries by FGVH in January 2010, the carrying values of the assets and liabilities of the Subsidiaries were revised to reflect their fair values, based upon an allocation of the overall purchase price of the Sugar Business to the underlying net assets acquired.

3.4 The data within the Combined Financial Information has therefore been separated by a vertical line to identify the different bases of accounting.

3.5 The Combined Financial Information, which has been carved out of the historical consolidated financial statements of the parent company that controlled the Subsidiaries during the financial years presented in this Report reflect the historical assets, liabilities, revenues and expenses that are directly attributable and separately identifiable to the Subsidiaries, and adjustments considered necessary by the Directors of FGVH and MSM, to fairly present the financial position, results of operations, changes in equity and cash flows of the Subsidiaries on a stand-alone basis. Key assumptions used in the Combined Financial Information are as follows:

(a) Corporate expenses incurred at PPB level during the financial years ended 31 December 2008 and 31 December 2009 (e.g. staff costs, tax compliance fee, secretarial fee, audit fee and directors and management fees) are not allocated to the Sugar Business as they are not significant;

(b) Financing of Chuping Cane Division, which operated as part of PPB during the financial years ended 31 December 2008 and 31 December 2009, was via equity and not borrowings. Accordingly, there is no finance cost being allocated;

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II SUBSIDIARIES (CONTINUED)

3 BASIS FOR PREPARATION OF THE COMBINED FINANCIAL INFORMATION IN THIS REPORT

(c) During the financial years ended 31 December 2008 and 31 December 2009, the Subsidiaries operated as a going concern, which was not affected by the sale of the business from PPB to FGVH in January 2010;

(d) Capital contributions from PBB for Chuping Cane Division in the Reconciliation of Movement in Combined Equity for the financial years ended 31 December 2008 and 31 December 2009 comprise retained earnings and net capital contributions which is impracticable to segregate. Funds will be transmitted from central treasury function as and when it is needed by Chuping Cane Division for which there is no financing cost charged.

The Combined Financial Information is, therefore, not necessarily indicative of results that would have occurred if the Subsidiaries had been a separate stand-alone entity during the financial years ended 31 December 2008, 2009 and 2010, or of their future results.

The preparation of the Combined Financial Information requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent financial assets and liabilities at the date of the Combined Financial Information, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Subsidiaries' accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Combined Financial Information of the Subsidiaries are disclosed in Note 3.9 of Section II of this Report.

3.6 New standards, amendments to published standards and interpretations, which are applicable and adopted by the Subsidiaries, in the financial information which has been carved-out of PPB and FGVH consolidated financial statements are as follows:

<u>As of 1 January 2010: *Successor*</u>

- FRS 8 Operating Segments
- FRS 123 Borrowing Costs
- Revised FRS 101 Presentation of Financial Statements
- FRS 7 Financial Instruments: Disclosures and Amendments
- Amendment to FRS 8 Operating Segments
- Amendment to FRS 127 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendment to FRS 132 Financial Instruments: Presentation and FRS 101 (revised) Presentation of Financial Statements - Puttable financial instruments and obligations arising on liquidation
- FRS 139 Financial Instruments: Recognition and Measurement and Amendments

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II SUBSIDIARIES (CONTINUED)

3 BASIS FOR PREPARATION OF THE COMBINED FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

3.6 New standards, amendments to published standards and interpretations, which are applicable and adopted by the Subsidiaries, in the financial information which has been carved-out of PPB and FGVH consolidated financial statements are as follows: (continued)

- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvement to FRSs (2009)

The adoption of the above new/revised standards and interpretations did not have a significant financial impact on the Subsidiaries and did not result in substantial change in the Subsidiaries' accounting policies except for:

- FRS 101 (revised) 'Presentation of Financial Statements' prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result Subsidiaries presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

  The effects on the Combined Financial Information following the adoption of FRS 101 are disclosures.

- Amendment to FRS 117 'Leases' (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

  The adoption of FRS 117 has resulted in the Group having to reclassify certain leasehold lands to property, plant and equipment and investment properties. However, this change in classification has no effect on the results of the Group. The reclassification has been accounted for retrospectively in accordance with the transitional provision and prior year comparatives have been reclassified accordingly.

  The effects of adoption are disclosed in Note 6.25 of Combined Financial Information.

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II SUBSIDIARIES (CONTINUED)

3 BASIS FOR PREPARATION OF THE COMBINED FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

3.6 New standards, amendments to published standards and interpretations, which are applicable and adopted by the Subsidiaries, in the financial information which has been carved-out of PPB and FGVH consolidated financial statements are as follows: (continued)

As of 1 January 2009: *Predecessor*

There were no new accounting standards, which were applicable to the Subsidiaries as of 1 January 2009.

As of 1 January 2008: *Predecessor*

- FRS 107 Cash Flows Statements
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above new standards did not have a significant financial impact on the Subsidiaries.

3.7 Standards early adopted by the Subsidiaries as of 1 January 2009

FRS 139 Financial Instruments: 'Recognition and Measurement' and FRS 7 'Financial Instruments: Disclosures' were early adopted by PPB Group as of 1 January 2009. As such, the Combined Financial Information as of 1 January 2009, which have been carved-out of the PPB financial statements includes the adjustments arising from the new accounting standards.

The principal effects resulting from the adoption of FRS 139 are discussed in Note 6.25 of this Report. The effects on the Combined Financial Information following the adoption of FRS 7 are mainly disclosures.

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3 BASIS FOR PREPARATION OF THE COMBINED FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

3.8 Standards, amendments to published standards and interpretations to existing standards that are applicable to the Subsidiaries but not yet effective and have not yet been early adopted

- Revised FRS 3 'Business Combinations' (effective from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. Subsidiaries will apply this standard from financial periods beginning on 1 January 2011.

- Revised FRS 127 'Consolidated and Separate Financial Statements' (effective from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Subsidiaries will apply this standard from financial periods beginning on 1 January 2011.

- Amendment to FRS 5 'Non-current Assets Held for Sale and Discontinued Operations' (effective from 1 July 2010) scopes in the non-current assets (or disposal groups) that is classified as held for distribution to owners in FRS 5. It also clarifies that all assets and liabilities of a subsidiary shall be classified as held for sale if the planned sale will involve loss of control of the subsidiary. Subsidiaries will apply this standard from financial periods beginning on 1 January 2011.

- Amendment to FRS 7 'Financial Instruments: Disclosures' (effective from 1 January 2011) enhanced the disclosure on fair value measurement using three level of fair value hierarchy and reinforces existing principles for disclosure about liquidity risk. The Subsidiaries will apply this standard from financial periods beginning on 1 January 2011.

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II SUBSIDIARIES (CONTINUED)

3 BASIS FOR PREPARATION OF THE COMBINED FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

3.8 Standards, amendments to published standards and interpretations to existing standards that are applicable to the Subsidiaries but not yet effective and have not yet been early adopted (continued)

- Amendment to FRS 132 'Financial Instruments Presentation: The Classification of Rights Issues' (effective from 1 March 2010). The amendment stated that the Rights Issues are classified as the equity regardless of the currency in which the exercise price is denominated if the certain conditions are met. The Subsidiaries will apply this standard from financial periods beginning on 1 January 2011.

- Amendment to FRS 138 'Intangible Assets' (effective from 1 July 2010) provides additional guidance in respect of intangible assets acquired in a business combination. It clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives. The Subsidiaries will apply this standard from financial periods beginning on 1 January 2011.

- Amendment to FRS 3 (effective from 1 January 2011)

  - Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.
  - Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

  The Subsidiaries will apply this standard from financial periods beginning on 1 January 2011.

- FRS 101 'Presentation of financial statements' (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Subsidiaries will apply this standard from financial periods beginning on 1 January 2011.

- Amendment to IC Interpretation 9 'Reassessment of Embedded Derivatives' (effective from 1 July 2010) clarifies that embedded derivatives in contracts acquired in a combination of entities or businesses under common control is not within the scope of IC Interpretation 9. Subsidiaries will apply this standard from financial periods beginning on 1 January 2011.

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II SUBSIDIARIES (CONTINUED)

3 BASIS FOR PREPARATION OF THE COMBINED FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

3.8 Standards, amendments to published standards and interpretations to existing standards that are applicable to the Subsidiaries but not yet effective and have not yet been early adopted (continued)

- IC Interpretation 4 'Determining whether an Arrangement Contains a Lease' requires the identification of any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or certain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 'Leases' should be applied to the lease element of the arrangement. The Subsidiaries will apply this standard from financial periods beginning 1 January 2011.

- IC Interpretation 18 'Transfers of Assets from Customers' (effective prospectively for assets received on or after 1 January 2011) provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 'Revenue'. The Subsidiaries will apply this IC interpretation from financial years beginning on 1 January 2011.

- Amendment to IC Interpretation 14 'FRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements. The Subsidiaries will apply this amendment from financial years beginning on 1 January 2012.

- Revised FRS 124 'Related Party Disclosures' (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

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II SUBSIDIARIES (CONTINUED)

3 BASIS FOR PREPARATION OF THE COMBINED FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

3.9 Critical accounting estimates

The preparation of the Combined Financial Information requires the use of certain critical accounting estimates and assumptions that effect the reported amounts and assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Combined Financial Information, and the reported amounts of the revenue and expenses during the reported financial years. It also requires the Directors to exercise their judgement in the process of applying the Subsidiaries' accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of the then current events and actions historical experiences and other various other factors, including expectation for future events that are believed to be reasonable under the circumstances, actual results thereafter may have been different.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis to write off their cost or valuation to their residual values over their estimated useful lives. Changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

Provision for impairment of trade receivables

The collectability of receivables is assessed on an on going basis. Provision for impairment of trade receivables is made for any receivables considered to be doubtful of collection. The allowance for doubtful debts is made based on a review of all outstanding amounts as at the balance sheet date. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

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II SUBSIDIARIES (CONTINUED)

3 BASIS FOR PREPARATION OF THE COMBINED FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

3.9 Critical accounting estimates (continued)

Impairment of goodwill

Goodwill is determined whether it is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units (CGU) to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Refer to Note 6.9 for further details.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the Combined Financial Information of the Subsidiaries for all the financial years presented, unless otherwise stated.

(a) Basis of consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Intercompany transactions, balances and unrealised gains on transactions between Subsidiaries are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of Subsidiaries to ensure consistency with the policies adopted by the group.

Under the purchase method of accounting, the cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the minority interests. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the combined income statement.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, associates and jointly controlled entities over the group's share of the fair value of their identifiable net assets including contingent liabilities at the date of acquisition. Goodwill on acquisition in respect of a subsidiary is included in the consolidated balance sheet as intangible assets, or if arising in respect of an associate or jointly controlled entity, is included in investments in associates or jointly controlled entity.

Separately recognised goodwill is tested annually for impairment or if events or circumstances occur indicating that impairment may exist and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Brand name

Brand related to a sugar brand 'Prai', was acquired in the business combination of Sugar Business of PPB in January 2010 and is recognised at fair value at the acquisition date. The brand has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method over the expected life of the brand of 20 years.

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost or valuation less accumulated depreciation and impairment losses. Historical cost includes their purchase cost and any incidental expenditure that is directly attributable to the acquisition of property, plant and equipment.

The freehold buildings and plant and machinery shown at valuation as at 31 December 2008 and 31 December 2009 relate to MSM's assets which were revalued by the MSM's Directors in 1974 based on an independent professional valuation carried out on the open market value basis. The 1974 valuation was a one-off exercise. It has never been the MSM's policy to carry out regular revaluations of its property, plant and equipment.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

MSM have availed itself to the transitional provision when the MASB first adopted IAS 16 Property, Plant and Equipment in 1998, and accordingly, the carrying amounts of the revalued freehold building and plant and machinery have been retained as though they have never been revalued. The net book values of the revalued assets based on the historical cost convention have not been disclosed as the relevant information is no longer available.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Subsidiaries and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Freehold land and capital work-in-progress are not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use.

Property, plant and equipment are depreciated a straight line basis to write off the cost or fair value of each asset to their residual values over their estimated useful lives.

Principal annual rates used summarised as follows:

Leasehold land	66 – 99 years
Buildings	5 – 20 years
Plant and machinery	3 – 42 years
Furniture, fittings, equipment and motor vehicles	3 – 11 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

At the end of each reporting period, the Subsidiaries assess whether there is any indication of impairment. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets and are included in the income statement.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease income or operating lease rentals are credited or charged to the income statement on a straight-line basis over the period of the lease.

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Subsidiaries by the end of the lease term is classified as operating lease. The up-front payments for right to use the leasehold land over the lease period of 22 years are accounted for as prepaid lease payments and are stated at cost less amounts amortised.

(e) Finance lease

Leases of asset where the Subsidiaries assume substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as finance lease liabilities under term loans. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Following the adoption of the improvements to FRS 117 ' Leases', leasehold land in which the Subsidiaries has substantially all the risk and rewards incidental to ownership has been reclassified retrospectively from operating leases unless title is expected to pass to the lessee at the end of lease term. Refer to Note 6.25 of Combined Financial Information for the impact of this change in accounting policy.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. The impact of the difference in the basis is not expected to be material. Cost comprises the landed cost of goods purchased and in the case of goods-in-process and finished goods, includes materials, direct labour, other direct charges and an appropriate proportion of factory overheads.

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.

(g) Financial assets

Being part of the PPB Group during the financial year ended 31 December 2009, the Subsidiaries had early adopted FRS 139 as of 1 January 2009, which resulted in adoption of new accounting policy for financial assets as described below (with effects set out in Note 6.25 of this Report). FGVH had adopted the FRS 139 as of 1 January 2010 and the same accounting policy has been applied by FGVH for the financial year ended 31 December 2010.

Classification

The Subsidiaries considers the classification of their financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Prior to adoption of FRS 139, fair value in respect of financial assets at fair value through profit and loss was disclosed and not recognised in the financial statements of the Subsidiaries.

Notes 6.13 and 6.25 show the impact of the adoption of FRS 139.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Classification (continued)

(i) Financial assets at fair value through profit or loss (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading. None of the Subsidiaries have applied hedge accounting.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Subsidiaries' loans and receivables comprise trade and other receivables, loans and amounts due from related companies and cash and cash equivalents in the statement of financial position.

Prior to the adoption of FRS 139, these financial assets are carried at anticipated realisable value and the difference between the carrying amount and recoverable amount would be recognised as allowance in the income statement. There was no significant impact to those financial statements.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Subsidiaries commit to purchase or sell the asset. All financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains– net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Subsidiaries' right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(h) Financial liabilities

Financial liabilities within the scope of FRS 139 are recognised on the statements of financial position when, and only when, the Subsidiaries becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method except for derivatives if any, which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in statement of comprehensive income. Net gains or losses on derivatives include exchange differences.

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

There was no significant impact as a result of adoption of FRS 139.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bad debts are written off in the year in which they are identified. An estimate is made for provision for impairment of receivables based on a review of all outstanding accounts at the year end. The provision is established when there is objective evidence that the Subsidiaries will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. The amount of provision is recognised in the income statement.

Prior to adoption of FRS 139, receivables were carried at anticipated realisable value and the difference between the carrying amount and recoverable amount would be recognised as allowance in the income statement. Allowance for doubtful debts was made based on a review of all outstanding amounts as at the balance sheet date. A considerable amount of judgement was required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial condition of customers of the Subsidiaries were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance might be required.

There was no significant impact as a result of adoption of FRS 139.

(j) Share capital

Ordinary shares are recorded at nominal value and proceeds received in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares is accounted for as a deduction from share premium, if any, otherwise it is charged to the income statement.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date. Dividend-in-specie is declared based on the carrying value of the related asset.

(k) Biological assets - plantations

Biological assets comprise primarily the livestock of sugar cane planted on leasehold land. All direct costs are accumulated until it matures.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services, net of sales taxes, rebates and discounts and after eliminating sales within the Sugar Business Group.

Revenue from sale of goods is recognised upon the delivery of goods, when significant risks and rewards of ownership of the goods are transferred to the buyer.

Subsidy receivable from the Government of Malaysia for the goods sold relates to the difference between estimated market price and the controlled price determined by the Government for sale of refined sugar in the domestic market limited to the amount agreed with the Government on an annual basis. This subsidy is credited to the income statement and recognised as part of revenue in the accounting period in which the corresponding sales of goods are recognised.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Subsidiaries reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Dividend income is recognised when the shareholders' right to receive is established.

(m) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The impairment loss is charged to the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets are reviewed for possible reversal of impairment at each reporting date.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Combined Financial Information are presented in Ringgit Malaysia (RM), which is the company's functional and the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within other (losses)/gains – net'.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave, paid sick leaves, bonuses and non-monetary benefits are recognised as expenses in the period in which the associated services are rendered by employees.

(ii) Post-employment benefits

Defined contribution plan

The Subsidiaries pay monthly contributions to the Employees Provident Fund ('EPF') which is a defined contribution plan. The legal or constructive obligation of the Subsidiaries is limited to the amount that they agree to contribute to the EPF. The contributions to the EPF are charged to the income statement in the period to which they relate.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

(ii) Post-employment benefits (continued)

Defined contribution plan (continued)

MSM also provides additional post-employment benefits to factory workers as provided under a collective agreement between MSM and the Malayan Sugar Manufacturing Company Employees' Union as well as to other employees. Contributions are made to the Malayan Sugar Manufacturing Company Berhad Provident Funds, which is a defined contribution plan set up by MSM on the fulfilment of conditions of entitlement. The Fund is administered by trustees appointed by MSM. The contributions to the Fund are charged to the income statement in the period to which they relate.

Defined benefits plan

A defined benefit plan is a retirement plan that defines an amount of retirement benefits to be paid, usually as a function of one or more factors such as age, years of service or compensation. KGFP participates in a non-funded defined benefit retirement plan for applicable employees. Under the plan, retirement benefits are determinable by reference to employees' final salary and years of service and payable upon attaining the normal retirement age. The liability in respect of defined benefit plan is the present value of the defined benefit obligations at the balance sheet date together with adjustments for actuarial gains/losses and past service cost. The present value of the defined benefit obligations is determined by KFGP with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

(iii) Termination benefits

The Group recognises termination benefits payable as a liability and an expense when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Subsidiaries has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs incurred to finance qualifying assets are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the assets for their intended use. All other borrowing costs are expensed as incurred.

(q) Income taxes

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 statement of financial position date.

Deferred tax is provided for, using the 'liability method', on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

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

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised. No deferred tax asset is recognised when all the tax credits are fully utilised during the year.

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II SUBSIDIARIES (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purposes of the cash flow statements, cash and cash equivalent are presented excluding fixed deposits pledged to secure banking facilities.

(s) Research and development expenses

All research and development expenses are charged to the income statement as and when incurred.

Development expenses in respect of a project are only capitalised as intangible assets when the following conditions are met:

- the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably;
- the technical feasibility of the product or process can be demonstrated;
- the subsidiaries intend to produce and market, or use, the product or process;
- the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated; and
- adequate resources exists or their availability can be demonstrated, to complete the project and to market or use the product or process.

During the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010, no expenses relating to research and development incurred met the above conditions.

(t) Segment reporting

Segment information is presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating reserves and assessing performance of the operating segments, has been identified as the executive committee and chief executive officer who make strategic decisions.

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II SUBSIDIARIES (CONTINUED)

5 COMBINED FINANCIAL INFORMATION

5.1 COMBINED INCOME STATEMENTS

	Note	Financial year ended 31 December 2008 *Predecessor* RM'000	Financial year ended 31 December 2009 *Predecessor* RM'000	Financial year ended 31 December 2010 *Successor* RM'000
Revenue	6.1	1,154,230	1,643,621	2,168,598
Cost of sales		(914,643)	(1,293,033)	(1,746,054)
Gross profit		239,587	350,588	422,544
Other operating income	6.2	12,532	4,945	4,299
Other gains/(losses) – net	6.3	-	23,529	(29,574)
Selling and distribution expenses		(50,238)	(49,006)	(49,279)
Administrative expenses		(29,984)	(28,491)	(33,693)
Profit from operations	6.4	171,897	301,565	314,297
Finance costs	6.5	(3,542)	(2,215)	(8,565)
Profit before taxation		168,355	299,350	305,732
Taxation	6.6	(46,145)	(62,057)	(72,866)
Profit for the financial year		122,210	237,293	232,866

No earnings per share disclosure has been made as there is no share capital in the Combined Financial Information.

5.2 COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Financial year ended 31 December 2008 *Predecessor* RM'000	Financial year ended 31 December 2009 *Predecessor* RM'000	Financial year ended 31 December 2010 *Successor* RM'000
Profit for the financial year and total comprehensive income	122,210	237,293	232,866

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II SUBSIDIARIES (CONTINUED)

5 COMBINED FINANCIAL INFORMATION (CONTINUED)

5.3 COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2008 *Predecessor* RM'000	As at 31 December 2009 *Predecessor* RM'000	As at 31 December 2010 *Successor* RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	6.7	179,675	215,508	462,141
Prepaid lease payments	6.8	1,060	990	859
Intangible assets	6.9	-	-	659,046
Total non-current assets		180,735	216,498	1,122,046
Current assets				
Inventories	6.10	266,131	315,814	330,844
Biological assets	6.11	12,053	13,753	11,360
Receivables, deposits and prepayments	6.12	78,008	156,154	216,046
Amount due from an immediate holding company	6.15	126,627	-	-
Amount due from related companies	6.15	6,830	3,402	-
Tax recoverable		83	-	690
Derivative financial assets	6.13	-	6,034	20,509
Cash and cash equivalent	6.14	98,509	151,191	87,055
Total current assets		588,241	646,348	666,504
TOTAL ASSETS		768,976	862,846	1,788,550

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II SUBSIDIARIES (CONTINUED)

5 COMBINED FINANCIAL INFORMATION (CONTINUED)

5.3 COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31 December 2008 *Predecessor* RM'000	As at 31 December 2009 *Predecessor* RM'000	As at 31 December 2010 *Successor* RM'000
EQUITY AND LIABILITIES				
Equity		569,830	479,886	1,408,540
Non-current liabilities				
Deferred tax liabilities	6.16	8,578	23,300	110,594
Provision for staff retirement benefits	6.17	3,208	1,446	1,032
Total non-current liabilities		11,786	24,746	111,626
Current liabilities				
Payables and accruals	6.18	36,204	117,016	35,434
Amounts due to related parties	6.15	-	-	2,197
Amount due to related companies	6.15	1,016	536	-
Amount due to a holding company	6.15	2,200	62	-
Current tax liabilities		9,940	24,100	13,753
Short term borrowings	6.19	138,000	136,500	217,000
Dividend payable		-	80,000	-
Total current liabilities		187,360	358,214	268,384
Total liabilities		199,146	382,960	380,010
TOTAL EQUITY AND LIABILITIES		768,976	862,846	1,788,550

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II SUBSIDIARIES (CONTINUED)

5 COMBINED FINANCIAL INFORMATION (CONTINUED)

5.4 RECONCILIATION OF MOVEMENT IN COMBINED EQUITY

	Financial year ended 31 December 2008 *Predecessor* RM'000	Financial year ended 31 December 2009 *Predecessor* RM'000	Financial year ended 31 December 2010 *Successor* RM'000
Total equity at beginning of the financial year	787,090	569,830	-
Effects of adoption of FRS139 (Note 6.25)	-	101	-
	787,090	569,931	-
Acquisition of Sugar Business	-	-	1,307,306
Profit and total comprehensive income for the financial year	122,210	237,293	232,866
Dividends declared	(347,902)	(336,310)	(171,341)
	(225,692)	(99,017)	61,525
Capital contribution from PPB for Chuping Cane Division	8,432	8,972	-
Minority interest	-	-	39,709
Total equity at end of the financial year	569,830	479,886	1,408,540

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II SUBSIDIARIES (CONTINUED)

5 COMBINED FINANCIAL INFORMATION (CONTINUED)

5.5 COMBINED STATEMENTS OF CASH FLOWS

	Note	As at 31 December 2008 *Predecessor* RM'000	As at 31 December 2009 *Predecessor* RM'000	As at 31 December 2010 *Successor* RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial year		122,210	237,293	232,866
Adjustments for:				
Taxation		46,145	62,057	72,866
Depreciation of property, plant and equipment		19,851	27,534	39,967
Losses/(gains) on disposal of property, plant and equipment		(17)	(73)	29
Property, plant and equipment written off		139	5	164
Amortisation of prepaid lease payments		70	70	66
Intangible asset		-	-	3,226
Fair value gain on derivative financial financial assets		-	(6,034)	(20,509)
Interest income		(10,509)	(3,827)	(3,494)
Interest expense		3,542	2,215	8,565
Provision for retirement benefit		700	201	106
Bad debts written off		159	-	15
Operating profit before working capital changes		182,290	319,441	333,867
Inventories		(64,190)	(49,683)	10,909
Biological asset		(2,923)	(1,700)	8,528
Receivables		13,524	(78,145)	(53,871)
Payables		(3,373)	79,424	(73,631)
Related parties balances		(7)	810	2,838
Cash generated from operations		125,321	270,147	228,640
Interest paid		(431)	(27)	(891)
Retirement benefits paid		(4,960)	(1,963)	(520)
Tax paid		(37,640)	(33,093)	(92,944)
Net cash generated from operating activities		82,290	235,064	134,285

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II SUBSIDIARIES (CONTINUED)

5 COMBINED FINANCIAL INFORMATION (CONTINUED)

5.5 COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	As at 31 December 2008 *Predecessor* RM'000	As at 31 December 2009 *Predecessor* RM'000	As at 31 December 2010 *Successor* RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(47,011)	(62,429)	(25,209)
Proceeds from disposal of property, plant and equipment		82	619	21
Advances to immediate holding company		(25,087)	-	-
Repayment of advances by immediate holding company		-	126,627	-
Interest received		10,509	3,827	3,451
Increase in fixed deposits pledged		(48)	(2)	(1)
Net cash (used in)/generated from investing activities		(61,555)	68,642	(21,738)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of bank borrowings		258,000	218,000	552,000
Repayment of bank borrowings		(120,000)	(219,500)	(471,500)
Dividends paid		(347,902)	(256,310)	(251,673)
Interest paid		(3,112)	(2,188)	(5,511)
Capital contribution for Chuping Cane Division		8,432	8,972	-
Net cash used in financing activities		(204,582)	(251,026)	(176,684)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT		(183,847)	52,680	(64,137)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE FINANCIAL YEAR		282,308	98,461	151,141
CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL YEAR	6.14	98,461	151,141	87,004

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION

6.1 REVENUE

	Financial year ended 31 December 2008 *Predecessor* RM'000	Financial year ended 31 December 2009 *Predecessor* RM'000	Financial year ended 31 December 2010 *Successor* RM'000
Revenue from goods sold	1,154,230	1,204,156	1,688,700
Subsidy from the Government of Malaysia for the goods sold	-	439,465	479,898
	1,154,230	1,643,621	2,168,598

The analysis of the revenue for goods sold by domestic and export market category is as follows:

	Financial year ended 31 December 2008 *Predecessor* RM'000	Financial year ended 31 December 2009 *Predecessor* RM'000	Financial year ended 31 December 2010 *Successor* RM'000
Domestic	1,026,856	1,541,420	1,917,964
Export	127,374	102,201	250,634
	1,154,230	1,643,621	2,168,598

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION

6.2 OTHER OPERATING INCOME

	Financial year ended 31 December		Financial year ended 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Interest income	10,509	3,827	3,494
Rental of land building	222	200	245
Gain on disposal of property, plant and equipment	31	-	-
Unrealised foreign exchange gains	60	-	-
Income from sale of scrap	125	52	3
Contribution from planters	333	171	-
Other operating income	1,252	695	557
	12,532	4,945	4,299

6.3 OTHER GAINS/(LOSSES) – NET

	Financial year ended 31 December		Financial year ended 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Futures contracts - fair value gains/(losses) - net	-	25,109	(19,313)
Foreign exchange forward contracts - fair value losses - net	-	(1,580)	(10,261)
	-	23,529	(29,574)

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.4 PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	Financial year ended 31 December		Financial year ended 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Auditors' remuneration			
- current year	78	87	120
Depreciation on property, plant and equipment	19,851	27,534	39,967
Amortisation of prepaid lease payments	70	70	66
Amortisation of intangible assets	-	-	3,226
Property, plant and equipment written off	139	5	164
(Gain)/ loss on disposal of property, plant and equipment	(17)	(73)	29
Staff costs	51,231	52,020	50,843
Operating lease rental on land and buildings (other than prepaid lease payments)	1,506	1,567	1,229
Cost of raw sugar consumed	644,711	1,103,497	1,401,094
Natural gas and fuel	52,193	50,897	54,103
Bad debts written off	159	-	15
Repair and maintenance	24,934	26,948	31,340
Research and development expenses	783	206	-
(Gain)/ loss on disposal of scrap	(73)	(46)	(3)
Tyres	376	423	452
Changes in biological assets	(2,923)	(1,700)	1,283

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.4 PROFIT FROM OPERATIONS (CONTINUED)

	Financial year ended 31 December 2008 *Predecessor* RM'000	2009 *Predecessor* RM'000	Financial year ended 31 December 2010 *Successor* RM'000
Staff costs comprise:			
Wages, salaries and bonuses	38,149	41,013	39,692
Defined contribution retirement plan	5,350	5,483	5,554
Defined benefit retirement plan	700	201	106
Other employee benefits	7,032	5,323	5,491
	51,231	52,020	50,843

Staff costs include Directors' remuneration as indicated below:

	Financial year ended 31 December 2008 *Predecessor* RM'000	2009 *Predecessor* RM'000	Financial year ended 31 December 2010 *Successor* RM'000
Fees	124	158	663
Remuneration	4,560	4,720	1,600
Defined contribution retirement fund	547	566	242
MSM provident fund	50	51	18
Directors' allowance	-	-	3
Benefits-in-kind	85	71	168
	5,366	5,566	2,694

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.5 FINANCE COSTS

	Financial year ended 31 December		Financial year ended 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Interest on:			
- bank overdraft	1	8	-
- banker' acceptance	3,520	2,188	6,390
- other finance costs	21	19	2,175
	3,542	2,215	8,565

6.6 TAXATION

	Financial year ended 31 December		Financial year ended 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Current tax			
- in respect of current year	(44,764)	(48,649)	(82,425)
- in respect of prior year	149	1,313	518
	(44,615)	(47,336)	(81,907)
Deferred tax	(1,530)	(14,721)	9,041
Income tax expense	(46,145)	(62,057)	(72,866)

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.6 TAXATION (CONTINUED)

The numerical reconciliation of the relationship between taxation and profit before taxation is as follows:

	Financial year ended 31 December		Financial year ended 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Profit before taxation	168,355	299,350	305,732
Tax at Malaysian tax rate (2010: 25%; 2009: 25%; 2008: 26%)	43,773	74,838	76,433
Tax arising from:			
- non-deductible expenses	4,805	939	439
- utilisation of reinvestment allowance	(682)	(11,250)	(397)
- utilisation of unrecognised deferred tax assets	-	(19)	(54)
- difference in tax rate	(165)	(135)	-
- current year temporary differences not recognised as deferred tax	52	10	(2,121)
- expenses eligible for double deduction	(294)	(322)	(491)
- overprovision of income tax in prior years	(149)	(1,313)	(518)
- temporary differences not recognised in prior years	(1,195)	(691)	(425)
	46,145	62,057	72,866

Subject to agreement by the tax authorities, the Subsidiaries have sufficient Section 108 tax credits to frank their retained earnings if paid out as dividends and tax exempt accounts, which are available to pay tax exempt dividends as follows:

As at	Section 108	Tax exempt account
	RM'000	RM'000
31 December 2008 - *predecessor*	5,030	191,179
31 December 2009 - *predecessor*	4,730	236,958
31 December 2010 - *successor*	4,730	72,281

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.6 TAXATION (CONTINUED)

The gazetted Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. Under the single tier system, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of the shareholder. The Section 108 tax credit as at 31 December 2007 will be available to the company until such time the credit is fully utilised or upon expiry of the 6-year transitional period on 31 December 2013, whichever is earlier, unless the entity opts to disregard the Section 108 credits to pay single tier dividends under the special transitional provisions of the Finance Act 2007.

Subsidiaries which have elected the single tier income tax system, accordingly the entire retained earnings of the subsidiaries are available for distribution by way of dividends without incurring additional tax liability are as follows:

Entity	Year elected
MSM	2008

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings	Plant and machinery	Furniture, fittings, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2008							
Predecessor							
Cost/valuation							
At 1.1.2008							
- Cost	6,527	-	53,948	307,056	48,698	10,943	427,172
- Valuation	-	-	6,267	15,863	-	-	22,130
	6,527	-	60,215	322,919	48,698	10,943	449,302
Amendments to FRS 117 (Note 6.25)	-	21,396	-	-	-	-	21,396
As restated	6,527	21,396	60,215	322,919	48,698	10,943	470,698
Additions	-	-	133	976	1,068	49,814	51,991
Disposals	-	-	-	(64)	(550)	-	(614)
Write-offs	-	-	(97)	(3,618)	(1,897)	-	(5,612)
Reclassifications	-	-	3,829	10,779	2,940	(17,548)	-
At 31.12.2008							
- Cost	6,527	-	57,813	315,129	50,259	43,209	472,937
- Valuation	-	21,396	6,267	15,863	-	-	43,526
	6,527	21,396	64,080	330,992	50,259	43,209	516,463

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Leasehold land	Buildings	Plant and machinery	Furniture, fittings, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2008							
Predecessor							
Accumulated depreciation							
At 1.1.2008							
- Cost	-	-	33,227	222,372	38,132	-	293,731
- Valuation	-	-	6,267	15,863	-	-	22,130
	-	-	39,494	238,235	38,132	-	315,861
Amendment s to FRS 117 (Note 6.25)	-	7,098	-	-	-	-	7,098
As restated	-	7,098	39,494	238,235	38,132	-	322,959
Charge for the year	-	257	2,504	13,446	3,644	-	19,851
Disposals	-	-	-	(53)	(496)	-	(549)
Write-offs	-	-	(92)	(3,522)	(1,859)	-	(5,473)
Reclassification	-	-	-	-	-	-	-
At 31.12.2008							
- Cost	-	-	35,639	232,243	39,421	-	307,303
- Valuation	-	7,355	6,267	15,863	-	-	29,485
	-	7,355	41,906	248,106	39,421	-	336,788
Net book value							
At 31.12.2008							
- Cost	6,527	-	22,174	82,886	10,838	43,209	165,634
- Valuation	-	14,041	-	-	-	-	14,041
	6,527	14,041	22,174	82,886	10,838	43,209	179,675

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2009							
Predecessor							
Cost/valuation							
At 1.1.2009							
- Cost	6,527	-	57,813	315,129	50,259	43,209	472,937
- Valuation	-	21,396	6,267	15,863	-	-	43,526
	6,527	21,396	64,080	330,992	50,259	43,209	516,463
Additions	-	20	264	896	2,196	60,542	63,918
Disposals	-	-	(25)	(1,541)	(944)	-	(2,510)
Write-offs	-	-	-	(2,787)	(790)	-	(3,577)
Reclassifications	-	-	16,614	78,584	491	(95,689)	-
At 31.12.2009							
- Cost	6,527	20	74,666	391,815	51,212	8,062	532,302
- Valuation	-	21,396	6,267	14,329	-	-	43,526
	6,527	21,416	80,933	406,144	51,212	8,062	574,294

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Leasehold land	Buildings	Plant and machinery	Furniture, fittings, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009							
Predecessor							
Accumulated depreciation							
At 1.1.2009							
- Cost	-	-	35,639	232,243	39,421	-	307,303
- Valuation	-	7,355	6,267	15,863	-	-	29,485
	-	7,355	41,906	248,106	39,421	-	336,788
Charge for the year	-	256	3,082	20,704	3,492	-	27,534
Disposals	-	-	(16)	(1,273)	(675)	-	(1,964)
Write-offs	-	-	-	(2,782)	(790)	-	(3,572)
At 31.12.2009							
- Cost	-	-	38,705	250,426	41,448	-	330,579
- Valuation	-	7,611	6,267	14,329	-	-	28,207
	-	7,611	44,972	264,755	41,448	-	358,786
Net book value							
At 31.12.2009							
- Cost	6,527	20	35,961	141,389	9,764	8,062	201,703
- Valuation	-	13,785	-	-	-	-	13,785
	6,527	13,805	35,961	141,389	9,764	8,062	215,508

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Leasehold land	Buildings	Plant and machinery	Furniture, fittings, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010							
Successor							
Cost/valuation							
At 1.1.2010							
- Cost	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Acquisition of the Subsidiaries (Note 2)	15,950	151,510	56,742	238,930	12,743	8,127	484,002
Additions	-	-	583	1,296	1,974	14,467	18,320
Disposals	-	-	-	-	(50)	-	(50)
Write-offs	-	-	-	(130)	(34)	-	(164)
Reclassifications	-	-	1,286	11,293	6	(12,585)	-
At 31.12.2010	15,950	151,510	58,611	251,389	14,639	10,009	502,108
Accumulated depreciation							
At 1.1.2010	-	-	-	-	-	-	-
Charge for the year	-	2,782	4,458	29,185	3,542	-	39,967
At 31.12.2010	-	2,782	4,458	29,185	3,542	-	39,967
Net book value							
At 31.12.2010	15,950	148,728	54,153	222,204	11,097	10,009	462,141

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Certain buildings of MSM amounting to RM32.4 million as at 31 December 2010, being the carrying value of assets acquired by FGVH (carrying values in PPB as at 31 December 2009 and 31 December 2008 of RM8.3 million and RM10.7 million respectively) are situated on land leased from Keretapi Tanah Melayu Berhad under operating lease arrangements which have options for renewal upon expiry. In 1992, the land was transferred by Federal Land Commission to Perbadanan Aset Keretapi. As of date of this report, Perbadanan Aset Keretapi has agreed to a lease arrangement expiring in 2024, with a 30 year option for renewal upon expiry. MSM is in the midst of formalising the lease agreements in respect of the leases of the land in Prai with Perbadanan Aset Keretapi.

6.8 PREPAID LEASE PAYMENTS

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Leasehold land			
Cost			
At 1 January	22,944	1,548	-
Amendments to FRS 117 (Note 6.25)	(21,396)	-	-
As restated	1,548	1,548	-
Acquisition of the Subsidiaries (Note 2)	-	-	925
Addition	-	-	-
At 31 December	1,548	1,548	925
Accumulated amortisation			
At 1 January	7,516	488	-
Amendments to FRS 117 (Note 6.25)	(7,098)	-	-
As restated	418	418	-
Amortisation for the year	70	70	66
At 31 December	488	558	66
Net book value			
At 31 December	1,060	990	859

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.9 INTANGIBLE ASSETS

	Goodwill RM'000	Brand RM'000	Total RM'000
Successor			
As at 1 January 2010	-	-	-
Acquisition of the Subsidiaries (Note 2)	576,240	86,032	662,272
Amortisation charge	-	(3,226)	(3,226)
As at 31 December 2010	576,240	82,806	659,046

Goodwill

The goodwill relates to the acquisition of the Sugar Business by FGVH and is allocated to this cash generating unit.

The recoverable amount of the CGU is determined based on value-in-use calculation using cash flows projections based on financial budgets approved by the Directors covering a five-year period and applying a terminal value multiple using longer-term sustainable growth rates stated below.

The key assumptions used for the CGU's value in use calculation are:

	Gross margin	Growth rate	Discount rate
At 31 December 2010			
Business operation of MSM	22%	2%	10%

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year, adjusted for market and economic condition, and expected efficiency improvement.

(ii) Growth rate

Average growth rate used is consistent with the average increase in annual production and sales volume of MSM. It is also assumed that the subsidies from Government for goods sold continue to be received based on a similar agreed rate.

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.9 INTANGIBLE ASSETS (CONTINUED)

(iii) Discount rate

Discount rate used is 10% which is pre-tax and reflect specific risks relating to the business operation.

Management of MSM believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed the recoverable amount.

6.10 INVENTORIES

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Raw materials	200,775	216,544	241,561
Goods-in-process	16,159	23,273	12,617
Finished goods	26,797	55,560	54,989
Consumable stores	21,750	19,750	20,175
Cane stock	197	30	-
Molasses	453	657	1,502
	266,131	315,814	330,844

6.11 BIOLOGICAL ASSETS

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Planting cost	12,053	13,753	11,360

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.12 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Trade receivables	76,173	132,596	177,016
Other receivables	1,172	22,205	38,250
Deposits through utilities, rental and other deposits	457	567	496
Prepayments	206	786	284
	78,008	156,154	216,046

The currency profile of receivables, deposits and prepayments is as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Ringgit Malaysia	63,468	119,741	157,078
US Dollar	14,540	36,413	58,968
	78,008	156,154	216,046

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.12 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Past due but not impaired

As at 31 December 2010, RM22,092,000 (2009: RM15,475,802; 2008: RM16,929,000) of receivables were past due but not impaired. These relate to number of external parties where there is no expectation of default. The ageing analysis of these receivables is as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Less than 30 days past due	14,420	13,382	20,867
Between 30 and 60 days past due	2,297	1,613	735
Between 61 days and 90 days past due	-	201	-
Between 91 days and 1 year past due	212	280	490
	16,929	15,476	22,092

Receivables of RM193,174,000 (2009: RM139,325,200; 2008: RM60,416,000), which are neither past due nor impaired are not significantly impacted by credit and default risks.

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.13 DERIVATIVE FINANCIAL ASSETS

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
At 1 January	-	-	-
Acquisition of the Subsidiaries (Note 2)	-	-	6,034
Effects of adoption of FRS139 (Note 6.25)	-	101	-
	-	101	6,034
Additions and disposals of derivatives during the year (net)	-	(17,596)	44,049
Valuation gains/(losses) taken to Income Statement	-	23,529	(29,574)
At 31 December	-	6,034	20,509

	As at 31 December				As at 31 December	
	2008		2009		2010	
	Notional amount	Assets	Notional amount	Assets	Notional amount	Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Predecessor		*Predecessor*		*Successor*	
Foreign currency forward contracts	-	-	-	-	33,076	27
Sugar futures contracts	-	-	128,098	6,034	455,702	20,482
		-		6,034		20,509

As at 31 December 2008, the Subsidiaries had foreign currency forward contract commitments with notional amount totalling RM3,003,000 and fair value changes of RM101,000 (asset) not recognised in the financial statements as FRS 139 had not yet been adopted during that financial year. There were no outstanding futures contracts entered into as at 31 December 2008.

The Subsidiaries classify derivative financial instruments as financial assets/liabilities at fair value through profit or loss. None of the derivatives are designated as hedges as the hedge accounting was not applied.

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.14 FIXED DEPOSITS, CASH AND BANK BALANCES

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Fixed deposits with			
- licensed investment bank in Malaysia	31,492	92,144	43,184
- licensed banks in Malaysia	49,970	49,857	20,451
	81,462	142,001	63,635
Cash and bank balances	17,047	9,190	23,420
Total fixed deposits, cash and bank balances	98,509	151,191	87,055
Less: Fixed deposit pledged with a bank	(48)	(50)	(51)
Cash and cash equivalents (for statement of cash flows purpose)	98,461	151,141	87,004

Included in fixed deposits of the Subsidiaries is an amount of RM51,162 (2009: RM49,914; 2008: RM48,100) which has been pledged to a bank as security for bank guarantee granted to the Subsidiaries.

The effective interest rates of the time deposits range from 2.65% to 3.27% (2009: 1.58% to 3.26%; 2008: 2.75% to 3.55%) per annum. All the deposits have maturity terms of less than one year.

Cash and bank balances are deposits held at call with banks

The currency profile of fixed deposits, cash and bank balances is as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Ringgit Malaysia	98,381	150,634	86,973
US Dollar	128	557	82
	98,509	151,191	87,055

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.15 RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the Combined Financial Information, set out below are other significant transactions and balances:

(a) Purchase of goods and services

	Transactions for the financial year ended 31 December		Transactions for the financial year ended 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Transaction with immediate holding company:			
- FGVH (management fee)	-	-	1,247
Purchase of services from subsidiaries of FHB, an associate of FGVH:			
- Felda Security Services Sdn Bhd (security services)	-	-	25
- Felda Prodata Services Sdn Bhd (IT services)	-	-	129
- Felda Travel Sdn Bhd (travel agent services)	-	-	68
- FHB (management fee)	-	-	977
Transactions with PPB, immediate holding company:			
- Interest income received	(4,004)	(1,487)	-
- Capital contributions	8,432	8,972	-

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.15 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Purchase of goods and services (continued)

	Transactions for the financial year ended 31 December		Transactions for the financial year ended 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Transactions with other related companies of PPB:			
- ChemQuest Ltd (Purchase of chemicals)	924	526	-
- Tego Co Ltd (Purchase of polibags)	599	704	-
- AWS Services Sdn Bhd (Maintenance services rendered)	855	706	-
- Mein Sec Engineering Sdn Bhd (Engineering services rendered)	85	6,344	-
- PPB (Rental income received)	-	336	-
Transaction with Kuok Brothers Sdn Bhd, ultimate holding company:			
- Secretarial and security services rendered	124	154	-
Transactions with subsidiary companies of ultimate holding company, Mien Tien & Co Sdn Bhd :			
- Sales of goods	(59,143)	(57,480)	-
- Transportation service rendered	257	201	-

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.15 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Purchase of goods and services (continued)

	Balances outstanding as at 31 December		Balances outstanding as at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Purchase of services from subsidiaries of FHB, an associate of FGVH:			
- Felda Security Services Sdn Bhd* (security services)	-	-	(7)
- Felda Prodata Services Sdn Bhd* (IT services)	-	-	(21)
- Felda Engineering Services Sdn Bhd* (construction services)	-	-	(6)
Amount due from PPB, immediate holding company:			
- Advance given+	(126,627)	-	-
- Non-trade charges*	7	62	-

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.15 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Purchase of goods and services (continued)

	Balances outstanding as at 31 December 2008 *Predecessor* RM'000	Balances outstanding as at 31 December 2009 *Predecessor* RM'000	Balances outstanding as at 31 December 2010 *Successor* RM'000
Transactions with related companies:			
- ChemQuest Ltd (Purchase of chemicals)**	308	71	-
- Tego Co. Ltd (Purchase of polibags)**	5	140	-
- AWS Service Ptd Ltd (Maintenance services rendered)*	81	75	-
- Min Sec Engineer Service Sdn Bhd (Engineering services rendered)*	132	30	-
Transactions with subsidiary companies of ultimate holding company:			
- Hoe Sen Mersing Sdn Bhd and Mien Tien & Co Sdn Bhd (Sales of goods)**	(4,626)	(3,215)	-
- Rebates on purchase of sugar cane**	(1,596)	-	-
- Mien Tien & Co Sdn Bhd (Non-trade charges)*	(18)	(15)	-
- Mien Tien & Co Sdn Bhd (Transportation service rendered)*	17	16	-

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.15 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Purchase of goods and services (continued)

+ The advance given to immediate holding company represented unsecured advances which was charged interest at a reference financial institution's fixed deposit interest rate during the year ended 31 December 2008 of 2.15% per annum.

* The amounts due from/(to) related parties were denominated in Ringgit Malaysia, unsecured, interest free and has no fixed terms of repayment.

** The amounts due from/(to) former related parties and due to holding companies represented trade balances, which were expected to settled within the normal credit period, denominated in Ringgit Malaysia, unsecured and interest free.

(b) Key management personnel remuneration

Key management personnel comprise persons other than the Directors of the Entities, having authority and responsibility for planning, directing and controlling the activities of the Entities either directly or indirectly.

The aggregate amount of emoluments received/receivable by key management personnel of the Subsidiaries during the year are as follows:

	Financial year ended 31 December		Financial year ended 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Salary, allowances and bonuses	9,759	9,508	6,465
Estimated monetary value of benefits-in-kind	194	192	276
Defined contribution plan	1,166	1,050	901
Defined benefit plan	236	146	84
Defined contribution retirement plan	-	137	-
Total compensation	11,355	11,033	7,726

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.16 DEFERRED TAX LIABILITIES

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Subject to income tax			
- Deferred tax liabilities	(8,578)	(23,300)	(110,594)
At 1 January	(7,048)	(8,578)	-
Charged to equity:			
- acquisition of the Subsidiaries (Note 2)	-	-	(120,231)
(Charged)/credited to income statement:			
- property, plant and equipment	(1,520)	(5,155)	(1,143)
- provisions	(1,140)	(441)	565
- intangible asset	-	-	806
- prepaid lease payment	-	-	711
- inventory	-	-	6,474
- subsidy receivables	-	(9,973)	(230)
- biological assets	-	-	2,029
- others	(65)	156	-
	(9,773)	(23,991)	(111,019)
Temporary differences not recognised in prior year	1,195	691	425
At 31 December	(8,578)	(23,300)	(110,594)
Deferred tax assets (before offsetting)			
- provisions	802	361	1,279
- others	478	667	-
Deferred tax assets (before offsetting)	1,280	1,028	1,279
Offsetting	(1,280)	(1,028)	(1,279)
Deferred tax assets (after offsetting)	-	-	-

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.16 DEFERRED TAX LIABILITIES (CONTINUED)

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Deferred tax liabilities (before offsetting)			
- property, plant and equipment	(9,858)	(14,355)	(44,796)
- intangible asset	-	-	(20,701)
- prepaid lease payment	-	-	(33,704)
- subsidy receivables	-	(9,973)	(10,203)
- biological assets	-	-	(2,469)
Deferred tax liabilities (before offsetting)	(9,858)	(24,328)	(111,873)
Offsetting	1,280	1,028	1,279
Deferred tax liabilities (after offsetting)	(8,578)	(23,300)	(110,594)

The following temporary differences of which deferred tax benefits have not been recognised in the financial statements as at 31 December:

	Financial year ended 31 December		Financial year ended 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Unabsorbed capital allowances	1,808	1,962	1,428
Less: Excess of capital allowances claimed on property, plant and equipment over accumulated depreciation	(1,369)	(1,600)	(714)
	439	362	714

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.17 PROVISION FOR STAFF RETIREMENT BENEFITS

KGFP participates in a non-funded defined benefit retirement plan operated by FGVH Group. Under the plan, retirement benefits are determinable by reference to employees' earnings, designation and years of service and payable upon attaining the normal retirement age. The liabilities in respect of defined benefit plans are the present value of the defined benefit obligations at the balance sheet date together with adjustments for actuarial gains/losses and past service cost. The present value of the defined benefit obligations is determined by FGVH Group using actuary's valuation with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

Provision for staff retirement benefits is analysed as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
At 1 January	7,468	3,208	-
Acquisition of the Subsidiaries (Note 2)	-	-	1,446
Provisions made during the year	700	201	106
Payments made during the year	(4,960)	(1,963)	(520)
At 31 December	3,208	1,446	1,032

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.17 PROVISION FOR STAFF RETIREMENT BENEFITS (CONTINUED)

The expenses recognised in the income statement are analysed as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Current service costs	252	85	40
Interest costs	308	116	66
Actuarial loss	140	-	-
Total expenses included in staff costs	700	201	106

The principal actuarial assumptions used in respect of the defined benefit plan are as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	%	%	%
Discount rate	5.0	5.0	5.0
Expected rate of salary increases	5.0	5.0	5.0

The amount recognised in the statement of financial position is as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Present value of unfunded obligations	3,208	1,646	1,101
Unrecognised actuarial losses	-	(200)	(69)
Defined benefit obligation recognised on statement of financial position	3,208	1,446	1,032

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.18 PAYABLES AND ACCRUALS

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Trade payables	10,395	82,851	12,889
Other payables	16,846	23,862	15,863
Accruals	8,963	10,303	6,682
	36,204	117,016	35,434

Trade payables carry credit period between 30 days to 60 days.

The currency profile of payables and accruals is as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Ringgit Malaysia	36,120	43,932	35,434
US Dollar	84	73,084	-
	36,204	117,016	35,434

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.19 SHORT TERM BORROWINGS

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Bankers' Acceptances			
- Unsecured	138,000	136,500	217,000

The Bankers' Acceptances bear interest at 0.32% above lender bank's cost of funds.

The contractual interest rates of the short term borrowings as at 31 December 2010 range from 3.13% to 3.27% (2009: 1.89% to 2.95%; and 2008: 3.98% to 4.18%) per annum.

The currency profile of short term borrowings is as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Ringgit Malaysia	138,000	136,500	217,000

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.20 OPERATING LEASE COMMITMENTS

MSM leases premises from various parties under operating lease arrangement. These leases are cancellable and typically run for a period.

MSM also leases land from Keretapi Tanah Melayu Berhad under operating lease arrangements, which have options for renewal upon expiry. In 1992, the land was transferred by Federal Land Commission to Perbadanan Aset Keretapi. As of the date of this report, Perbadanan Aset Keretapi has agreed to a lease arrangement expiring in 2024, with a 30 year option for renewal upon expiry. MSM is in the midst of formalising the lease agreements in respect of the leases of the land in Prai with Perbadanan Aset Keretapi.

None of the leases includes contingent rentals. There are no restrictions placed upon the Subsidiaries by entering into these leases.

The future aggregated minimum lease payments under cancellable operating lease are as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
No later than 1 year	237	237	237
Later than 1 year and no later than 5 years	1,185	1,185	1,185
Later than 5 years	2,150	1,913	1,675
	3,572	3,335	3,097

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.21 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Approved capital commitments to acquire property, plant and equipment:			
- contracted but not provided for	39,044	9,802	14,183
- authorised but not contracted for	40,209	7,075	33,617
	79,253	16,877	47,800

6.22 NON-CANCELLABLE RAW SUGAR PURCHASE COMMITMENTS

Raw sugar purchase commitments for the Subsidiaries based on prices fixed and agreed with suppliers are as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
- No later than 1 year	246,300	818,866	1,234,633
- Later than 1 year but no later than 5 years	245,957	645,916	-
	492,257	1,464,782	1,234,633

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.23 FINANCIAL INSTRUMENTS

The analysis of classification of financial instruments is as follows:

As at 31 December 2010 - *Successor*	Loans and receivables RM'000	At fair value through profit or loss RM'000	Total RM'000
Financial assets			
Receivables	216,046	-	216,046
Derivative financial assets	-	20,509	20,509
Fixed deposits, cash and bank balances	87,055	-	87,055
Total financial assets	303,101	20,509	323,610

	Liabilities at amortised costs RM'000
Financial liabilities	
Payables and accruals	
Bank borrowings	35,434
Amount owing to related parties	217,000
	2,197
Total financial liabilities	254,631

As at 31 December 2009 - *Predecessor*	Loans and receivables RM'000	At fair value through profit or loss RM'000	Total RM'000
Financial assets			
Receivables	156,154	-	156,154
Derivative financial assets	-	6,034	6,034
Fixed deposits, cash and bank balances	151,191	-	151,191
Amount due from related companies	3,402	-	3,402
Total financial assets	310,747	6,034	316,781

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.23 FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2009 - *Predecessor*	Liabilities at amortised costs RM'000
Financial liabilities	
Payables and accruals	117,016
Bank borrowings	136,500
Amount owing to related companies	536
Amount due to a holding company	62
Total financial liabilities	254,114

As at 31 December 2008 - *Predecessor*	Loans and receivables RM'000
Financial assets	
Receivables	78,008
Fixed deposits, cash and bank balances	98,509
Amount due from immediate holding company	126,627
Amount due from related companies	6,830
Total financial assets	309,974

	Liabilities at amortised costs RM'000
Financial liabilities	
Payables and accruals	36,204
Bank borrowings	138,000
Amount owing to related companies	1,016
Amount due to a holding company	2,200
Total financial liabilities	177,420

The carrying amounts of the financial instruments of the Subsidiaries at the dates of statements of financial position approximate their fair values because they are mostly short term in nature or are repaid frequently.

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Subsidiaries' activities expose it to a variety of financial risks including foreign currency exchange risk, credit risk, market risk, interest rate risk and liquidity and cash flow risks. The Subsidiaries' overall financial risk management objective is to minimise potential adverse effects on the financial performance of the Subsidiaries.

Financial risk management is carried out through risk reviews, internal control systems, insurance programme and adherence to financial risk management policies. The Subsidiaries enter into derivative instruments, principally foreign currency forward contracts and commodity futures to hedge its exposure to financial risks. Management reviews and agrees on policies for managing each of the financial risks and they are summarised below.

(a) Foreign currency exchange risk

The Subsidiaries are exposed to currency risk as a result of foreign currency transactions entered into in currencies other than its functional currency.

The Subsidiaries enter into forward foreign currency contracts to limit its exposure on receivables and payables denominated in foreign currencies.

A sensitivity analysis has been performed based on the outstanding foreign currency denominated monetary items as at year end. If the USD strengthen or weaken by 5% against RM with all other variables held constant, the Subsidiaries' profit before tax and equity would decrease or increase by RM1,435,854 (2009 : RM2,641,000; 2008: nil).

(b) Credit risk

Credit risk arises from the possibility that a counter party may be unable to meet the terms of a contract in which the Subsidiaries have a gain position.

The subsidiaries generally have no significant concentration of credit risk due to the Subsidiaries' large number of customers.

The Subsidiaries minimise and monitor their credit risk by dealing with creditworthy counterparties, setting credit limits on exposures, applying credit approval controls and obtaining collateral or security deposits where appropriate.

With regard to surplus cash, the Subsidiaries seek to invest their cash assets safely by depositing them with licensed financial institutions or advancing them to the holding company.

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Commodity price risk

The Subsidiaries are exposed to raw sugar price which is subject to fluctuations of unpredictable factors such as weather, change of global demand, global production and raw sugar prices.

The Subsidiaries enter into sugar futures contracts to limit its exposure on the fluctuation in the raw materials price.

A sensitivity analysis has been performed based on the exposure to raw materials price as at settlement date for the Subsidiaries' derivative portfolio as at year end. If price of raw material increase or decrease by 10% with all other variables held constant, the Subsidiaries' profit before tax and equity would increase or decrease by RM47,616,123 (2009: RM13,413,000; 2008: nil).

(d) Interest rate risk

The Subsidiaries are exposed to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The Subsidiaries' income and operating cash flows are substantially independent of changes in market interest rates. Exposure to changes in interest rate risk relates primarily to the Subsidiaries' fixed deposits and unsecured bank borrowings.

Fixed deposits generate interest income based on prevailing market rates. The Subsidiaries manage their interest rate risk by placing such deposits on short tenures of less than one year.

The Subsidiaries' interests on borrowings are based on a fixed rate. Therefore, the Subsidiaries are not affected by the changes in interest rate during the tenure of the borrowings.

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Liquidity and cash flow risks

The Subsidiaries seek to ensure all business units maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities.

Therefore, the policy seeks to ensure that each business unit, through efficient working capital management (i.e inventory, accounts receivable and accounts payable management), must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

Owing to the nature of its businesses, the Subsidiaries seek to maintain sufficient credit lines available to meet its liquidity requirement while ensuring an effective working capital management within the Subsidiaries.

Financial liabilities of the Subsidiaries are expected to be settled within one year.

(f) Capital risk management

The Subsidiaries' objectives when managing capital are to safeguard their ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Subsidiaries may adjust the amount of dividends paid to shareholder, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Subsidiaries monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Combined Financial Information of financial position plus net debt.

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Capital risk management (continued)

The gearing ratios were as follows:

	As at 31 December		As at 31 December
	2008	2009	2010
	Predecessor	*Predecessor*	*Successor*
	RM'000	RM'000	RM'000
Total borrowings	138,000	136,500	217,000
Less: cash and cash equivalents	(98,509)	(151,191)	(87,055)
Net debt/(asset)	39,491	(14,691)	129,945
Total equity	569,830	479,886	1,408,540
Total capital	609,321	465,195	1,538,485
Gearing ratio	6.5%	n/a	8.5%

6.25 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS AND CHANGE IN ACCOUNTING POLICY

(i) FRS 139 and FRS 7

FRS 139 and FRS 7 were early adopted by the Subsidiaries as of 1 January 2009.

In accordance with the transitional provisions for the first time adoption of FRS139, the changes were applied prospectively. Therefore the comparatives for the Subsidiaries as at 31 December 2008 were not restated and corresponding figures (2008) are therefore not comparable.

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.25 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS AND CHANGE IN ACCOUNTING POLICY (CONTINUED)

(i) FRS 139 and FRS 7 (continued)

The principal effects resulted from the adoption of FRS 139 are as follows:

(a) Impact on the opening balances as at 1 January 2009

Predecessor	Before adopting FRS 139 RM'000	Effect of adopting FRS 139 RM'000	Balance as at 1 January 2009 - restated RM'000
Statement of financial position			
Current assets			
Derivative financial assets (Note 6.13)	-	101	101
Equity	569,830	101	569,931

(b) Impact on the income statement for the financial year ended 31 December 2009 and statement of financial position at that date

Predecessor	Increase RM'000
Income statement	
Other gains/(losses)-net	23,529
Statement of financial position	
Current assets	
Derivative financial assets	6,034

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.25 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS AND CHANGE IN ACCOUNTING POLICY (CONTINUED)

(ii) Amendments to FRS 117

The principal effects resulted from the adoption of Amendments to FRS 117 are as follows:

Predecessor	As previously reported RM'000	FRS 117 RM'000	As restated RM'000
Balance as at 31 December 2009			
Property, plant and equipment	201,703	13,805	215,508
Prepaid lease payments	14,795	(13,805)	990
Predecessor			
Balance as at 31 December 2008			
Property, plant and equipment	165,634	14,041	179,675
Prepaid lease payments	15,101	(14,041)	1,060
Predecessor			
Balance as at 31 December 2007			
Property, plant and equipment	162,037	14,298	147,739
Prepaid lease payments	15,428	(14,298)	1,130

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.25 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS AND CHANGE IN ACCOUNTING POLICY (CONTINUED)

(iii) The following significant reclassifications have been made for 31 December 2009 to reflect a fairer presentation of the transactions and the balances in the Combined Financial Information:

Reclassification of subsidy receivable of RM79,186,000 from Other Income to Revenue by KGFP for the financial year ended 31 December 2009 to reflect the change in policy for the classification of revenue for subsidy from the Government;

The effects of the change in the accounting policy are as follows:

	2008 *Predecessor* RM'000	2009 *Predecessor* RM'000	2010 *Successor* RM'000
Revenue prior to change in policy	1,154,230	1,564,435	2,082,719
Reclassification from Operating Income	*	79,186	85,879
Revenue after reclassification	1,154,230	1,643,621	2,168,598

* Note that there was no subsidy received in 2008.

6.26 SEGMENT INFORMATION

The Subsidiaries principally operates in one operating segment namely the Sugar Business. The Sugar Business includes sugar cane cultivation, cane milling, sugar refining and sales and marketing of sugar products and goods transportation services to customers of MSM.

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II SUBSIDIARIES (CONTINUED)

6 NOTES TO THE COMBINED FINANCIAL INFORMATION (CONTINUED)

6.26 SEGMENT INFORMATION (CONTINUED)

Analysis of export revenue

In addition to disclosures provided elsewhere in this Report, the breakdown of export revenue attributable to major continents is as follows:

	2008 *Predecessor* RM'000	2009 *Predecessor* RM'000	2010 *Successor* RM'000
Asia	121,133	83,940	236,609
Australasia	3,817	16,524	9,513
Others	2,424	1,737	4,512
	127,374	102,201	250,634

All assets and liabilities of the Subsidiaries are located in Malaysia.

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Yours faithfully,

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

THAYAPARAN A/L S. SANGARAPILLAI
(No. 2085/09/12 (J))
Chartered Accountant

9.2 INDIVIDUAL COMPANIES WITHIN MSM HOLDINGS

(Prepared for inclusion in this Prospectus)

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The Board of Directors
MSM Malaysia Holdings Berhad
Level 3, Balai Felda
Jalan Gurney 1
54000 Kuala Lumpur

20 May 2011

PwC/TSP/AZ/nm/1944J

Dear Sirs,

INTRODUCTION

This Accountant's Report ('the Report') has been prepared by an approved company auditor for the purpose of inclusion in the Prospectus in connection with the listing of the MSM Malaysia Holdings Berhad ('MSM Holdings') on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities').

This report deals with financial information based on the audited financial statements of each of the entities acquired by MSM Holdings as part of the Pre-Listing Restructuring, and includes non-Sugar Business in the historical years which do not form part of the proposed MSM Holdings group comprises the following sections:

A Malayan Sugar Manufacturing Company Berhad ('MSM')

B Kilang Gula Felda Perlis Sendirian Berhad ('KGFP')

C Felda Global Ventures Perlis Sdn Bhd ('FGVP')/Chuping Cane Division, a former division of PPB Group Berhad ('Chuping Cane Division')

D Astakonas Sdn Bhd ('Astakonas')

E MSM Properties Sdn Bhd ('MSMP')

A separate Accountants' Report has been prepared on the Financial Information of the Sugar Business carved-out of the historical consolidated financial statements of PPB Group Berhad ('PPB') for financial years ended 31 December 2008 and 31 December 2009, which was subsequently acquired by Felda Global Ventures Holdings Sdn Bhd ('FGVH') and therefore reported by FGVH for the financial year ended 31 December 2010.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
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The financial information in the other report is not comparable to this Report for the following reasons:

- The financial statements of MSM for the financial year ended 31 December 2008 and 31 December 2009 include assets and liabilities that are not part of the Sugar Business acquired in January 2010; and

- The separate financial statements of each of the Subsidiaries are from the perspective of each entity and do not reflect the perspective and accounting policies of the controlling party for the respective years (namely, PPB for the financial years ended 31 December 2008 and 31 December 2009, and FGVH for the financial year ended 31 December 2010).

SECTION A

MALAYAN SUGAR MANUFACTURING COMPANY BERHAD ('MSM')

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A MALAYAN SUGAR MANUFACTURING COMPANY BERHAD ('MSM')

1 GENERAL INFORMATION

MSM was incorporated on 6 October 1959 as a limited liability company known as Malayan Sugar Manufacturing Company Limited. On 15 April 1966, the Company changed its name to Malayan Sugar Manufacturing Company Sdn Bhd On 7 December 1974, the Company changed its status into public limited liability Company and changed its name to Malayan Sugar Manufacturing Company Berhad.

The principal activities of MSM are that of sugar refining, sales and marketing of refined sugar products and investment holding.

The addresses of the registered office of MSM is 3rd Floor, Balai Felda, Jalan Gurney Satu, 54000 Kuala Lumpur.

The principal place of business of MSM is located at 11the Floor, Wisma Jerneh, No. 38, Jalan Sultan Ismail, 50250 Kuala Lumpur.

FGVH entered into agreement on 30 October 2009 with PPB for the acquisition of the sugar businesses of PPB ('Sugar Business'), which include acquisition of 100% equity interest in MSM for a total purchase consideration of RM1,221.2 million in cash. Subsequently, FGVH nominated Felda Global Ventures Sugar Sdn Bhd (formerly known as Felda Global Ventures Brazil Sdn Bhd) ('FGVS') as a transferee of the agreement. The above acquisition was completed on 20 January 2010. Subsequent to the acquisition, MSM became a wholly owned subsidiary of a group headed by Lembaga Kemajuan Tanah Persekutuan ('FELDA'), a statutory body corporate set under the Land Development Act 1956.

The former immediate/and ultimate holding companies PPB Group Berhad and Kuok Brothers Sdn Bhd., companies incorporated in Malaysia.

2 FINANCIAL STATEMENTS AND AUDITORS

The financial statements of MSM for the financial year ended 31 December 2010 have been drawn up so as to give a true and fair view of the financial position of the Company and its financial performance and cash flows and reported on by us without qualification to the shareholders of the Company as a body in accordance with Section 174 of the Companies Act, 1965 and for no other purpose.

For the financial years ended 31 December 2008, MSM was audited by Moores Rowland and for the financial year ended 31 December 2009, MSM was audited by Mazars. Both firms are located at 7th Floor South Block, Wisma Selangor Dredging, 142-A, Jalan Ampang, 50450 Kuala Lumpur. The financial statements of MSM for the financial years ended 31 December 2008 and 31 December 2009 were reported on 24 February 2009 and 16 March 2010 respectively without qualification to the shareholders of the Company as a body in accordance with Section 174 of the Companies Act, 1965 and for no other purpose.

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3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT

The financial information of MSM included in this Report has been prepared based on the audited financial statements of MSM for the financial years ended 31 December 2008 to 2010.

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2010.

The financial information of MSM included in this Report have been prepared using the accounting policies that are in accordance with the Financial Reporting Standards, the Malaysian Accounting Standard Board ('MASB') Approved Accounting Standards for Entities Other than Private Entities.

(i) Standards early adopted by the MSM as of 1 January 2009:

- FRS 139 Financial Instruments: Recognition and Measurement
- FRS 7 Financial Instruments: Disclosures

The principal effects resulting from the adoption of FRS 139 are discussed in note 6.33 of Section A of this Report. As a result, information presented in the financial year ended 31 December 2008 may not be fully comparable to those presented in the financial years ended 31 December 2009 and 2010.

(ii) Standards, amendments to published standards and interpretations which are applicable and adopted by MSM:

<u>Financial year ended 31 December 2008:</u>

New accounting standards which had been adopted by MSM as of 1 January 2008, which did not have significant impact on MSM, were as follows:

- FRS 107 Cash Flows Statements
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets

<u>Financial year ended 31 December 2009:</u>

There were no new accounting standards which were that are applicable to MSM as of 1 January 2009.

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A MALAYAN SUGAR MANUFACTURING COMPANY BERHAD ('MSM')

3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(ii) Standards, amendments to published standards and interpretations which are applicable and adopted by MSM (continued):

<u>Financial year ended 31 December 2010:</u>

New accounting standards which had been adopted by MSM as of 1 January 2010, which did not have significant impact on MSM, were as follows:

- FRS 123 Borrowing Costs
- Revised FRS 101 Presentation of Financial Statements
- Amendment to FRS 7 Financial Instruments: Disclosures
- Amendment to FRS 127 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendment to FRS 132 Financial Instruments: Presentation and FRS 101 (revised) 'Presentation of Financial Statements' - Puttable financial instruments and obligations arising on liquidation
- Amendment to FRS 139 Financial Instruments: Recognition and Measurement
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvement to FRSs (2009)

The adoption of the above new/revised standards and interpretations did not have a significant financial impact on MSM and did not result in substantial changes in MSM's accounting policies except for:

- FRS 101 (revised) 'Presentation of Financial Statements' prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result MSM presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share

  The effects on the financial statements following the adoption of FRS 101 are disclosures.

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3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to MSM but not yet effective and have not yet been early adopted

- Revised FRS 3 'Business Combinations' (effective from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. MSM will apply this standard from financial periods beginning on 1 January 2011.

- Revised FRS 127 'Consolidated and Separate Financial Statements' (effective from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. MSM will apply this standard from financial periods beginning on 1 January 2011.

- Amendment to FRS 7 'Financial Instruments: Disclosures' (effective from 1 January 2011) enhanced the disclosure on fair value measurement using three level of fair value hierarchy and reinforces existing principles for disclosure about liquidity risk. MSM will apply this standard from financial periods beginning on 1 January 2011.

- Amendment to FRS 132 'Financial Instruments Presentation: The Classification of Rights Issues' (effective from 1 March 2010). The amendment stated that the Rights Issues are classified as the equity regardless of the currency in which the exercise price is denominated if the certain conditions are met. MSM will apply this standard from financial periods beginning on 1 January 2011.

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A MALAYAN SUGAR MANUFACTURING COMPANY BERHAD ('MSM')

3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to MSM but not yet effective and have not yet been early adopted (continued)

- Amendment to FRS 138 'Intangible Assets' (effective from 1 July 2010) provides additional guidance in respect of intangible assets acquired in a business combination. It clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives. MSM will apply this standard from financial periods beginning on 1 January 2011.

- FRS 3 (effective from 1 January 2011)

  - Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.

  - Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

  MSM will apply this standard from financial periods beginning on 1 January 2011.

- FRS 101 'Presentation of financial statements' (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. MSM will apply this standard from financial periods beginning on 1 January 2011.

- Amendment to IC Interpretation 9 'Reassessment of Embedded Derivatives' (effective from 1 July 2010) clarifies that embedded derivatives in contracts acquired in a combination of entities or businesses under common control is not within the scope of IC Interpretation 9. MSM will apply this standard from financial periods beginning on 1 January 2011.

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3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to MSM but not yet effective and have not yet been early adopted (continued)

- IC Interpretation 4 'Determining whether an Arrangement Contains a Lease' requires the identification any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 'Leases' should be applied to the lease element of the arrangement. MSM will apply this standard from financial periods beginning 1 January 2011.

- IC Interpretation 18 'Transfers of Assets from Customers' (effective prospectively for assets received on or after 1 January 2011) provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 'Revenue'. MSM will apply this IC interpretation from financial years beginning on 1 January 2011.

- Amendment to IC Interpretation 14 'FRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements. MSM will apply this amendment from financial years beginning on 1 January 2012.

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3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(iv) Standard which is applicable and proposed to be effective from 1 January 2012

- Revised FRS 124 'Related Party Disclosures' (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

The preparation of financial statements in conformity with the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

(vi) Critical accounting estimates

The preparation of financial statements requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date, and reported amounts of income and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, historical experiences and various other factors, including expectations for future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

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A MALAYAN SUGAR MANUFACTURING COMPANY BERHAD ('MSM')

3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(vi) Critical accounting estimates (continued)

<u>Depreciation of property, plant and equipment</u>

Property, plant and equipment are depreciated on a straight-line basis to write off their cost to their residual values over their estimated useful lives. Changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

<u>Provision for impairment of trade receivables</u>

The collectability of receivables is assessed on an on going basis. An allowance for doubtful debts is made for any receivables considered to be doubtful of collection. The allowance for doubtful debts is made based on a review of all outstanding amounts as at the balance sheet date. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial condition of customers of MSM were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Subsidiaries

Subsidiaries are all entities over which MSM has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether MSM controls another entity.

Investments in subsidiaries are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of an asset.

The freehold buildings and plant and machinery shown at valuation were revalued by the Directors in 1974 based on an independent professional valuation carried out on the open market value basis. The 1974 valuation was a one-off exercise. It has never been MSM's policy to carry out regular revaluations of its property, plant and equipment. MSM have availed themselves to the transitional provision when the MASB first adopted IAS 16 Property, Plant and Equipment in 1998, and accordingly, the carrying amounts of the revalued freehold buildings and plant and machinery have been retained as though they have never been revalued. The net book values of the revalued assets based on the historical cost convention have not been disclosed as the relevant information is no longer available.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to MSM and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment (continued)

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Freehold land and capital work-in-progress are not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use.

Property, plant and equipment are depreciated a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives.

Principal annual rates used summarised as follows:

Buildings	5%
Plant and machinery	10%
Motor vehicles, furniture, fittings and equipment	10% - 30%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

At the end of reporting period, MSM assess whether there is any indication of impairment. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets and are included in the income statement.

(c) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes, or sale in the ordinary course of business.

(i) Measurement basis

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment properties (continued)

(ii) Measurement basis

The cost of investment properties includes expenditure that is directly attributable to the acquisition of the asset

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the asset will flow to MSM and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(iii) Depreciation

Freehold land is not depreciated.

(d) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating lease income or operating lease rentals are credited or charged to the income statement on a straight-line basis over the period of the lease.

Leasehold land that has an indefinite economic life and title that is not expected to pass to MSM by the end of the lease term is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and are stated at cost less amounts amortised.

The prepaid lease payments are amortised on a straight-line basis over the remaining period of the lease.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Finance lease

Leases of asset where MSM assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as finance lease liabilities under term loans. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. Cost comprises the landed cost of goods purchased and in the case of goods-in-process and finished goods, includes materials, direct labour, other direct charges and an appropriate proportion of factory overheads.

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.

(g) Financial assets

<u>Classification</u>

MSM classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Prior to adoption of FRS 139, fair value in respect of financial assets at fair value through profit and loss was disclosed not recognised in the financial statements of the Company.

Notes 6.3 and 6.32 show the impact of the adoption of FRS 139.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. MSM's loans and receivables comprise trade and other receivables, loans and amounts due from related companies and cash and cash equivalents in the statement of financial position.

Prior to adoption of FRS 139, these financial assets were carried at anticipated realisable value and the difference between the carrying amount and recoverable amount would be recognised in the income statement.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Prior to adoption of FRS 139, available-for-sale financial assets were classified as investments, which would be carried at lower of cost and market value.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which MSM commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains– net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when MSM's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for sale equity instruments are recognised in the income statement as part of other income when MSM's right to receive payments is established.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Recognition and measurement (continued)

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

Derivative financial instrument

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 4 (f). MSM did not apply hedge accounting during the financial year.

(h) Financial liabilities

Financial liabilities within the scope of FRS 139 are recognised on the statements of financial position when, and only when, MSM becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method except for derivatives which are measured at fair value if any.

For financial liabilities other than derivatives, gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in statement of comprehensive income. Net gains or losses on derivatives include exchange differences.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial liabilities (continued)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially difference terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income. There was no significant impact as a result of adoption of FRS 139.

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bad debts are written off in the year in which they are identified. An estimate is made for provision for impairment of receivables based on a review of all outstanding accounts at the year end. The provision is established when there is objective evidence that MSM will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. The amount of provision is recognised in the income statement

Prior to adoption of FRS 139, receivables were carried at anticipated realisable value and the difference between the carrying amount and recoverable amount would be recognised as allowance in the income statement. Allowance for doubtful debts was made based on a review of all outstanding amounts as at the balance sheet date. A considerable amount of judgement was required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial condition of customers of the Subsidiaries were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance might be required. There was no significant impact as a result of adoption of FRS 139.

(j) Share capital

Ordinary shares are recorded at nominal value and proceeds received in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares is accounted for as a deduction from share premium, if any, otherwise it is charged to the income statement. Dividends on ordinary shares are recognised as liabilities when proposed or declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date. Dividend-in-specie is declared based on the carrying value of the related asset.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services, net of sales taxes, rebates and discounts.

Revenue from sale of goods is recognised upon the delivery of goods, when significant risks and rewards of ownership of the goods are transferred to the buyer.

Subsidy received from the Government of Malaysia for the goods sold relates to the difference between estimated market price and the controlled price determined by the Government for sale of refined sugar in the domestic market limited to the amount agreed with the Government on an annual basis. This subsidy is credited to the income statement and recognised as part of revenue in the accounting period in which the corresponding sales of goods are recognised.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income is recognised when the shareholders' right to receive is established.

(l) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The impairment loss is charged to the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets are reviewed for possible reversal of impairment at each reporting date.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of financial assets

(i) Assets classified as available for sale

MSM assesses at the end of each reporting period whether there is objective evidence that a financial asset or a company of financial assets is impaired. For debt securities, MSM uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statements of comprehensive income. Impairment losses recognised in the statements of comprehensive income on equity instruments are not reversed through the statements of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(n) Foreign currencies

Functional and presentation currency

Items included in the financial statements of MSM are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ringgit Malaysia (RM), which is MSM's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Foreign currencies (continued)

Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave, paid sick leaves, bonuses and non-monetary benefits are recognised as expenses in the period in which the associated services are rendered by employees.

(ii) Post-employment benefits

MSM pays monthly contributions to the Employees Provident Fund ('EPF') which is a defined contribution plan.The legal or constructive obligation of MSM is limited to the amount that they agree to contribute to the EPF. The contributions to the EPF are charged to the income statement in the period to which they relate.

MSM also provides additional post-employment benefits to factory workers as provided under a collective agreement between MSM and the Malayan Sugar Manufacturing Company Employees' Union as well as to other employees. Contributions are made to the Malayan Sugar Manufacturing Company Berhad Provident Fund set up by MSM on the fulfilment of conditions of entitlement. The Fund is administered by trustees appointed by MSM. The contributions to the Fund are accounted for payments to a defined contribution scheme and are charged to the income statement in the period to which they relate.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

(iii) Termination benefits

MSM recognises termination benefits payable as a liability and an expense when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal.

(p) Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless MSM has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs incurred to finance qualifying assets are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the assets for their intended use. All other borrowing costs are expensed as incurred

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income taxes

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 statement of financial position date.

Deferred tax is provided for, using the 'liability method', on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

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

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised. No deferred tax asset is recognised when all the tax credits are fully utilised during the year.

(r) Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purposes of the cash flow statements, cash and cash equivalents are presented excluding fixed deposits pledged to secure banking facilities.

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5 HISTORICAL FINANCIAL INFORMATION

5.1 INCOME STATEMENTS

	Note	Financial year ended 31 December 2008	2009	2010
		RM'000	RM'000	RM'000
Revenue	6.1	954,658	1,380,138	1,850,619
Cost of sales		(734,032)	(1,064,089)	(1,451,270)
Gross profit		220,626	316,049	399,349
Other operating income	6.2	43,908	219,439	4,230
Other gains/ (losses) – net	6.3	-	24,923	(25,465)
Selling and distribution expenses		(40,986)	(41,265)	(44,417)
Administrative and general expenses		(17,646)	(17,028)	(15,130)
Profit from operations	6.4	205,902	502,118	318,567
Finance costs	6.5	(3,133)	(1,281)	(5,558)
Profit before taxation		202,769	500,837	313,009
Taxation	6.6	(44,360)	(57,316)	(71,609)
Profit for the financial year		158,409	443,521	241,400

5.2 STATEMENTS OF COMPREHENSIVE INCOME

	Note	Financial year ended 31 December 2008	2009	2010
		RM'000	RM'000	RM'000
Available-for-sale financial assets - fair value gain	6.2	-	49,129	-
Transfer to income statement on derecognition of available-for-sale financial assets	6.2	-	(190,634)	-
Total other comprehensive income		-	(141,505)	-
Profit for the financial year		158,409	443,521	241,400
Total comprehensive income		158,409	302,016	241,400

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.3 STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Note	2008	2009	2010
		RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	6.7	142,844	178,547	167,186
Investment property	6.8	3,910	-	-
Prepaid lease payments	6.9	1,060	991	921
Investment in subsidiary companies	6.10	1,979	1,500	1,500
Other investments	6.11	93,573	-	-
Total non-current assets		243,366	181,038	169,607
Current assets				
Inventories	6.12	248,916	263,274	285,856
Receivables, deposits and prepayments	6.13	66,244	140,362	194,738
Amounts due from subsidiary companies	6.14	1,278	1,714	367
Amount due from a related party of FELDA	6.16	-	-	252
Amount due from an immediate holding company	6.15	126,627	-	-
Amounts due from related parties of PPB	6.15	5,216	3,373	-
Derivative financial assets	6.17	-	6,034	20,509
Fixed deposits, cash and bank balances	6.18	84,046	143,091	63,776
Total current assets		532,327	557,848	565,498
TOTAL ASSETS		775,693	738,886	735,105

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.3 STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31 December 2008 RM'000	2009 RM'000	2010 RM'000
EQUITY AND LIABILITIES				
Equity	6.19	595,747	390,614	476,017
Non-current liabilities				
Deferred tax liabilities	6.20	7,841	22,216	22,711
Current liabilities				
Payables and accruals	6.21	23,149	98,367	17,208
Amount due to a subsidiary company	6.14	-	-	274
Amounts due to other related parties	6.15	1,016	536	-
Amount due to holding company	6.15	-	62	-
Current tax liabilities		9,940	21,091	11,895
Dividend payable		-	80,000	-
Short term borrowings	6.22	138,000	126,000	207,000
Total current liabilities		172,105	326,056	236,377
Total liabilities		179,946	348,272	259,088
TOTAL EQUITY AND LIABILITIES		775,693	738,886	735,105

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.4 STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital RM'000	Available-for-sale reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2008		36,360	-	776,300	812,660
Profit/total comprehensive income for the year		-	-	158,409	158,409
Dividends	6.25	-	-	(375,322)	(375,322)
At 31 December 2008/1 January 2009		36,360	-	559,387	595,747
- Effects of adopting FRS 139	6.32	-	141,505	101	141,606
- As restated		36,360	141,505	559,488	737,353
Profit for the year		-	-	443,521	443,521
Other comprehensive income for the year		-	(141,505)	-	(141,505)
Total comprehensive income for the year		-	(141,505)	443,521	302,016
Dividends	6.25	-	-	(648,755)	(648,755)
At 31 December 2009/1 January 2010		36,360	-	354,254	390,614
Profit/total comprehensive income for the year		-	-	241,400	241,400
Dividends	6.25	-	-	(155,997)	(155,997)
At 31 December 2010		36,360	-	439,657	476,017

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.5 STATEMENTS OF CASH FLOWS

	Note	As at 31 December		
		2008	2009	2010
		RM'000	RM'000	RM'000
Profit for the year		158,409	443,521	241,400
Adjustments for:				
Taxation		44,360	57,316	71,609
Amortisation of prepaid lease payments		70	69	70
Allowance for/(reversal of) allowance for doubtful debts		159	(700)	-
Depreciation		15,998	23,897	22,826
Fair value gain on derivative financial assets		-	(6,034)	(20,509)
Gain on derecognition of available-for-sale investments		-	(190,634)	-
Gain on disposal of property, plant and equipment		7	(54)	(3)
Property, plant and equipment written off		120	-	132
Dividend income		(33,192)	(24,749)	-
Interest income		(10,289)	(3,667)	(2,944)
Rental income		(427)	(336)	-
Interest expense		3,133	1,281	5,558
Operating profit before working capital changes		178,348	299,910	318,139
Changes in inventories		(79,727)	(14,358)	(22,582)
Changes in receivables		4,530	(71,477)	(44,654)
Changes in payables		240	73,121	(73,472)
Cash generated from operations		103,391	287,196	177,431
Interest paid		(20)	(19)	(14)
Tax paid		(36,923)	(31,790)	(80,310)
Net cash generated from operating activities		66,448	255,387	97,107

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.5 STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	As at 31 December 2008 RM'000	2009 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	6.23	(41,845)	(58,348)	(19,740)
Proceeds from disposal of property, plant and equipment		19	420	17
Repayment from former immediate holding company		(25,087)	126,627	-
Repayment from/(advances to) subsidiary companies		935	(437)	898
Repayment from a former substantial shareholder		(3)	3	-
Dividends received		31,635	24,749	-
Interest received		10,289	3,667	2,944
Rental received		427	336	-
Net cash (used in)/generated from investing activities		(23,630)	97,017	(15,881)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from holding company		-	62	-
Drawdown of bank borrowings		258,000	207,500	542,000
Repayment of bank borrowings		(120,000)	(219,500)	(461,000)
Dividends paid		(375,322)	(280,159)	(235,997)
Interest paid		(3,113)	(1,262)	(5,544)
Net cash used in financing activities		(240,435)	(293,359)	(160,541)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(197,617)	59,045	(79,315)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		281,663	84,046	143,091
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		84,046	143,091	63,776

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION

6.1 REVENUE

	Financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Sales of goods	954,658	1,019,859	1,456,599
Subsidy from the Government of Malaysia for the goods sold	-	360,279	394,020
	954,658	1,380,138	1,850,619

Analysis of the revenue from goods sold by domestic and export is as follows:

	Financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Domestic	843,416	1,277,937	1,599,994
Export	111,242	102,201	250,625
	954,658	1,380,138	1,850,619

6.2 OTHER OPERATING INCOME

Interest income	10,289	3,667	2,944
Dividends income	33,192	24,749	-
Gains from investment securities distributed as dividend in-specie	-	190,634	-
Others	427	389	1,286
	43,908	219,439	4,230

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.2 OTHER OPERATING INCOME (CONTINUED)

The gains from investment securities arose from the distribution in shares quoted and outside Malaysia to the former holding company as dividends in specie on 8 September 2009 as shown below:

	Financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Available-for-sale financial assets			
- At 1 January 2009 – at cost	-	93,573	-
- Effects of adopting FRS 139 recognised in available-for-sale reserve (Note 6.32 (a))	-	141,505	-
	-	235,078	-
Fair value gains recognised as at 8 September 2009	-	49,129	-
Less: cost of investment securities	-	(93,573)	-
Fair value gains recognised in available-for-sale reserve transferred to income statement	-	190,634	-

6.3 OTHER GAINS/(LOSSES) - NET

	2008	2009	2010
Futures contracts			
- Fair value gains/(losses) – net	-	25,108	(19,313)
Foreign exchange forward contracts			
- Fair value losses – net	-	(185)	(6,152)
	-	24,923	(25,465)

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.4 PROFIT FROM OPERATIONS

Profit from operations is stated after charging:

	Financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Auditors' remuneration			
- current year	34	42	50
Depreciation on property, plant and equipment	15,998	23,897	22,826
Amortisation of prepaid lease payments	70	69	70
Bad debts written off	159	-	-
Direct operating expenses of investment property	107	99	-
Property, plant and equipment written off	120	-	132
Operating lease rental on land and buildings (other than prepaid lease payments)	1,185	1,552	1,211
Repair and maintenance	18,086	19,355	20,434
Natural gas consumption	31,826	30,970	32,672
Cost of raw sugar consumed	543,172	930,243	1,225,446
Staff cost*	27,920	29,208	27,030

* Staff costs include Directors fees of RM 510,000(2009: RM 30,000, 2008: RM 30,000) and Directors' other emoluments of RM 1,525,000 (2009: RM 4,720,000, 2008: RM 4,560,000) as disclosed in Note 6.24.

6.5 FINANCE COSTS

	Financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Interest paid and payable on:			
- Bankers' acceptance	3,112	1,262	5,544
- Others	21	19	14
	3,133	1,281	5,558

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.6 TAXATION

	Financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Current tax			
- in respect of current year	44,200	43,900	71,652
- in respect of prior year	77	(959)	(538)
Deferred tax	83	14,375	495
	44,360	57,316	71,609

The numerical reconciliation of the relationship between taxation and profit before taxation is as follows:

	Financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Profit before taxation	202,769	500,837	313,009
Tax at Malaysian tax rate (2010: 25%; 2009: 25%; 2008: 26%)	52,720	125,209	78,252
Tax arising from:			
- non-deductible expenses	758	581	164
- non-taxable income - exempt dividend	(7,073)	(6,187)	-
- non-taxable income - gain on derecognition of available-for-sale investments	-	(47,659)	-
- utilisation of reinvestment allowance	(682)	(11,250)	(325)
- expenses eligible for double deduction	(205)	(253)	(413)
- temporary differences not recognised as deferred tax	-	(1,509)	(5,120)
- effects on reduction in future tax rate	(28)	-	-
- temporary difference not recognised in prior years	(1,207)	(657)	(411)
- overprovision in prior years	77	(959)	(538)
	44,360	57,316	71,609

MSM has elected the single tier income tax system, accordingly the entire retained earnings of MSM is available for distribution by way of dividends without incurring additional tax liability

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Plant and machinery	Furniture, fittings, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2008						
Cost/valuation						
At 1.1.2008						
- Cost	6,486	46,691	206,918	19,066	8,519	287,680
- Valuation	-	6,267	15,863	-	-	22,130
	6,486	52,958	222,781	19,066	8,519	309,810
Additions	-	49	566	313	46,982	47,910
Disposals	-	-	(64)	(23)	-	(87)
Write-offs	-	(97)	(1,876)	(1,409)	-	(3,382)
Reclassifications	-	3,829	7,491	2,293	(13,613)	-
At 31.12.2008						
- Cost	6,486	50,472	213,035	20,240	41,888	332,121
- Valuation	-	6,267	15,863	-	-	22,130
	6,486	56,739	228,898	20,240	41,888	354,251

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2008						
Accumulated depreciation						
At 1.1.2008						
- Cost	-	27,624	135,298	13,694	-	176,616
- Valuation	-	6,267	15,863	-	-	22,130
	-	33,891	151,161	13,694	-	198,746
Charge for the year						
- Cost	-	2,208	11,613	2,177	-	15,998
Disposals	-	-	(53)	(22)	-	(75)
Write-offs	-	(91)	(1,780)	(1,391)	-	(3,262)
At 31.12.2008						
- Cost	-	29,741	145,078	14,458	-	189,277
- Valuation	-	6,267	15,863	-	-	22,130
	-	36,008	160,941	14,458	-	211,407
Net book value						
At 31.12.2008						
- Cost	6,486	20,731	67,957	5,782	41,888	142,844
- Valuation	-	-	-	-	-	-
	6,486	20,731	67,957	5,782	41,888	142,844

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings	Plant and machinery	Furniture, fittings, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009						
Cost/Valuation						
At 1.1.2009						
- Cost	6,486	50,472	213,035	20,240	41,888	332,121
- Valuation	-	6,267	15,863	-	-	22,130
	6,486	56,739	228,898	20,240	41,888	354,251
Additions	-	91	581	446	58,848	59,966
Disposals	-	-	(980)	(449)	-	(1,429)
Write-offs	-	-	(2,481)	(16)	-	(2,497)
Reclassifications	-	16,614	77,686	492	(94,792)	-
At 31.12.2009						
- Cost	6,486	67,177	289,375	20,713	5,944	389,695
- Valuation	-	6,267	14,329	-	-	20,596
	6,486	73,444	303,704	20,713	5,944	410,291

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings	Plant and machinery	Furniture, fittings, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009						
Accumulated depreciation						
At 1.1.2009						
- Cost	-	29,741	145,078	14,458	-	189,277
- Valuation	-	6,267	15,863	-	-	22,130
	-	36,008	160,941	14,458	-	211,407
Charge for the year						
- Cost	-	2,810	19,185	1,902	-	23,897
Disposals	-	-	(856)	(207)	-	(1,063)
Write-offs	-	-	(2,481)	(16)	-	(2,497)
At 31.12.2009						
- Cost	-	32,551	162,460	16,137	-	211,148
- Valuation	-	6,267	14,329	-	-	20,596
	-	38,818	176,789	16,137	-	231,744
Net book value						
At 31.12.2009						
- Cost	6,486	34,626	126,915	4,576	5,944	178,547
- Valuation	-	-	-	-	-	-
	6,486	34,626	126,915	4,576	5,944	178,547

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings	Plant and machinery	Furniture, fittings, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010						
Cost/valuation						
At 1.1.2010						
- Cost	6,486	67,177	289,375	20,713	5,944	389,695
- Valuation	-	6,267	14,329	-	-	20,596
	6,486	73,444	303,704	20,713	5,944	410,291
Additions	-	561	196	1,130	9,724	11,611
Disposals	-	-	-	(88)	-	(88)
Write-offs	-	(200)	(2,753)	(30)	-	(2,983)
Reclassifications	-	1,286	8,228	-	(9,514)	-
At 31.12.2010						
- Cost	6,486	68,824	295,046	21,725	6,154	398,235
- Valuation	-	6,267	14,329	-	-	20,596
	6,486	75,091	309,375	21,725	6,154	418,831

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings	Plant and machinery	Furniture, fittings, equipment and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010						
Accumulated depreciation						
At 1.1.2010						
- Cost	-	32,551	162,460	16,137	-	211,148
- Valuation	-	6,267	14,329	-	-	20,596
	-	38,818	176,789	16,137	-	231,744
Charge for the year	-	2,744	18,797	1,285	-	22,826
Disposals	-	-	-	(74)	-	(74)
Write-offs	-	(200)	(2,624)	(27)	-	(2,851)
At 31.12.2010						
- Cost	-	35,095	178,633	17,321	-	231,049
- Valuation	-	6,267	14,329	-	-	20,596
	-	41,362	192,962	17,321	-	251,645
Net book value						
At 31.12.2010						
- Cost	6,486	33,729	116,413	4,404	6,154	167,186
- Valuation	-	-	-	-	-	-
	6,486	33,729	116,413	4,404	6,154	167,186

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The leasehold buildings with net book value of RM 25,096,000 as at 31 December 2010 (2009: RM 25,122,000 ; 2008: RM 10,677,000) are situated on land in Prai leased from Keretapi Tanah Melayu Berhad under operating lease arrangements which have options for renewal upon expiry. In 1992, the land was transferred by Federal Land Commission to Perbadanan Aset Keretapi. As of the date of this report, Perbadanan Aset Keretapi has agreed to a lease arrangement expiring in 2024, with a 30 year option for renewal upon expiry. MSM is in the midst of formalising the lease agreements in respect of the leases of the land in Prai with Perbadanan Aset Keretapi.

6.8 INVESTMENT PROPERTY

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Freehold land at cost			
As at 1 January and 31 December	3,910	-	-
Fair value			
As at 31 December	35,740	-	-

The fair value of these freehold land as at balance sheet date are arrived at by reference to market evidence of transaction prices to similar properties and is performed by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the locations and category of the properties being valued.

This property was distributed as dividend-in-specie during the financial year ended 31 December 2009 (Note 6.25).

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.9 PREPAID LEASE PAYMENTS

	As at 31 December		
	2008	2009	2010
Short term leasehold land	RM'000	RM'000	RM'000
Cost			
At 1 January and 31 December	1,548	1,548	1,548
Accumulated amortisation			
At 1 January	418	488	557
Amortisation for the year	70	69	70
At 31 December	488	557	627
Carrying amount at 31 December	1,060	991	921

6.10 INVESTMENT IN SUBSIDIARY COMPANIES

	2008	2009	2010
Unquoted shares, at cost	1,979	1,500	1,500

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.10 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies are as follows:

Name of company	Principal activity	Place of incorporation	Equity interest 2008	2009	2010	Paid up capital
			%	%	%	
Astakonas Sdn Bhd ('ASB')	Provision of transportation services	Malaysia	100+	100+	100	RM1,500,000
MSM Properties Sdn Bhd+	Dormant	Malaysia	100	100	100	RM2
Masuma Trading Company Limited* (MASUMA')+	Investment holding	Hong Kong	100	-	-	HKD1,200,000
Subsidiary companies of MASUMA						
Banqua Limited+*	Investment holding	Hong Kong	100	-	-	HKD8
Quintrine Company Limited+*	Investment holding	Hong Kong	100	-	-	HKD10,000

\+ Not audited by PricewaterhouseCoopers, Malaysia

* On 8 September 2009, MSM distributed its investment in the entire equity interest in Masuma Trading Co Ltd (including the subsidiary companies) to the former immediate holding company, as dividend in specie at total cost of RM478,855. As a result, MSM recognised a deemed loss on disposal of RM 30,996,162 in the previous year's financial statement.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.11 OTHER INVESTMENTS

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Share quoted in Malaysia, at cost	59,486	-	-
Shares quoted outside Malaysia, at cost	34,087	-	-
	93,573	-	-
Market value:			
- shares quoted in Malaysia	190,831	-	-
- shares quoted outside Malaysia	44,247	-	-
	235,078	-	-

6.12 INVENTORIES

	2008	2009	2010
At cost:			
Raw materials	200,775	201,204	239,218
Goods-in-process	16,159	23,272	12,616
Finished goods	22,389	29,750	24,787
Consumable stores	9,593	9,048	9,235
	248,916	263,274	285,856

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.13 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Trade receivables	65,340	117,646	157,222
Other receivables	560	21,674	37,019
Deposits	320	455	408
Prepayments	24	587	89
	66,244	140,362	194,738

The currency profile of receivables is as follows:

Ringgit Malaysia	51,704	103,949	135,770
US Dollar	14,540	36,413	58,968
	66,244	140,362	194,738

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.13 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Past due but not impaired

As at 31 December 2010, RM22,092,000 (2009: RM15,275,000; 2008: RM16,929,000) of trade receivables were past due but not impaired. These relate to number of external parties where there is no expectation of default. The ageing analysis of these receivables is as follows:

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Past due less than 30 days	14,420	13,382	20,867
Past due between 30 and 90 days	2,297	1,613	735
Past due more than 90 days	212	280	490
	16,929	15,275	22,092

Receivables of RM172,149,000 (2009: RM124,045,000; 2008: RM48,971,000), which are neither past due nor impaired are not significantly impacted by credit and default risks.

6.14 AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

The amounts owing from subsidiary companies are denominated in Ringgit Malaysia, unsecured, interest-free and with no fixed term of repayment.

The amounts owing to a subsidiary company represent trade balances, which are expected to be settled within the normal credit period, denominated in Ringgit Malaysia, unsecured and interest free.

Management does not anticipate any collectability issues for the amount due from subsidiaries of RM1,278,000 (2009: RM1,714,000; 2008: RM367,000) that are neither past due nor impaired.

6.15 AMOUNTS DUE FROM/(TO) A RELATED AND IMMEDIATE HOLDING COMPANIES

The amount due from the immediate holding company as of financial year ended 31 December 2008 represented unsecured advances which was charged interest at a reference financial institution's fixed deposit interest rates and repayable on demand. The effective interest rate during the year ended 31 December 2008 was 4.15% (2009: 21.5%) per annum.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.15 AMOUNTS DUE FROM/(TO) A RELATED AND IMMEDIATE HOLDING COMPANIES (CONTINUED)

The amounts due from/(to) related parties and amounts due to holding company as of financial year ended 31 December 2008 and 2009 represented trade balances, which were expected to be settled within the normal credit period, denominated in Ringgit Malaysia, unsecured and interest free.

6.16 AMOUNTS DUE FROM RELATED PARTIES

Amounts owing from related companies as of financial year ended 31 December 2010 are denominated in Ringgit Malaysia, unsecured, interest free with no fixed term of repayment other than as disclosed below.

The ageing analysis of receivables as at 31 December 2010 which are trade in nature are as follows:

	As at 31 December		
	2008 RM'000	2009 RM'000	2010 RM'000
Past due less than 30 days	-	-	252

6.17 DERIVATIVE FINANCIAL ASSETS

	2008	2009	2010
At 1 January	-	-	6,034
Effects of adoption of FRS 139 (Note 6.32)	-	101	-
	-	101	6,034
Additions and disposals of derivatives during the year (net)	-	(18,990)	39,940
Valuation gain/(loss) taken to income statement (Note 6.3)	-	24,923	(25,465)
	-	6,034	20,509

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.18 FIXED DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Fixed deposits with			
- licensed investment bank in Malaysia	31,492	92,145	43,184
- licensed banks in Malaysia	37,321	43,507	-
Cash and bank balances	15,233	7,439	20,592
	84,046	143,091	63,776

The currency profile of fixed deposits, cash and bank balances is as follows:

Ringgit Malaysia	83,918	142,533	63,696
US Dollar	128	557	80
	84,046	143,090	63,776

The effective interest rates of the time deposits range from 3.13% to 3.27% (2009: 1.90% to 3.26%) per annum. All the deposits have maturity terms of less than one year.

Cash and bank balances are deposits held at call with banks

6.19 SHARE CAPITAL

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Share capital			
Authorised			
50,000,000 shares of RM1 each	50,000	50,000	50,000
Issued and fully paid			
36,360,000 ordinary shares of RM1 each	36,360	36,360	36,360

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6.20 DEFERRED TAX LIABILITIES

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
At 1 January	7,759	7,841	22,216
Recognised in income statement (Note 6.6)	82	14,375	495
At 31 December	7,841	22,216	22,711

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Subject to income tax			
- Deferred tax liabilities	(7,841)	(22,216)	(22,711)
At 1 January	(7,759)	(7,841)	(22,216)
Charged to income statement:			
- property, plant and equipment	(1,289)	(5,059)	(676)
- subsidy receivable	-	(9,973)	(230)
	(1,289)	(15,032)	(906)
Temporary differences not recognised in prior year	1,207	657	411
At 31 December	(7,841)	(22,216)	(22,711)
Deferred tax liabilities			
- property, plant and equipment	(7,841)	(12,243)	(12,507)
- subsidy receivable	-	(9,973)	(10,204)
Amount before offsetting	(7,841)	(22,216)	(22,711)
	(7,841)	(22,216)	(22,711)

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6.21 PAYABLES AND ACCRUALS

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Trade payables	3,528	75,732	4,588
Unpaid balances for acquisition of property, plant and equipment	7,917	9,535	1,032
Other payables	6,983	5,608	11,090
Accruals	4,721	7,492	498
	23,149	98,367	17,208

Trade payables carry credit period between 30 days to 60 days.

The currency profile of payables and accruals is as follows:

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Ringgit Malaysia	23,065	25,282	17,208
US Dollar	84	73,085	-
	23,149	98,367	17,208

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6.22 SHORT TERM BORROWINGS

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Unsecured – bankers' acceptances	138,000	126,000	207,000

The bankers' acceptances bear interest at 0.32% above lender banks' cost of funds.

The contractual interest rates range from 3.13% to 3.27% (2009: 2.43% to 2.95%, 2008: 3.98% to 4.18%) per annum.

All bank borrowings are denominated in Ringgit Malaysia.

6.23 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Aggregate cost of property, plant and equipment	47,910	59,966	11,611
Unpaid balances included under other payables and accruals (see Note 6.21)	(7,917)	(9,535)	(1,032)
Cash paid in respect of previous year acquisition	1,852	7,917	9,161
Total cash paid during the year	41,845	58,348	19,740

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6.24 STAFF COSTS

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Staff costs	27,810	27,810	27,031

Included in the staff costs are EPF contributions amounting to RM 2,672,030 (2009: RM2,484,781,: 2008: RM2,348,206) for MSM and contribution amounting to RM346,283 (2009: RM576,142; 2008: RM548,975) to the MSM Provident Fund for MSM.

The above amount includes Directors' remuneration as indicated below:

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Remunerations and bonus	4,560	4,720	1,525
Fees	30	30	510
EPF contributions	547	566	242
MSM Provident Fund	50	51	18
	5,187	5,367	2,295

Directors' remuneration does not include the estimated monetary value of benefits-in-kind as follows:

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Benefits-in-kind	77	71	71

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6.25 DIVIDENDS

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Financial year ended 31 December 2008			
1st interim dividend less tax at 26%	33,902	-	-
2nd interim single tier dividend	331,239	-	-
3rd interim single tier dividend	10,181	-	-
Financial year ended 31 December 2009			
1st interim single tier dividend - in-specie*	-	226,761	-
2nd interim single tier dividend	-	60,358	-
3rd interim single tier dividend	-	67,993	-
4th interim single tier dividend - in-specie+ (Note 6.8)	-	3,910	-
5th interim single tier dividend - in-specie#	-	57,446	-
6th interim single tier dividend - in-specie@	-	479	-
7th interim single tier dividend	-	101,808	-
8th interim single tier dividend	-	50,000	-
9th interim single tier dividend	-	80,000	-
Final single tier dividend	-	-	6,997
Financial year ended 31 December 2010			
1st interim tax exempt dividend	-	-	49,000
2nd interim single tier dividend	-	-	100,000
	375,322	648,755	155,997

* 1st interim single tier dividend-in-specie through the distribution of the Company's investment in Malayan Bulk Carriers Berhad

\+ 4th interim single tier dividend-in-specie through the distribution of a freehold land

\# 5th interim single tier dividend-in-specie through the distribution of the Company's investment in Shangri-La Limited

@ 6th interim single tier dividend-in-specie through the distribution of the Company's investment in Masuma Trading Company Limited

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6.25 DIVIDENDS (CONTINUED)

The third interim single tier dividend of 825.0% per share amounting to RM300,000,000 for the financial year ended 31 December 2010 was declared on 2 March 2011 which is after the date of statement of financial position and before the financial statements are authorised for issue. Based on this, the dividends are not recognised as liabilities at the statement of financial position date.

The ninth interim single tier dividend of 220% per share amounting to RM80,000,000 in respect of the financial year ended 31 December 2009 was declared on 31 December 2009. As the dividends were declared at the statement of financial position date of 31 December 2009, the amount has been recognised as dividends payable within current liabilities. Accordingly, RM80,000,000 has been reflected within the current liabilities.

6.26 RELATED PARTY DISCLOSURES

Effective January 2010, MSM is controlled by FELDA. The immediate and penultimate holding companies since the above date are FGVS and FGVH respectively.

The immediate and ultimate holding companies prior to the above date were PPB and Kuok Brothers Sdn Bhd ('Kuok Brothers') respectively (in this respect referred to as former immediate and former ultimate holding companies respectively).

In addition to related party disclosures mentioned elsewhere in this Report, set out below are other significant transactions and balances:

(a) Purchase of services

	Transactions value for the financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Transaction with immediate holding company, FGVH:			
- Management fee	-	-	1,248

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6.26 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Purchase of services (continued)

	Transactions value for the financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Transactions with a subsidiary company, Astakonas:			
- Transportation services rendered	4,853	6,086	6,856
- Incentives paid and payable	930	-	-
- Transportation of pallets rendered	97	-	-
Transactions with a fellow subsidiary company, KGFP:			
- Refining process charge	-	-	252
Transactions with subsidiaries of an associate of the penultimate holding company:			
- Felda Security Services Sdn Bhd ('Felda Security') (security services)	-	-	25
- Felda Prodata Services Sdn Bhd ('Felda Prodata') (IT services)	-	-	129
- Felda Travel Sdn Bhd ('Felda Travel') (travel agent services)	-	-	68
Transactions with a subsidiary company, Astakonas:			
- Transportation services rendered	-	-	274
Transactions with a fellow subsidiary company, KGFP:			
- Refining process charge	-	-	(252)
Transaction with a subsidiary of an associate of the penultimate holding company, Felda Prodata:			
- IT services	-	-	14

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.26 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Purchase/(sales) of goods and services

	Transactions value for the financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Transaction with former immediate holding company, PPB:			
- Interest income received	(4,004)	(1,487)	-
Transactions with other former related companies :			
- ChemQuest Ltd ('ChemQuest') (purchase of chemicals)	924	526	-
- Tego Co Ltd ('Tego') (purchase of polybags)	599	704	-
- AWS Services Sdn Bhd ('AWS') (maintenance services rendered)	855	706	-
- Min Sec Engineering Sdn Bhd ('Mein Sec') (engineering services rendered)	85	6,344	-
- PPB (rental income received)	-	(336)	-
Transactions with former ultimate holding company, Kuok Brothers:			
- Secretarial and security services rendered	124	154	-
Transactions with subsidiary companies of former ultimate holding company, Min Tien & Co Sdn Bhd ('Min Tien'):			
- Sales of refined sugar	(58,603)	(57,135)	-
- Sales of molasses	(540)	(345)	-
- Transportation services rendered	257	201	-

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6.26 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Purchase/(sales) of goods and services (continued)

	Balances outstanding year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Transactions with other former related companies :			
- ChemQuest (purchase of chemicals)	308	71	-
- Tego (purchase of polybags)	5	140	-
- AWS (maintenance services rendered)	81	75	-
- Min Sec (engineering services rendered)	132	30	-
Transactions with subsidiary companies of former ultimate holding company, Min Tien:			
- Sales of refined sugar	(4,589)	(3,162)	-
- Sales of molasses	(33)	(36)	-
- Transportation services rendered	17	16	-
Transactions with former immediate holding company, PPB			
- Unsecured advances	126,627	-	-

MSM has given financial support to its subsidiaries, Astakonas and MSM for the financial year ended 31 December 2008, 31 December 2009 and 31 December 2010.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.26 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel remuneration

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

The aggregate amount of emoluments received/receivable by key management personnel of MSM during the year are as follows:

	Financial year ended 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Directors			
Remuneration	5,187	4,750	2,035
Estimated monetary value of benefits-in-kind	77	71	168
Total short-term employee benefits	5,264	4,821	2,203
Post-employment benefits			
- EPF contributions	547	567	242
- MSM Provident Fund	50	51	18
	5,861	5,439	2,463
Other key management personnel			
Salary, allowance and bonuses	1,992	2,359	2,254
Estimated monetary value of benefits-in-kind	46	44	38
Total short-term employee benefits	2,038	2,403	2,292
Post-employment benefits			
- EPF contributions	239	283	342
- MSM Provident Fund	64	75	41
	2,341	2,761	2,675
Total compensation	8,202	8,200	5,138

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.27 OPERATING LEASE COMMITMENTS

MSM leases premises from various parties under operating lease arrangement. These leases are cancellable and typically run for a period.

MSM also leases land from Keretapi Tanah Melayu Berhad under an operating lease arrangements, which have options for renewal upon expiry. In 1992, the land was transferred from Federal Land Commission to Perbadanan Aset Keretapi. As of the date of this report, Perbadanan Aset Keretapi has agreed to a lease arrangement expiring in 2024, with a 30 year option for renewal upon expiry. MSM is in the midst of formalising the lease agreements in respect of the leases of the land in Prai with Perbadanan Aset Keretapi.

None of the leases includes contingent rentals. There are no restrictions placed upon MSM by entering into these leases.

The future aggregated minimum lease payments under cancellable operating lease are as follows:

		As at 31 December	
	2008	2009	2010
	RM'000	RM'000	RM'000
No later than 1 year	237	237	237
Later than 1 year and no later than 5 years	1,185	1,185	1,185
Later than 5 years	2,150	1,913	1,676
	3,572	3,335	3,098

6.28 NON-CANCELLABLE RAW SUGAR PURCHASE COMMITMENTS

Raw sugar purchase commitments for MSM based on prices fixed and agreed with suppliers are as follows:

		As at 31 December	
	2008	2009	2010
	RM'000	RM'000	RM'000
- No later than 1 year	123,322	695,987	1,124,993
- Later than 1 year but no later than 2 year	-	523,037	-
	123,322	1,219,024	1,124,993

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.29 CAPITAL COMMITMENTS

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Approved capital commitments to acquire property, plant and equipment			
- Contracted but not provided for	37,950	4,744	11,611
- Authorised but not contracted for	30,669	1,128	23,826
	68,619	5,872	35,437

6.30 FINANCIAL INSTRUMENTS

The analysis of classification of financial instruments is as follows:

	Loan and receivables
	RM'000
2008	
Financial assets	
Trade receivables	65,340
Other receivables and deposits	904
Amount owing by subsidiary companies	1,278
Amount due from an immediate holding company	126,667
Amount due from a related party	5,216
Fixed deposits	68,813
Cash and bank balances	15,233
Total financial assets	283,451

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6.30 FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial instruments (continued)

	Loans and receivables RM'000	At fair value through profit or loss RM'000	Total RM'000
2009			
Financial assets			
Trade receivables	117,646	-	117,646
Other receivables and deposits	22,716	-	22,716
Derivative financial assets	-	6,034	6,034
Amount owing by subsidiary companies	1,714	-	1,714
Amounts due from other related parties	3,373	-	3,373
Fixed deposits	135,651	-	135,651
Cash and bank balances	7,439	-	7,439
Total financial assets	288,539	6,034	294,573
2010			
Financial assets			
Trade receivables	157,222	-	157,222
Other receivables and deposits	37,516	-	37,516
Derivative financial assets	-	20,509	20,509
Amounts owing by subsidiary companies	367	-	367
Amount due from a fellow subsidiary company	252	-	252
Fixed deposits	43,184	-	43,184
Cash and bank balances	20,592	-	20,592
Total financial assets	259,133	20,509	279,642

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.30 FINANCIAL INSTRUMENTS (CONTINUED)

	Liabilities at amortised costs
2008	RM'000
Financial liabilities	
Trade payables	3,528
Other payables and accruals	19,621
Amount owing to related company	1,016
Bank borrowings	138,000
Total financial liabilities	162,165
2009	
Financial liabilities	
Trade payables	75,732
Other payables and accruals	22,635
Amount owing to holding company	62
Amount owing to related company	536
Bank borrowings	126,000
Total financial liabilities	224,965
2010	
Financial liabilities	
Trade payables	4,588
Other payables and accruals	12,621
Amount owing to a subsidiary company	274
Bank borrowings	207,000
Total financial liabilities	224,483

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6.30 FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amounts of the financial instruments of MSM at the dates of statements of financial position approximate their fair values because they are mostly short term in nature or are repaid frequently.

6.31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

MSM's activities expose it to a variety of financial risks including credit risk, market risk, interest rate risk and liquidity and cash flow risks. MSM's overall financial risk management objective is to minimise potential adverse effects on the financial performance of MSM.

Financial risk management is carried out through risk reviews, internal control systems, insurance programme and adherence to financial risk management policies. MSM enter into derivative instruments, principally foreign currency forward contracts and commodity futures to hedge its exposure to financial risks. Management reviews and agrees on policies for managing each of the financial risks and they are summarised below.

(a) Foreign currency exchange risk

MSM is exposed to currency risk as a result of foreign currency transactions entered into in currencies other than its functional currency.

MSM enters into forward foreign currency contracts to limit its exposure on receivables and payables denominated in foreign currencies. A sensitivity analysis has been performed based on the outstanding foreign currency denominated monetary items as at year end. If the USD strengthen or weaken by 5% against RM with all other variables held constant, MSM profit before tax and equity would decrease or increase by RM1,435,854 (2009: RM2,641,000; 2008: RM Nil).

(b) Credit risk

Credit risk arises from the possibility that a counter party may be unable to meet the terms of a contract in which MSM have a gain position.

MSM generally has no significant concentration of credit risks due to MSM's large number of customers.

MSM minimise and monitor their credit risk by dealing with creditworthy counterparties, setting credit limits on exposures, applying credit approval controls and obtaining collateral or security deposits where appropriate.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(b) Credit risk (continued)

With regard to surplus cash, MSM seek to invest their cash assets safely by depositing them with licensed financial institutions or advancing them to the holding company. The Directors do not consider the credit risk to be significant as advances are part of the holding company treasure management policy.

(c) Commodity price risk

MSM is exposed to raw sugar price which is subject to fluctuations of unpredictable factors such as weather, change of global demand, global production and raw sugar prices.

MSM enters into sugar future contracts to limit its exposure on the fluctuation in raw material prices.

A sensitivity analysis has been performed based on the exposure to raw materials price as at settlement date for MSM's derivative portfolio as at year end. If price of raw material increase or decrease by 10% with all other variables held constant, MSM's profit before tax and equity would increase or decrease by RM47,616,123 (2009 : RM13,413,000: 2008 : RM Nil).

(d) Interest rate risk

MSM is exposed to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

MSM's income and operating cash flows are substantially independent of changes in market interest rates. Exposure to changes in interest rate risk relates primarily to MSM's fixed deposits and unsecured bank borrowings.

Fixed deposits generate interest income based on prevailing market rates. MSM manage their interest rate risk by placing such deposits on short tenures of less than one year.

MSM's interests on borrowings are based on a fixed rate. Therefore, the company is not affected by changes in interest rate during the tenure of the borrowings.

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6.31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Liquidity and cash flow risks

MSM seek to ensure all business units maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities.

Therefore, the policy seeks to ensure that each business unit, through efficient working capital management (i.e. inventory, accounts receivable and accounts payable management), must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

Owing to the nature of its businesses, MSM seek to maintain sufficient credit lines available to meet its liquidity requirement while ensuring an effective working capital management within the MSM.

Financial liabilities of MSM are expected to be settled within one year.

(f) Capital risk management

MSM's objectives when managing capital are to safeguard MSM's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, MSM may adjust the amount of dividends paid to shareholder, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, MSM monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Capital risk management (continued)

The gearing ratios at 31 December 2010, 2009 and 2008 were as follows:

	As at 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
Total borrowings (Note 6.22)	138,000	126,000	207,000
Less: cash and cash equivalents (Note 6.18)	(84,046)	(143,091)	(63,776)
Net debt	53,954	(17,091)	143,224
Total equity	595,747	390,614	476,017
Total capital	649,701	373,523	619,241
Gearing ratio	8.3%	n/a	23%

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.32 EFFECTS OF THE EARLY ADOPTION OF FRS 139 AS OF 1 JANUARY 2009

MSM had early adopted FRS139 as of 1 January 2009. In accordance with the transitional provisions for the first time adoption of FRS139, the changes were applied prospectively and comparatives as at 31 December 2008 were not restated. The effects arising from the adoption of this standard had been accounted for by adjusting the opening balances as follows:

(a) Impact on MSM's opening balances

	Balance as at 1 January 2009 before adopting FRS 139	Effects of adopting FRS 139	Balance as at 1 January 2009 at restated
	RM'000	RM'000	RM'000
Statement of financial position			
Non-current assets			
Other investments	95,573	(95,573)	-
Available-for-sale financial assets	-	235,078	235,078
Current assets			
Financial derivative assets	-	101	101
Reserves			
Available-for-sale reserve	-	141,505	141,505
Retained earnings	559,387	101	559,488

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A MALAYAN SUGAR MANUFACTURING COMPANY BERHAD ('MSM')

6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.32 EFFECTS OF THE EARLY ADOPTION OF FRS 139 AS OF 1 JANUARY 2009 (CONTINUED)

(b) Impact on MSM's income statement's and statements of financial position

	Increase for the year ended December 2009 RM'000
Income statement	
Other gains-net	24,923
Statement of financial position	
Derivative financial assets	6,034

SECTION B

KILANG GULA FELDA PERLIS SENDIRIAN BERHAD ('KGFP')

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B KILANG GULA FELDA PERLIS SENDIRIAN BERHAD ('KGFP')

1 GENERAL INFORMATION

KGFP was incorporated in Malaysia as a private limited company on 26 May 1971. KGFP was jointly set up by FELDA and PPB as 50:50 joint venture.

The principal activities of KGFP are cane milling, sugar refining and sale of refined sugar. There have been no significant changes in the nature of these activities during the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010.

The address of the registered office of KGFP is 3rd Floor, Balai Felda, Jalan Gurney Satu, 54000 Kuala Lumpur.

The principal place of business of KGFP is located at 02500 Chuping, Perlis.

FELDA's 50% equity interest in KGFP was subsequently transferred to Perbadanan Kilang Felda in 1986 before the further transfer to Felda Palm Industries Sdn. Bhd. ('FPI') in 1996. On 15 December 2006, the 50% equity interest held by FPI had been transferred to FHB. FGVH, a wholly-owned subsidiary of FELDA, and KPF each holds 49% and 51% equity interest of FHB. On 1 January 2010, FGVH acquired the remaining 50% equity interest of KGFP from PPB. As a result, FGVH became the immediate holding company of KGFP.

2 FINANCIAL STATEMENTS AND AUDITORS

We are the auditors of KGFP for the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010.

The audited financial statements for the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010 have been drawn up so as to give a true and fair view of the financial position of KGFP and its financial performance and cash flows and reported on by us without qualification to the shareholders of KGFP as a body in accordance with Section 174 of the Companies Act, 1965 and for no other purpose.

3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT

The financial information of KGFP included in this Report has been prepared based on the audited financial statements of KGFP for the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010 after incorporating the following changes to the income statements and statements of cash flows for the financial year ended 31 December 2008 and 2009 for consistency of presentation:

(a) income statements presentation changed from the 'classification of expenses by nature' to 'classification of expenses by function'; and

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3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(b) statements of cash flows presentation changed from the 'direct method' to 'indirect method'

(c) The financial statements of KGFP for the financial year ended 31 December 2010 and 31 December 2009 include the reclassifications as set out in Note 6.22.

The audited financial statements of KGFP have been prepared in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards for Entities Other than Private Entities and the provisions of the Companies Act 1965.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying KGFP's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The audited financial statements is the responsibilities of KGFP's Directors.

(i) Standards, amendments to published standards and IC interpretations that are applicable and adopted by KGFP

<u>Financial year ended 31 December 2008</u>

- FRS 112 Income Taxes

  This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The adoption of this standard does not have a significant impact on the results and financial position of KGFP.

- Revised standards that have no significant changes as compared to the original standards:
  - FRS 107 Cash Flow Statements
  - FRS 118 Revenue
  - FRS 137 Provisions, Contingent Liabilities and Contingent Assets

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3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(i) New standards, amendments to published standards and IC interpretations that are applicable and adopted by KGFP (continued)

<u>Financial year ended 31 December 2009</u>

There were no new accounting standards, amendments to published standards and Issues Committee ('IC') interpretations to existing standards that are applicable and effective for KGFP's financial year ended 31 December 2009.

<u>Financial year ended 31 December 2010</u>

- FRS 4 Insurance Contracts
- FRS 7 Financial Instruments: Disclosures
- FRS 101 (revised) Presentation of Financial Statements
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendment to FRS 7 Financial Instruments: Disclosures
- Amendment to FRS 101 Presentation of Financial Statements
- Amendment to FRS 107 Statement of Cash Flows
- Amendment to FRS 108 Accounting Policies, Changes in Accounting Estimates
- Amendment to FRS 110 Events after the Reporting Period
- Amendment to FRS 116 Property, Plant and Equipment
- Amendment to FRS 117 Leases
- Amendment to FRS 118 Revenue
- Amendment to FRS 119 Employee Benefits
- Amendment to FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- Amendment to FRS 123 Borrowing Costs
- Amendment to FRS 132 Financial Instruments: Presentation
- Amendment to FRS 138 Intangible Assets
- Amendment to FRS 139 Financial Instruments: Recognition and Measurement
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives

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B KILANG GULA FELDA PERLIS SENDIRIAN BERHAD ('KGFP')

3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(i) New standards, amendments to published standards and IC interpretations that are applicable and adopted by KGFP (continued)

Financial year ended 31 December 2010 (continued)

The adoption of the above new standards, did not have a significant financial impact on KGFP.

The key requirements of FRS 7 and FRS 101 (revised) are as follows:

- FRS 7 'Financial Instruments: Disclosures' (effective from 1 January 2010) provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement. KGFP applied FRS7 prospectively in accordance with the transitional provisions.

- FRS 101 (revised) 'Presentation of Financial Statements' (effective from 1 January 2010) affects the presentation of the component of the financial statements and does not change the recognition and measurement of specific transactions. It introduces Statement of Comprehensive Income to present non-owner changes in equity separately from owner changes in equity and changes the terms Balance Sheet and Cash Flow Statement into Statement of Financial Position and Statement of Cash Flows, respectively. Other changes include presentation of additional Statement of Financial Position as at the opening of comparative period when there is retrospective adjustment, restatement or reclassification, and disclosure of information that enables users to evaluate the entity's objectives, policies and processes for managing capital. The requirements of FRS 101 (revised) have been effected retrospectively.

The effects on the financial statements following the adoption of FRS 7 are mainly disclosures, as disclosed in Notes 6.10, 6.11 and 6.22.

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3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(i) New standards, amendments to published standards and IC interpretations that are applicable and adopted by KGFP (continued)

Financial year ended 31 December 2010 (continued)

The principal effects of the changes in accounting policies resulted from the adoption of FRS 139 and the amendments to FRS 117 are discussed below:

- FRS 139 'Financial Instruments: Recognition and Measurement' (effective from 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. FRS 139 has been prospectively applied by KGFP. Retrospective application is not permitted. Any adjustments to the previous carrying amount are recognised as adjustments to the balance of retained earnings or, if appropriate, another category of equity, at the beginning of the financial year ended 31 December 2010.

- Amendment to FRS 117 'Leases' (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

The adoption of the FRS 139 and the Amendment to FRS 117 did not have any significant financial impact on KGFP.

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3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(ii) Standards, amendments to published standards and IC interpretations to existing standards that are applicable but not yet effective and have not been early adopted

The Company will apply the following new standards, amendments to standards and IC interpretations when effective. However, the adoption of the following new standards, amendments and IC interpretations is not expected to have any significant financial impact on the financial statements of KGFP in the financial year of initial application:

- Amendment to FRS 132 'Financial Instruments Presentation: The Classification of Rights Issues' (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. Currently, these issues are accounted for as derivative liabilities. KGFP will apply this amendment from financial years beginning on 1 January 2011.

- IC Interpretation 17 'Distribution of non-cash assets to owners' (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. KGFP will apply this IC interpretation from financial years beginning on 1 January 2011.

- Amendment to FRS 7 'Financial instruments: Disclosures' (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. KGFP will apply this amendment from financial years beginning on 1 January 2011.

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3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(ii) Standards, amendments to published standards and IC interpretations to existing standards that are applicable but not yet effective and have not been early adopted (continued)

- IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease' (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 'Leases' should be applied to the lease element of the arrangement. KGFP will apply this IC interpretation from financial years beginning on 1 January 2011.

- IC Interpretation 18 'Transfers of Assets from Customers' (effective prospectively for assets received on or after 1 January 2011) provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 'Revenue'. KGFP will apply this IC interpretation from financial years beginning on 1 January 2011.

- IC Interpretation 19 'Extinguishing Financial Liabilities With Equity Instruments' (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss. KGFP will apply this IC interpretation from financial years beginning on 1 January 2012.

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3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(ii) Standards, amendments to published standards and IC interpretations to existing standards that are applicable but not yet effective and have not been early adopted (continued)

- Amendment to IC Interpretation 14 'FRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements. KGFP will apply this amendment from financial years beginning on 1 January 2012.

- FRS 124 (revised) 'Related Party Disclosures' (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

  KGFP will apply this standard from financial years beginning on 1 January 2012.

  The following amendments are part of the Malaysian Accounting Standards Board's ('MASB') improvements project and KGFP will apply these amendments from financial years beginning on 1 January 2011:

  - Amendment to FRS 138 'Intangible Assets' (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives.

  - Amendment to IC Interpretation 9 'Reassessment of Embedded Derivatives' (effective from 1 July 2010) clarifies that embedded derivatives in contracts acquired in a combination of entities or businesses under common control is not within the scope of IC Interpretation 9.

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B KILANG GULA FELDA PERLIS SENDIRIAN BERHAD ('KGFP')

3 BASIS FOR PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(ii) Standards, amendments to published standards and IC interpretations to existing standards that are applicable but not yet effective and have not been early adopted (continued)

- Amendment to FRS 101 'Presentation of financial statements' (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

(c) Critical accounting estimates

Estimates and judgments are continually evaluated by Directors and management based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. KGFP makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Company is not exposed to a significant risk, which may cause material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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B KILANG GULA FELDA PERLIS SENDIRIAN BERHAD ('KGFP')

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes their purchase cost and any incidental expenditure that is directly attributable to the acquisition of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to KGFP and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied in the previous financial year, unless otherwise stated.

Property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. The annual rates of depreciation are as follows:

	%
Mill and other buildings	2.4 – 33.3
Plant and machinery	3.2 – 12.0
Sundry equipment, furniture and fittings	9.1 – 20.0
Motor vehicles	20.0
Leasehold improvements	1.0 – 2.0
Leasehold land	1.0 – 1.5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale. Depreciation on assets under constructions commences when the assets are ready for their intended use. The leasehold land is amortised on a straight line basis over lease periods ranging from 90 to 99 years, which expires on 12 June 2061 and 13 March 2071.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Property, plant and equipment (continued)

At each statement of financial position date, KGFP assess whether there is any indication of impairment. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See Note 4(c) on the accounting policy for impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets and are included in the income statement.

(b) Research and development expenses

All expenses relating to research and development are charged to the income statement as and when incurred. Development expenses in respect of a project are only capitalised as intangible assets when the following conditions are met:

- the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably;
- the technical feasibility of the product or process can be demonstrated;
- KGFP intends to produce and market, or use, the product or process;
- the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated; and
- adequate resources exists or their availability can be demonstrated, to complete the project and to market or use the product or process.

Development expenses that have been capitalised are amortised from the commencement of commercial production of the product to which they relate on the straight line basis over the period of its expected benefit.

The useful life and amortisation of capitalised development expenses are assessed annually.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The impairment loss is charged to the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets are reviewed for possible reversal of impairment at each reporting date.

(d) Inventories

(i) Cane stock, raw sugar, refined sugar and molasses

Cane stock and raw sugar inventories are stated at the lower of cost and net realisable value after adequate allowance is made for all deteriorated, damaged or slow-moving inventories. Cost includes purchase price of cane stock/raw sugar and all incidental costs in bringing the inventories to their present location and condition and is determined principally on the first-in, first-out ('FIFO') basis.

Refined sugar inventory is stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged or slow-moving inventories. Cost consists of direct materials, direct labour, direct charges and an appropriate proportion of production overheads determined on the weighted average basis. Molasses, being a by-product, is valued at net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(ii) Consumables

Consumables are stated at cost after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories. Cost is determined on the weighted average basis.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bad debts are written off in the year in which they are identified. Subsequent recoveries of amounts previously written off are credited in the income statement. An estimate is made for provision for impairment of receivables based on a review of all outstanding accounts at the year end. The provision for impairment is established when there is objective evidence that KGFP will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. The amount of provision is recognised in the income statement.

(f) Income taxes

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 statement of financial position date.

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

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

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised. No deferred tax asset is recognised when all the tax credit is fully utilised during the year.

(g) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of KGFP are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia ('RM'), which is KGFP's functional and presentation currency.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates approximate those prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains-net'.

(h) Revenue recognition

Revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts. Revenue from sales of goods is recognised upon delivery of goods, when significant risks and rewards of ownership of the goods were transferred to the buyer.

During the financial year ended 31 December 2010, KGFP changed its classification of Government subsidy from 'other income' to 'revenue' for fairer presentation. The change in accounting policy has been applied retrospectively. The change has no impact on the profit before taxation of the financial year ended 31 December 2008 (there was no such subsidy received during the financial year ended 31 December 2008), 31 December 2009 and 31 December 2010.

Subsidy from the Government of Malaysia relates to the difference between estimated market price and the controlled price determined by the Government for sale of refined sugar in the domestic market limited to the quantity agreed with the Government on an annual basis. This subsidy is recognised in the income statement as part of revenue in the financial period in which the corresponding sales of goods are recognised, and where there is reasonable assurance that the subsidy will be received and KGFP will comply with all attached conditions.

Interest income is recognised on the accrual basis, taking into account the effective yield on the assets.

Rental income is recognised on the accrual basis, in accordance with the substance of the relevant agreement.

Other revenue is recognised on the accrual basis unless collectability is uncertain.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Dividend distribution

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

(k) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

In the previous financial years, leasehold lands are classified as operating lease by default. Upon application of the revised FRS 117 on 1 January 2010, only leasehold land which meets the requirement of an operating lease, is classified as prepaid lease payments and is stated at cost less accumulated amortisation and accumulated impairment losses. As a result, leasehold land previously classified as operating lease which does not meets the requirement of operating lease has been reclassified to property, plant and equipment. The change has no significant impact on the financial statements of KGFP.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Finance lease

Leases of asset where KGFP assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as finance lease liabilities under term loans. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(m) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non monetary benefits are accrued in the period in which the associated services are rendered by employees of KGFP.

(ii) Post-employment benefits

A defined contribution plan is a pension plan under which a company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(ii) Post-employment benefits (continued)

Defined contribution plan

KGFP contributes to Employees Provident Fund in Malaysia, the national defined contribution plan. Contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, KGFP has no further payment obligations.

Defined benefit plan

KGFP operates an unfunded defined benefit plan for applicable employees. Under the plan, retirement benefits are determinable by reference to employees' final salary and years of service, and payable upon attaining the normal retirement age. The liability in respect of defined benefit plan is the present value of the defined benefit obligations at the statement of financial position date adjusted for actuarial gains/losses and past service cost. KGFP determines the present value of defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the statement of financial position date. The last actuarial valuation was carried out as of 31 December 2008.

The present value of defined benefit obligations, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at the statement of financial position date of government securities which have the currency and terms to maturity approximating the terms of the defined benefit obligation.

The amount of net actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions recognised in the income statement are determined under the corridor method in accordance with FRS 119 'Employee Benefits' and are directly credited or charged to income statement over the average remaining service lives of the related employees participating in the defined benefit plan.

Past service costs are recognised immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on the straight-line basis over the vesting period.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless KGFP has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs incurred to finance qualifying assets are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the assets for their intended use. All other borrowing costs are expensed as incurred.

(o) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue cost

Incremental external costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

(p) Provisions

Provisions are recognised when KGFP has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Contingent liabilities

KGFP does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of KGFP or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

(r) Financial assets

(i) Classification

Upon application of FRS 139 on 1 January 2010, KGFP classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Prior to the adoption of FRS 139, fair value changes in respect in respect of financial assets/ liabilities at fair value through profit and loss were not recognised in the financial statements of KGFP. There was no significant impact to those financial statements.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial assets (Continued)

(i) Classification (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. KGFP's loans and receivables comprise trade and other receivables, loans and amounts due from related companies and cash and cash equivalents in the statement of financial position.

Prior to the adoption of FRS 139, these financial assets are carried at anticipated realisable value and the difference between the carrying amount and recoverable amount would be recognised as allowance in the income statement. There was no significant impact on those financial statements.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which KGFP commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and KGFP has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement under the 'other (losses)/gains-net' in the period in which they arise. During the financial years ended 31 December 2008 and 31 December 2009, the foreign currency forward contracts were not recognised on the balance sheet at inception and the exchange differences arising upon settlement were charged to income statement.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Impairment of financial assets

Assets carried at amortised cost

KGFP assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that KGFP uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor; or
- A breach of contract, such as a default or delinquency in interest or principal payments.

KGFP first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's financial position), the reversal of the previously recognised impairment loss is recognised in the income statement.

(t) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, the nature of the item being hedged.

The gains and losses on foreign exchange relating to forward foreign exchange contracts entered into by KGFP as hedges for advance payments for purchases of raw sugars are taken to the income statement within 'other (losses)/gains - net' in the period in which the exchange differences on the underlying hedged items are recognised. KGFP does not apply hedge accounting.

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5 HISTORICAL FINANCIAL INFORMATION

5.1 INCOME STATEMENTS

	Note	Financial year ended 31 December		
		2008	2009	2010
		RM	RM	RM
Revenue	6.1	199,571,495	263,482,769	317,979,125
Cost of sales		(171,083,443)	(218,157,355)	(245,912,062)
Gross profit		28,488,052	45,325,414	72,067,063
Other operating income		1,137,170	641,987	695,020
Selling and distribution costs		(15,129,753)	(13,827,212)	(11,717,683)
Administrative expenses		(8,555,572)	(9,210,453)	(12,079,979)
Other operating expenses		(791,221)	(286,025)	(147,984)
Other losses – net	6.2	(623,831)	(1,292,993)	(4,108,835)
Finance costs	6.3	(408,925)	(933,718)	(845,849)
Profit before taxation	6.4	4,115,920	20,417,000	43,861,753
Taxation	6.5	(1,785,221)	(4,740,550)	(10,921,614)
Profit for the financial year		2,330,699	15,676,450	32,940,139

5.2 STATEMENTS OF COMPREHENSIVE INCOME

	Financial year ended 31 December		
	2008	2009	2010
	RM	RM	RM
Profit and total comprehensive income for the financial year	2,330,699	15,676,450	32,940,139

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B KILANG GULA FELDA PERLIS SENDIRIAN BERHAD ('KGFP')

5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.3 STATEMENTS OF FINANCIAL POSITION

	Note	2008 RM	2009 RM	2010 RM
		As at 31 December		
ASSETS				
Non-current assets				
Property, plant and equipment	6.7	16,279,199	16,853,662	21,462,382
Current assets				
Inventories	6.8	14,002,599	49,500,802	41,713,519
Receivables, deposits and prepayments	6.9	11,381,158	15,408,717	20,409,960
Amounts due from related parties	6.10	18,508	15,203	515,234
Taxation		82,974	-	-
Cash and cash equivalents	6.11	14,052,013	7,380,830	17,634,749
		39,537,252	72,305,552	80,273,462
Total assets		55,816,451	89,159,214	101,735,844
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	6.12	12,000,000	12,000,000	12,000,000
Reserves	6.13	27,269,742	42,046,192	59,309,881
Total equity		39,269,742	54,046,192	71,309,881
Non-current liabilities				
Deferred tax liabilities	6.14	737,458	1,085,099	1,292,425
Provision for staff retirement benefits	6.15	3,207,674	1,446,184	1,031,742
		3,945,132	2,531,283	2,324,167
Current liabilities				
Payables and accruals	6.16	11,998,192	11,657,854	14,400,192
Short term borrowings	6.17	-	10,500,000	10,000,000
Amounts due to related parties	6.10	603,385	7,414,601	1,844,081
Current tax liabilities		-	3,009,284	1,857,523
		12,601,577	32,581,739	28,101,796
Total liabilities		16,546,709	35,113,022	30,425,963
Total equity and liabilities		55,816,451	89,159,214	101,735,844

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.4 STATEMENTS OF CHANGES IN EQUITY

	Note	Issued and fully paid	Distributable			
		Share capital	Agricultural research reserve	General reserve	Retained profits	Total
		RM	RM	RM	RM	RM
At 1.1.2008		12,000,000	2,683,500	17,202,000	10,825,543	42,711,043
Profit and total comprehensive income for the financial year		-	-	-	2,330,699	2,330,699
Dividends		-	-	-	(5,772,000)	(5,772,000)
At 31.12.2008		12,000,000	2,683,500	17,202,000	7,384,242	39,269,742
At 1.1.2009		12,000,000	2,683,500	17,202,000	7,384,242	39,269,742
Profit and total comprehensive income for the financial year		-	-	-	15,676,450	15,676,450
Dividends	6.6	-	-	-	(900,000)	(900,000)
At 31.12.2009		12,000,000	2,683,500	17,202,000	22,160,692	54,046,192
At 1.1.2010		12,000,000	2,683,500	17,202,000	22,160,692	54,046,192
Profit and total comprehensive income for the financial year		-	-	-	32,940,139	32,940,139
Dividends	6.6	-	-	-	(15,676,450)	(15,676,450)
At 31.12.2010		12,000,000	2,683,500	17,202,000	39,424,381	71,309,881

The Directors of KGFP have set up the Agricultural Research Reserve is for the agricultural research purpose and the General Reserve is for special projects to be undertaken by KGFP in the future.

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.5 STATEMENTS OF CASH FLOWS

	Note	Financial year ended 31 December		
		2008	2009	2010
		RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial year		2,330,699	15,676,450	32,940,139
Adjustments for:				
Taxation		1,785,221	4,740,550	10,921,614
Depreciation		1,517,665	1,712,091	1,833,195
Loss/(gain) on disposal of property, plant and equipment		24,983	(40,716)	29,988
Property, plant and equipment written off		183	4,883	17,162
Bad debts written off		-	-	15,000
Interest expense		408,925	933,718	845,849
Interest income		(201,944)	(158,437)	(429,587)
Provision for retirement benefits		700,360	201,014	105,783
		6,566,092	23,069,553	46,279,143
Working capital changes:				
Inventories		16,051,101	(35,498,203)	7,787,283
Receivables		9,032,527	(4,029,522)	(5,007,414)
Payables		(2,478,500)	(351,177)	1,358,150
Related party balances		(380,706)	6,814,521	(6,070,551)
Cash flow from operations		28,790,514	(9,994,828)	44,346,611
Interest paid		(410,782)	(901,925)	(877,642)
Tax paid		(717,299)	(1,300,651)	(11,866,049)
Retirement benefits paid		(4,960,678)	(1,962,504)	(520,225)
		(6,088,759)	(4,165,080)	(13,263,916)
Net cash generated from/(used in) operating activities		22,701,755	(14,159,908)	31,082,695
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment		27,500	186,750	5,000
Purchase of property, plant and equipment		(3,110,262)	(2,458,425)	(5,078,084)
Interest received		201,944	160,400	420,758
Net cash used in investing activities		(2,880,818)	(2,111,275)	(4,652,326)

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.5 STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Financial year ended 31 December 2008 RM	2009 RM	2010 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of short term borrowings		-	133,500,000	113,000,000
Repayment of short term borrowings		-	(123,000,000)	(113,500,000)
Dividend paid		(5,772,000)	(900,000)	(15,676,450)
Net cash (used in)/generated from financing activities		(5,772,000)	9,600,000	(16,176,450)
NET CHANGE IN CASH AND CASH EQUIVALENTS		14,048,937	(6,671,183)	10,253,919
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		3,076	14,052,013	7,380,830
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	6.11	14,052,013	7,380,830	17,634,749

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION

6.1 REVENUE

	Financial year ended 31 December		
	2008	2009	2010
	RM	RM	RM
Sales of goods	199,571,495	184,296,856	232,100,422
Government subsidy for the goods sold	-	79,185,913	85,878,703
	199,571,495	263,482,769	317,979,125

The analysis of the revenue for goods sold by domestic and export

Domestic	183,440,148	263,482,769	317,979,125
Export	16,131,147	-	-
	199,571,495	263,482,769	317,979,125

6.2 OTHER LOSSES–NET

Net realised foreign exchange losses arising from foreign exchange forward contracts	(623,831)	(1,292,993)	(4,108,835)

6.3 FINANCE COSTS

Interest expense			
- short term borrowings	(407,737)	(925,989)	(845,849)
- bank overdraft	(1,188)	(7,729)	-
	(408,925)	(933,718)	(845,849)

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.4 PROFIT BEFORE TAXATION

The following items have been charged/(credited) in arriving at profit before taxation:

	Financial year ended 31 December		
	2008	2009	2010
	RM	RM	RM
Directors' fees	93,500	127,500	153,000
Auditors' remuneration			
- Statutory audit	38,000	38,000	40,000
- Non audit services	-	29,900	87,700
Bad debts written off	-	-	15,000
Property, plant and equipment:			
- Depreciation	1,517,665	1,712,091	1,833,195
- Loss on write-off	183	4,883	17,162
- Loss/(gain) on disposal of property, plant and equipment	24,983	(40,716)	29,988
Research and development expenses	782,874	206,035	-
Raw materials and consumables used	157,804,238	230,617,214	242,174,103
Change in inventories of refined sugar and molasses	4,941,277	(21,606,735)	(5,237,309)
Employee benefits costs	13,451,431	13,364,002	13,949,161
Interest income	(201,944)	(158,437)	(429,587)
Rental income	(33,226)	(28,860)	(36,790)
Gain on disposal of scrap	(72,894)	(46,324)	(3,300)
Contributions from planters	(332,665)	(171,242)	-
Insurance claim compensation	(43,061)	(60,224)	(69,826)

Employee benefits costs comprise:			
Wages, salaries and bonuses	8,957,859	9,494,496	9,802,465
Defined contribution retirement plan	1,390,525	1,451,263	1,534,728
Defined benefit retirement plan	700,360	201,014	105,783
Other employee benefits	2,402,687	2,217,229	2,506,185
	13,451,431	13,364,002	13,949,161

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.5 TAXATION

	Financial year ended 31 December		
	2008	2009	2010
	RM	RM	RM
Current tax			
- in respect of current financial year	(563,804)	(4,747,244)	(10,694,452)
- in respect of prior year	226,703	354,335	(19,836)
	(337,101)	(4,392,909)	(10,714,288)
Deferred taxation	(1,448,120)	(347,641)	(207,326)
	(1,785,221)	(4,740,550)	(10,921,614)

The numerical reconciliations between tax expense and the accounting profit multiplied by the Malaysian income tax rate are as follows:

	Financial year ended 31 December		
	2008	2009	2010
	RM	RM	RM
Profit before taxation	4,115,920	20,417,000	43,861,753
Tax calculated at the Malaysian income tax rate (2010: 25%, 2009: 25%, 2008: 26%)	(1,070,139)	(5,104,250)	(10,965,438)
Tax effects of:			
- expenses not deductible for tax purposes	(973,089)	(92,213)	(100,869)
- expenses eligible for double deduction	89,131	68,440	77,333
- utilisation of reinvestment allowance	-	-	73,364
- change in tax rate	(45,680)	-	-
Over/(under) accrual in respect of prior financial year:			
- Malaysian income tax	226,703	354,335	(19,836)
- temporary differences not recognised in prior year	(12,147)	33,138	13,832
Tax expense for the financial year	(1,785,221)	(4,740,550)	(10,921,614)

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.6 DIVIDENDS

	2008	2009	2010
	RM	RM	RM
In respect of the financial year ended 31 December 2009:			
Final tax exempt dividend of 130.63708 sen	-	15,676,450	-
In respect of the financial year ended 31 December 2008:			
Final gross dividend of 10% less tax of 25%	900,000	-	-

On 3 March 2011, the Directors declared a special dividend of 331.08632 sen per share on 12,000,000 ordinary shares amounting to RM35,000,000 in respect of the financial year ended 31 December 2010.

	RM
Tax exempt dividend of 121.39795 sen per share	14,567,754
Gross dividend of 157.67861 sen per share less income tax at 25%	14,191,075
Single-tier dividend of 52.00976 sen per share	6,241,171
	35,000,000

The above dividends are paid upon obtaining the approval from the relevant authorities . The Directors do not recommend the payment of a final dividend for the financial year ended 31 December 2010.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

2008	Leasehold land	Leasehold improvements	Mill and other buildings	Plant and machinery	Sundry equipment, furniture and fittings	Motor vehicles	Capital work in progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Cost								
At 1 January 2008	159,545	14,866	19,058,705	66,225,684	7,287,232	2,316,102	771,495	95,833,629
Additions	-	-	45,000	247,979	383,620	91,292	2,831,935	3,599,826
Write-offs	-	-	(54,683)	(1,040,000)	(159,888)	(62,160)	-	(1,316,731)
Disposals	-	-	-	-	-	(96,759)	-	(96,759)
Reclassification	-	-	-	1,636,463	646,925	-	(2,283,388)	-
At 31 December 2008	159,545	14,866	19,049,022	67,070,126	8,157,889	2,248,475	1,320,042	98,019,965
Accumulated depreciation								
At 1 January 2008	94,978	5,475	16,970,461	56,383,680	6,075,600	2,053,731	-	81,583,925
Charge for the financial year	1,177	174	209,848	864,897	401,303	40,266	-	1,517,665
Write-offs	-	-	(54,509)	(1,040,000)	(159,879)	(62,160)	-	(1,316,548)
Disposals	-	-	-	-	-	(44,276)	-	(44,276)
At 31 December 2008	96,155	5,649	17,125,800	56,208,577	6,317,024	1,987,561	-	81,740,766
Net book value								
31 December 2008	63,390	9,217	1,923,222	10,861,549	1,840,865	260,914	1,320,042	16,279,199

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2009	Leasehold land	Leasehold improvements	Mill and other buildings	Plant and machinery	Sundry equipment, furniture and fittings	Motor vehicles	Capital work in progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Cost								
At 1 January 2009	159,545	14,866	19,049,022	67,070,126	8,157,889	2,248,475	1,320,042	98,019,965
Additions	-	-	100,000	93,322	331,041	218,977	1,694,131	2,437,471
Write-offs	-	-	(74,231)	-	(51,962)	(158,149)	-	(284,342)
Disposals	-	-	(524,175)	-	(129,145)	(268,291)	-	(921,611)
Reclassification	-	-	-	896,746	-	-	(896,746)	-
At 31 December 2009	159,545	14,866	18,550,616	68,060,194	8,307,823	2,041,012	2,117,427	99,251,483
Accumulated depreciation								
At 1 January 2009	96,155	5,649	17,125,800	56,208,577	6,317,024	1,987,561	-	81,740,766
Charge for the financial year	1,176	176	230,010	973,534	430,304	76,891	-	1,712,091
Write-offs	-	-	(69,360)	-	(51,950)	(158,149)	-	(279,459)
Disposals	-	-	(380,982)	-	(126,304)	(268,291)	-	(775,577)
At 31 December 2009	97,331	5,825	16,905,468	57,182,111	6,569,074	1,638,012	-	82,397,821
Net book value								
31 December 2009	62,214	9,041	1,645,148	10,878,083	1,738,749	403,000	2,117,427	16,853,662

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2010	Leasehold land	Leasehold improvements	Mill and other buildings	Plant and machinery	Sundry equipment, furniture and fittings	Motor vehicles	Capital work in progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Cost								
At 1 January 2010	159,545	14,866	18,550,616	68,060,194	8,307,823	2,041,012	2,117,427	99,251,483
Additions	-	-	410,900	550,502	630,260	94,000	4,808,403	6,494,065
Write-offs	-	-	(83,044)	-	(765,198)	-	-	(848,242)
Disposals	-	-	-	-	-	(96,759)	-	(96,759)
Reclassification	-	-	2,395,456	670,112	6,315	-	(3,071,883)	-
At 31 December 2010	159,545	14,866	21,273,928	69,280,808	8,179,200	2,038,253	3,853,947	104,800,547
Accumulated depreciation								
At 1 January 2010	97,331	5,825	16,905,468	57,182,111	6,569,074	1,638,012	-	82,397,821
Charge for the financial year	1,177	176	197,649	1,019,990	520,124	94,079	-	1,833,195
Write-offs	-	-	(83,044)	-	(748,036)	-	-	(831,080)
Disposals	-	-	-	-	-	(61,771)	-	(61,771)
At 31 December 2010	98,508	6,001	17,020,073	58,202,101	6,341,162	1,670,320	-	83,338,165
Net book value								
31 December 2010	61,037	8,865	4,253,855	11,078,707	1,838,038	367,933	3,853,947	21,462,382

Included in the net book value of mill and other buildings are workers' quarters, sports complex and bulk cargo terminal godown amounting to RM575,312 (2009: RM536,949 and 2008: RM573,932), which stand on land rented from a third party.

Cash payments of RM5,078,084 (2009: RM2,458,425 and 2008: RM3,110,262) were made during the financial year to purchase property, plant and equipment. The remaining unpaid amount of RM2,136,845 (2009: RM720,864 and 2008: RM741,818) as at 31 December 2010 is included in other payables.

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6.8 INVENTORIES

	As at 31 December		
	2008	2009	2010
	RM	RM	RM
Raw sugar	-	15,339,936	2,343,582
Refined sugar	4,407,815	25,809,762	30,202,366
Cane stock	197,025	29,831	-
Consumable stores	8,945,256	7,663,982	7,665,575
Molasses	452,503	657,291	1,501,996
	14,002,599	49,500,802	41,713,519

6.9 RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables	10,833,289	14,949,833	19,793,535
Other receivables	352,428	346,000	507,002
Deposits	85,735	84,525	82,775
Prepayments	109,706	28,359	26,648
	11,381,158	15,408,717	20,409,960

Receivables, deposits and prepayments are all denominated in Ringgit Malaysia.

Credit term of trade receivables range from payment in advance to 60 days. Sales of refined sugar are made to customers with bank guarantees.

Included in trade receivables is an amount receivable from Kementerian Perdagangan Dalam Negeri, Koperasi dan Kepenggunaan of RM8,918,976 (2009: RM6,202,436 and 2008: RM Nil) relating to the government subsidy as disclosed in Note 6.1. In financial year ended 31 December 2008, there was no government subsidy.

As at 31 December 2010, none of the receivables and deposit was past due but not impaired.

As at 31 December 2010, there were no significant amounts of the receivables and deposits which were impaired and provided for.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.10 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related parties and relationship

The related parties and their relationship with KGFP are as follows:

In respect of financial year ended 31 December 2010

On 1 January 2010, PPB disposed its entire 50% shareholding in KGFP to FGVH. As a result, FGVH, became the immediate holding company of KGFP. The Directors regard FELDA as the ultimate controlling party.

Related parties	Relationship
FELDA	Ultimate controlling party
FGVH	Immediate holding company
FGVP	Fellow subsidiary company
MSM	Fellow subsidiary company
FHB	Shareholder of KGFP
KPF	Holding company of FHB
Felda Trading Sdn Bhd ('Felda Trading')	Subsidiary of KPF
Felda D'Saji Sdn Bhd ('Felda D'Saji')	Fellow subsidiary company
Felda Engineering Services Sdn Bhd ('Felda Engineering')	Subsidiary of FHB
Felda Security	Subsidiary of FHB

All assistant managers and above of KGFP are regarded as key management personnel.

In respect of financial year ended 31 December 2008 and 31 December 2009

Related parties	Relationship
PPB	Former shareholder of KGFP
FHB	Shareholder of KGFP

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.10 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(b) Related party balances

Related party	Type of transactions	As at 31 December 2008 RM	2009 RM	2010 RM
Amount due from related parties:				
- FELDA	Non-trade charges	-	-	361
- FGVP	Non-trade charges	-	-	15,140
- Felda Trading	Sales of goods	-	-	499,733
- PPB	Non-trade charges	17,788	15,203	-
- FHB	Non-trade charges	720	-	-
		18,508	15,203	515,234

Related party	Type of transactions	As at 31 December 2008 RM	2009 RM	2010 RM
Amount due to related parties:				
- FGVP	Purchase of sugar cane	-	-	1,578,706
- MSM	Refining charges	-	-	252,000
- Felda D'Saji	Non-trade charges	-	-	85
- Felda Engineering	Non-trade charges	-	-	5,850
- Felda Security	Non-trade charges	-	-	7,440
- PPB	Purchase of sugar cane from Chuping Cane Division	597,338	7,409,476	-
	Non-trade charges	6,047	-	-
- FHB	Non-trade charges	-	5,125	-
		603,385	7,414,601	1,844,081

Amounts due from/(to) related parties are denominated in Ringgit Malaysia, unsecured, interest free and have credit terms range from 30 to 60 days (2009: 30 to 60 days and 2008: 30 to 60 days).

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.10 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(b) Related party balances (continued)

As at 31 December 2010, RM52,200 of the total amounts due from related parties aged between 61 to 90 days were past due but not impaired. These relate to sales of goods where there is no expectation of default:

As at 31 December 2010, none of the amounts due from related parties was impaired and provided for.

(c) Significant related party transactions

Significant transactions with related parties during the financial year are as follows:

	Financial year ended 31 December		
	2008	2009	2010
	RM	RM	RM
Sales of goods to:			
- Felda Trading	-	-	2,632,037
Purchase of sugar cane from:			
- FGVP	-	-	25,549,870
- PPB	18,806,398	18,781,899	-
Management fees charged by:			
- FHB	-	-	977,000

The terms of the above transactions were established based on prices agreed between the related parties.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.10 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(d) Key management personnel compensation

Included in the employee benefits costs are compensation paid to key management personnel as follows:

	Financial year ended 31 December		
	2008	2009	2010
	RM	RM	RM
Salary and bonuses	1,371,324	1,239,289	1,244,860
Post employment benefits			
- Defined contribution plan	189,527	182,018	187,586
- Defined benefit plan	121,863	19,860	25,388
Other short term employee benefits	57,841	65,034	63,409
	1,740,555	1,506,201	1,521,243

6.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as represented in the statement of cash flows comprise the following:

	As at 31 December		
	2008	2009	2010
	RM	RM	RM
Deposits with licensed banks*	12,600,000	6,300,000	15,000,000
Bank balances	1,449,784	1,078,374	2,628,219
Cash in hand	2,229	2,456	6,530
	14,052,013	7,380,830	17,634,749

Deposits, bank balances and cash in hand are all denominated in Ringgit Malaysia.

	Financial year ended 31 December		
	2008	2009	2010
	%	%	%
*Effective interest rate per annum	2.75	1.58	2.65 – 2.79

Bank balances are deposits held at call with banks.

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6.12 SHARE CAPITAL

	As at 31 December		
	2008	2009	2010
	RM	RM	RM
Authorised:			
Ordinary shares of RM1 each	20,000,000	20,000,000	20,000,000
Issued and fully paid:			
Ordinary shares of RM1 each	12,000,000	12,000,000	12,000,000

6.13 RESERVES

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits, under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or up to 31 December 2013, whichever is earlier unless KGFP opts to disregard the Section 108 credits to pay single-tier dividends under the transitional provisions of the Finance Act 2007. KGFP has not made this election.

Subject to confirmation by the Inland Revenue Board, KGFP has sufficient tax exempt income and Section 108 tax credit to frank approximately RM29,052,000 (2009: RM22,161,000 and 2008: RM7,384,000) of the retained profits of KGFP at the statement of financial position date if paid out as dividends. The extent of the retained profits not covered at that date amounted to approximately RM10,372,000 (2009: RM Nil and 2008: RM Nil) but they can be distributed as single-tier dividends.

6.14 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same tax authority. The following amounts, determined after appropriate offsetting are shown in the statement of financial position:

	As at 31 December		
	2008	2009	2010
	RM	RM	RM
Deferred tax liabilities	(737,458)	(1,085,099)	(1,292,425)

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.14 DEFERRED TAXATION (CONTINUED)

The movements during the financial year relating to deferred tax liabilities are as follows:

	As at 31 December		
	2008	2009	2010
	RM	RM	RM
At 1 January	710,662	(737,458)	(1,085,099)
- Property, plant and equipment	(231,188)	(96,474)	(183,604)
- Provision for staff retirement benefits	(1,139,759)	(440,372)	(103,611)
- Accruals	(77,173)	189,205	79,889
Charged to income statement	(1,448,120)	(347,641)	(207,326)
At 31 December	(737,458)	(1,085,099)	(1,292,425)
Subject to income tax:			
Deferred tax assets			
- Provision for staff retirement benefits	801,919	361,547	257,936
- Accruals	478,116	667,321	747,210
Amount before offsetting	1,280,035	1,028,868	1,005,146
- Offsetting	(1,280,035)	(1,028,868)	(1,005,146)
Deferred tax assets (after offsetting)	-	-	-
Deferred tax liabilities			
- Property, plant and equipment	(2,017,493)	(2,113,967)	(2,297,571)
- Offsetting	1,280,035	1,028,868	1,005,146
Deferred tax liabilities (after offsetting)	(737,458)	(1,085,099)	(1,292,425)

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.15 PROVISION FOR STAFF RETIREMENT BENEFITS

	As at 31 December		
	2008	2009	2010
	RM	RM	RM
At 1 January	7,467,992	3,207,674	1,446,184
Provisions made during the financial year	700,360	201,014	105,783
Payments made during the financial year	(4,960,678)	(1,962,504)	(520,225)
At 31 December	3,207,674	1,446,184	1,031,742

On 31 March 2008, the Board of Directors approved the replacement of the defined benefit plan of KGFP with a defined contribution plan for employees below 50 years of age as of 31 December 2007, effective from 1 January 2008. As a result, on 31 May 2008 KGFP made a lump sum payment of RM3,200,565 to the affected employees' EPF accounts after the relevant income tax deductions of RM224,674 upon obtaining tax clearance from the Inland Revenue Board. KGFP will also contribute an additional 4% to the monthly EPF contribution for these employees from January 2008 onwards.

Employees above 50 years of age as of 31 December 2008 will remain with the existing defined benefit plan of KGFP.

The expenses recognised in KGFP's income statement are analysed as follows:

	Financial year ended 31 December		
	2008	2009	2010
	RM	RM	RM
Current service costs	251,990	84,699	39,749
Interest costs	308,484	116,315	66,034
Actuarial loss	139,886	-	-
Total included in employee benefits costs (Note 6.4)	700,360	201,014	105,783

The principal actuarial assumptions used in respect of KGFP's defined benefit plan are as follows:

	As at 31 December		
	2008	2009	2010
	%	%	%
Discount rate	5.0	5.0	5.0
Expected rate of salary increases	5.0	5.0	5.0

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.15 PROVISION FOR STAFF RETIREMENT BENEFITS (CONTINUED)

The amount recognised in the statement of financial position is as follows:

	Financial year ended 31 December		
	2008	2009	2010
	RM	RM	RM
Present value of unfunded obligations	3,207,674	1,645,952	1,101,176
Unrecognised actuarial losses	-	(199,768)	(69,434)
Defined benefit obligation recognised on statement of financial position	3,207,674	1,446,184	1,031,742

6.16 PAYABLES AND ACCRUALS

	As at 31 December		
	2008	2009	2010
	RM	RM	RM
Trade payables	5,779,214	4,877,743	7,060510
Amount due to FELDA	1,135,194	1,275,400	-
Other payables	167,030	450,020	478,837
Amount payable to suppliers of plant and equipment			2,136,845
	741,818	720,864	
Accruals	4,174,936	4,333,827	4,724,000
	11,998,192	11,657,854	14,400,192

Payables and accruals are all denominated in Ringgit Malaysia.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.17 SHORT TERM BORROWINGS

	As at 31 December		
	2008	2009	2010
	RM	RM	RM
Bankers' acceptance:			
- Secured	-	5,500,000	-
- Unsecured	-	5,000,000	10,000,000
	-	10,500,000	10,000,000

Short term borrowings are all denominated in Ringgit Malaysia.

The effective interest rates of the short term borrowings at the statement of financial position date is 3.21% (2009: range from 1.89% to 2.23% and 2008: Not applicable) per annum.

As at 31 December 2009, short term borrowings amounted to RM 5,500,000 were secured over KGFP's entire fixed and floating assets, both present and future.

6.18 CAPITAL COMMITMENTS

	As at 31 December		
	2008	2009	2010
	RM	RM	RM
Capital expenditures in respect of plant and equipment not provided for in the financial statements are as follows:			
- authorised and contracted	1,093,759	5,057,332	2,572,712
- authorised but not contracted	9,126,761	5,655,400	9,631,410
	10,220,520	10,712,732	12,204,122

6.19 NON-CANCELLABLE RAW SUGAR PURCHASE COMMITMENTS

Raw sugar purchase commitments for KGFP based on prices fixed and agreed with suppliers are as follows:

	As at 31 December		
	2008	2009	2010
	RM	RM	RM
- Not later than 1 year	122,978,355	122,878,843	109,639,730
- Later than 1 year but not later than 3 years	245,956,710	122,878,843	-
	368,935,065	245,757,686	109,639,730

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.20 FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

2010 only	Loans and receivables RM
Financial assets	
Trade receivables	19,793,535
Other receivables and deposits	589,777
Amounts due from related parties	515,234
Deposits with licensed banks	15,000,000
Cash and bank balances	2,634,749
Total financial assets	38,533,295

	Liabilities at amortised costs RM
Financial liabilities	
Trade payables	7,060,510
Other payables and accruals	7,339,682
Short term borrowings	10,000,000
Amounts due to related parties	1,844,081
Current tax liabilities	1,857,523
Total financial liabilities	28,101,796

(b) Fair value of financial instruments

The carrying amounts of the financial instruments of KGFP at the statement of financial position date approximate their fair values because they are mostly short term in nature or are repaid frequently.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.21 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

KGFP's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. KGFP's overall risk management programme focuses on the unpredictability of financial and commodity markets, and seeks to minimise potential adverse effects on KGFP's financial performance. KGFP uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by KGFP under policies approved by the Board of Directors of KGFP. KGFP identifies, evaluates and hedges financial risks in close co-operation with the immediate holding company's central treasury department. The Board of KGFP provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

(i) Foreign currency exchange risk

The major foreign currency exchange risk that KGFP is exposed to is in respect of the raw sugar purchases which are denominated in US Dollar. KGFP enters into forward foreign currency contracts whenever necessary to limit its exposure on foreign currency payables.

At 31 December 2010, KGFP is not exposed to foreign currency exchange risk as there is no outstanding forward foreign exchange contract and none of its financial assets and financial liabilities is denominated in foreign currency.

(ii) Price risk

KGFP is exposed to price fluctuations over its raw sugar due to unpredictable factors such as weather changes, change of global demand, global production and crude oil prices. KGFP enters into long term purchase contracts to fix the purchase price at level deemed reasonable by the management based on the prevailing market conditions.

At 31 December 2010, KGFP is not exposed to the price risk as there is no outstanding purchase contract with variable purchase price.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iii) Interest rate risk

KGFP's exposure to interest rate risk is mainly confined to short term borrowings and short term deposits with financial institutions. Bank borrowings are on fixed rate terms with the objective of minimising interest burden. KGFP monitors interest rates at inception to ensure that it is established at favourable rates.

As at 31 December 2010, the fluctuations in the interest rate with all other variables held constant would have minimal impact to the profit before taxation and equity of KGFP.

KGFP's interests on borrowings are based on a fixed rate. Therefore, KGFP is not affected by the changes in interest rate during the tenure of the borrowings.

Credit risk

KGFP's credit risk exposure is low as the majority of the trade receivables is from Kementerian Perdagangan Dalam Negeri, Koperasi dan Kepengunaan. Furthermore, sales of refined sugar are made to customers with bank guarantees.

KGFP's cash and cash equivalents and derivative financial instruments are placed with major financial institutions in Malaysia. The Directors of KGFP are of the view that the possibility of non-performance by these financial institutions is remote after taking into account their financial strength.

Liquidity risks

Liquidity risk is the risk that KGFP will encounter difficulty in meeting its obligation due to shortage of funds. KGFP maintains sufficient level of cash and cash equivalents to meet the operational needs by continuously monitoring both the rolling forecasts and actual cash flows. KGFP also maintains sufficient and appropriate credit facilities with different financial institutions. Excess cash is placed in fixed deposits with reputable government approved financial institutions.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management

KGFP's objectives when managing capital are to safeguard KGFP's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, KGFP may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, KGFP monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus total borrowings.

The gearing ratios as at 31 December 2010 were as follows:

	RM
Total borrowings (Note 6.18)	10,000,000
Total equity	71,309,881
Total capital	81,309,881
Gearing ratio	12.3%

6.22 EFFECTS OF CHANGE IN ACCOUNTING POLICY

The following reclassifications have been made for 31 December 2009 to reflect a fairer presentation of the transactions and the balances in the audited financial statements of KGFP:

Reclassification of subsidy receivable of RM79,186,000 from Other Income to Revenue for the financial year ended 31 December 2009 to reflect the change in policy for the classification of subsidy from the Government.

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6 NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6.22 EFFECTS OF CHANGE IN ACCOUNTING POLICY (CONTINUED)

The effects of the change in the accounting policy are as follows:

	Financial year ended		
	2008	2009	2010
	RM'000	RM'000	RM'000
Revenue prior to change in policy	199,571	184,297	232,100
Reclassification from Operating Income	*	79,186	85,879
Revenue after reclassification	199,571	263,483	317,979

* Note that there was no subsidy received in 2008.

6.23 SUBSEQUENT EVENTS

(a) On 2 March 2011, the Board of Directors of FGVH, approved the proposed transfer of the entire sugar cane cultivation operations of FGVP, a fellow subsidiary company, including certain assets and liabilities to KGFP for a purchase consideration of RM76.9 million, satisfied through the issuance of 25.4 million new KGFP shares at issue price of RM3.03 per share.

Upon completion of the proposed transfer on 20 May 2011, KGFP rented a parcel of leasehold land measuring approximately 1,244 hectares from FGVP at a rental determined based on market value for the purpose of sugar cane cultivation.

(b) On 3 March 2011, the Board of Directors of KGFP approved the proposed transfer of business above.

(c) On 4 March 2011, FGVH submitted its application to the relevant government authority for waiver of the Real Property Gain Tax ('RPGT') of 5% on behalf of the FGVP as the sales consideration is expected to exceed its acquisition costs. The application for RPGT waiver was approved on 23 March 2011.

SECTION C

FELDA GLOBAL VENTURES PERLIS SDN BHD ('FGVP')/CHUPING CANE DIVISION, A FORMER DIVISION OF PPB ('CHUPING CANE DIVISION')

The Board of Directors
MSM Malaysia Holdings Berhad
PwC/TSP/AZ/nm/1944J
20 May 2011

C FELDA GLOBAL VENTURES PERLIS SDN BHD ('FGVP')/CHUPING CANE DIVISION, A FORMER DIVISION OF PPB ('CHUPING CANE DIVISION')

1 PURPOSE OF THIS SECTION

This section of the Accountants' Report deals with the financial performance and financial position of the sugar cane cultivation business located in Chuping, Perlis.

During the financial years ended 31 December 2008 and 2009, the sugar cane cultivation business operated as a division of PPB ('Chuping Cane Division'). In this respect, the selected financial data for the financial years ended 31 December 2008 and 31 December 2009 is presented on a 'predecessor' basis (reflecting PPB's ownership of the Chuping Cane Division). On 13 January 2010, the Chuping Cane Division was acquired by FGVP, a wholly owned subsidiary of FGVH, an acquirer nominated by FGVH. In this respect, the financial data for the financial year ended 31 December 2010 is presented on a 'successor' basis (reflecting FGVH's ownership of the Chuping Cane Division via FGVP).

2 GENERAL INFORMATION

FGVP was incorporated in Malaysia as a private limited liability company on 30 October 2009 as Global Sonata Sdn Bhd. On 11 November 2009, FGVH acquired the entire issued and paid-up share capital of FGVP. As a result, FGVH and FELDA became the immediate holding company and ultimate controlling party respectively. On 16 December 2009, FGVP changed its name from Global Sonata Sdn Bhd to FGVP.

FGVP was acquired by FGVH with the intention that it would operate the sugar cane cultivation operations of Chuping Cane Division purchased from PPB. On 30 October 2009, FGVH entered into an agreement with PPB to acquire the leasehold land and the sugar cane cultivation operations for RM45 million, which FGVH subsequently nominated FGVP as the acquirer. The acquisition was completed on 13 January 2010 and the transaction was accounted for as a purchase of business. Therefore, the carrying values of the assets and liabilities of the Chuping Cane Division included in FGVP's financial statements were revised to reflect their fair values, based upon allocation of purchase consideration to the underlying net assets acquired.

The difference between the fair values of net assets acquired of RM141.6 million and long term loan from FGVH including share capital totalling RM45 million resulted in a capital contribution of RM96.6 million credited directly in equity.

FGVP commenced its principal activities of sugar cane cultivation operations on 13 January 2010 upon completion of the acquisition.

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C FELDA GLOBAL VENTURES PERLIS SDN BHD ('FGVP')/CHUPING CANE DIVISION, A FORMER DIVISION OF PPB ('CHUPING CANE DIVISION') (CONTINUED)

2 GENERAL INFORMATION (CONTINUED)

On March 2011, the Boards of Directors of FGVH and FGVP approved the proposed transfer of the entire sugar cane cultivation operations of FGVP including certain assets and liabilities to KGFP for a purchase consideration of RM76.8 million, satisfied through issuance of 25.4 million new KGFP shares at issue price of RM3.03 per share. The purchase consideration has been derived based on the following:

Description	RM'million
Value of 9 parcels of leasehold land in Chuping	99.0
Add: Other assets	17.2
Less: Liabilities	(39.4)
Total sales consideration	76.8

Certain assets and liabilities totalling RM11.9 million (net) including an amount due to FGVH of RM47.7 million and 2 parcels of leasehold land measuring approximately 1,343 hectares in Chuping will not be transferred.

The address of the registered office of FGVP is 3rd Floor, Balai Felda, Jalan Gurney Satu, 54000 Kuala Lumpur.

The principal place of business of FGVP is located at KM23, Jalan Kilang Gula, Chuping, 02400 Beseri, Perlis.

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C FELDA GLOBAL VENTURES PERLIS SDN BHD ('FGVP')/CHUPING CANE DIVISION, A FORMER DIVISION OF PPB ('CHUPING CANE DIVISION') (CONTINUED)

3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT

The financial information of Chuping Cane Division and FGVP has been prepared from the following sources:

(i) Audited carve-out financial statements of Chuping Cane Division

The historical financial information of Chuping Cane Division for financial years ended 31 December 2008 and 31 December 2009 has been prepared in accordance with Financial Reporting Standards, MASB Approved Accounting Standards for Entities Other than Private Entities, by the Directors of FGVP in connection with the proposed listing of MSM Malaysia on the Main Market of Bursa Securities, which has been carved-out of the historical financial statements of PPB. In this respect, the financial data for the financial years ended 31 December 2008 and 31 December 2009 is presented on a 'Predecessor' basis. These carve-out financial statements have been reported on by us without qualification to the Board of Directors of FGVH as a body in accordance with approved standards on auditing in Malaysia and for no other purpose.

The carve-out financial statements of Chuping Cane Division, which have been prepared based on the financial information contained in the audited financial statements of PPB for the financial years ended 31 December 2008 and 2009, reflect the historical assets, liabilities, revenues and expenses that are directly attributable and separately identifiable to Chuping Cane Division, and adjustments including current and deferred taxation (which were not separately reflected in the audited financial statements of PPB) considered necessary by the Directors of FGVP, to fairly present the financial position, results of operations, changes in equity and cash flows of Chuping Cane Division on a stand-alone basis. Key assumptions used in the preparation of the carve-out financial statements are as follows:

- Chuping Cane Division's business is a going concern which is not affected by the transfer of the business from PPB to FGVP;
- Expenses incurred at PPB's entity level (e.g. staff costs, tax compliance fee, secretarial fee, audit fee and directors and management fee) will not be allocated to Chuping Cane Division as they are not significant;
- Financing of the business is via equity and not borrowings. Accordingly, there is no finance cost being allocated;
- The liquidity is managed by the central treasury function and only sufficient level of cash and cash equivalents will be maintained to meet the operational needs. Excess funds are distributed back to PPB via return of capital and shortage of fund will be addressed via capital injection. Accordingly, there is no interest income earned or dividend being distributed; and
- Future taxable profit would be available against which the unused tax losses can be utilised.

The carve-out financial statements are, therefore, not necessarily indicative of results that would have occurred if Chuping Cane Division had been a separate stand-alone entity during the financial years ended 31 December 2008 and 2009, or of future results of Chuping Cane Division.

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C FELDA GLOBAL VENTURES PERLIS SDN BHD ('FGVP')/CHUPING CANE DIVISION, A FORMER DIVISION OF PPB ('CHUPING CANE DIVISION') (CONTINUED)

2 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(i) Audited carve-out financial statements of Chuping Cane Division (continued)

Capital contributions by PPB in Chuping Cane Division, presented as 'Capital contributions - Net Investment in Chuping Cane Division' in the carve-out financial statements, comprise of retained earnings and net capital contributions (net cash inflows and outflows as the treasury is managed centrally at entity level) which is impracticable to segregate.

The carve-out financial statements have been prepared under historical cost convention except as disclosed in the summary of significant accounting policies in Note 4 below.

(ii) Audited financial statements of FGVP

The historical financial information of FGVP for the financial period from 30 October 2009 (date of incorporation) to 31 December 2010 have been prepared based on the audited financial statements of the company which have been drawn up so as to give a true and fair view of the financial position of the Company and its financial performance and cash flows and reported on by us without qualification to the shareholder of FGVP as a body in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. In this respect, the financial data for the financial period from 30 October 2009 (date of incorporation) to 31 December 2010 is presented on a 'Successor' basis. FGVP commenced its principal activities on 13 January 2010, and any pre-operating results are deemed to have immaterial impact on the financial statements of FGVP. As such, the Directors are of the view that the financial results for the financial period from 30 October 2009 to 31 December 2010 reflect the financial data for the financial year ended 31 December 2010 in this Report.

The data within the Combined Financial Information has therefore been separated by a vertical line to identify the different basis of accounting.

The audited carve-out financial statements of Chuping Cane Division for the financial years ended 31 December 2008 and 2009 as well as the audited financial of FGVP for the financial period from 30 October 2009 (date of incorporation) to 31 December 2010 are the responsibilities of the Directors of FGVP.

No audited financial statements have been prepared in respect of any financial period subsequent to 31 December 2010.

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C FELDA GLOBAL VENTURES PERLIS SDN BHD ('FGVP')/CHUPING CANE DIVISION, A FORMER DIVISION OF PPB ('CHUPING CANE DIVISION') (CONTINUED)

3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

The financial information of Chuping Cane Division/FGVP has been prepared using the accounting policies that are in accordance with the Financial Reporting Standards, the Malaysian Accounting Standard Board ('MASB') Approved Accounting Standards for Entities Other than Private Entities.

(a) New standards, amendments to published standards and IC interpretations that are applicable to Chuping Cane Division/FGVP and effective

(i) Financial year ended 31 December 2008 – Chuping Cane Division: Predecessor

Chuping Cane Division adopted the following new standard and amendments to published standards:

- FRS 112 Income Taxes

  This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The adoption of this standard does not have a significant impact on the results and financial position of Chuping Cane Division.

- Revised standards that have no significant changes as compared to the original standards:
  - FRS 107 Cash Flow Statements
  - FRS 118 Revenue
  - FRS 137 Provisions, Contingent Liabilities and Contingent Assets

(ii) Financial year ended 31 December 2008 – Chuping Cane Division: Predecessor

There were no new accounting standards, amendments to published standards and Issues Committee ('IC') interpretations to existing standards that are applicable and effective for Chuping Cane Division's financial year beginning of 1 January 2009.

(iii) Financial period from 30 October 2009 to 31 December 2010 –FGVP: Successor

There were no new accounting standards, amendments to published standards and IC interpretations to existing standards that are applicable and effective for FGVP's financial period beginning on 30 October 2009 (date of incorporation).

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3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(b) New standards, amendments to published standards and IC interpretations that are early adopted by Chuping Cane Division/FGVP

(i) Financial year ended 31 December 2009 – Chuping Cane Division: Predecessor

Chuping Cane Division had early adopted the following new standards and its amendments for the financial period beginning on 1 January 2009:

- FRS 7 'Financial instruments: Disclosures' provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement. The FRS7 had been applied prospectively in accordance with the transitional provisions.

- FRS 139 'Financial Instruments: Recognition and Measurement' establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe. The FRS 139 had been applied prospectively in accordance with transitional provisions

The early adoption of FRS 7 and FRS 139 did not have any significant financial impact on Chuping Cane Division.

- FRS 4 Insurance Contracts
- FRS 7 Financial Instruments: Disclosures
- FRS 101 (revised) Presentation of Financial Statements
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

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C FELDA GLOBAL VENTURES PERLIS SDN BHD ('FGVP')/CHUPING CANE DIVISION, A FORMER DIVISION OF PPB ('CHUPING CANE DIVISION') (CONTINUED)

3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(b) New standards, amendments to published standards and IC interpretations that are early adopted by Chuping Cane Division/FGVP (continued)

(ii) Financial period from 30 October 2009 to 31 December 2010 – FGVP: Successor

- Amendment to FRS 7 Financial Instruments: Disclosures
- Amendment to FRS 101 Presentation of Financial Statements
- Amendment to FRS 107 Statement of Cash Flows
- Amendment to FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- Amendment to FRS 110 Events after the Reporting Period
- Amendment to FRS 116 Property, Plant and Equipment
- Amendment to FRS 117 Leases
- Amendment to FRS 118 Revenue
- Amendment to FRS 119 Employee Benefits
- Amendment to FRS 123 Borrowing Costs
- Amendment to FRS 132 Financial Instruments: Presentation
- Amendment to FRS 138 Intangible Assets
- Amendment to FRS 139 Financial Instruments: Recognition and Measurement
- IC Interpretation 9 Reassessment of Embedded Derivatives
- Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives

The adoption of the above new and revised standards, amendments to published standards and IC interpretations did not have a significant financial impact on FGVP and has been reflected in FGVP's accounting policies except for the following:

- FRS 101 (revised) 'Presentation of Financial Statements' affects the presentation of the component of the financial statements and does not change the recognition and measurement of specific transactions. It introduces Statement of Comprehensive Income to present non-owner changes in equity separately from owner changes in equity and changes the terms Balance Sheet and Cash Flow Statement into Statement of Financial Position and Statement of Cash Flows, respectively. Other changes include presentation of additional Statement of Financial Position as at the opening of comparative period when there is retrospective adjustment, restatement or reclassification, and disclosure of information that enables users to evaluate FGVP's objectives, policies and processes for managing capital. The requirements of FRS 101 (revised) have been effected retrospectively in this Report including the carve-out financial statements of Chuping Cane Division.

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3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(b) New standards, amendments to published standards and IC interpretations that are early adopted by Chuping Cane Division/FGVP (continued)

(ii) Financial period from 30 October 2009 to 31 December 2010 – FGVP: Successor (continued)

- Amendment to FRS 117 'Leases' clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117. Refer to Note 6.20 for effect of the amendment to Chuping Cane Division/FGVP

(c) New standards, amendments to published standards and IC interpretations to existing standards that are applicable to FGVP but not yet effective and have not been early adopted

FGVP will apply the following new standards, amendments to standards and IC interpretations when effective. However, the adoption of the following new standards, amendments and IC interpretations is not expected to have any significant financial impact on the financial statements of KGFP in the financial year of initial application:

- Amendment to FRS 132 'Financial Instruments Presentation: The Classification of Rights Issues' (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. Currently, these issues are accounted for as derivative liabilities. FGVP will apply this amendment from financial years beginning on 1 January 2011.

- Revised FRS 3 'Business Combinations' (effective from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. FGVP will apply this standard from financial years beginning on 1 January 2011.

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C FELDA GLOBAL VENTURES PERLIS SDN BHD ('FGVP')/CHUPING CANE DIVISION, A FORMER DIVISION OF PPB ('CHUPING CANE DIVISION') (CONTINUED)

3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(c) New standards, amendments to published standards and IC interpretations to existing standards that are applicable to FGVP but not yet effective and have not been early adopted (continued)

- IC Interpretation 17 'Distribution of Non-Cash Assets to owners' (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. FGVP will apply this IC interpretation from financial years beginning on 1 January 2011.

- Amendment to FRS 7 'Financial instruments: Disclosures' (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. FGVP will apply this amendment from financial years beginning on 1 January 2011.

- IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease' (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 'Leases' should be applied to the lease element of the arrangement. FGVP will apply this IC interpretation from financial years beginning on 1 January 2011.

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3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(c) New standards, amendments to published standards and IC interpretations to existing standards that are applicable to FGVP but not yet effective and have not been early adopted (continued)

- IC Interpretation 18 'Transfers of Assets from Customers' (effective prospectively for assets received on or after 1 January 2011) provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 'Revenue'. FGVP will apply this IC interpretation from financial years beginning on 1 January 2011.

- IC Interpretation 19 'Extinguishing Financial Liabilities With Equity Instruments' (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss. FGVP will apply this IC interpretation from financial years beginning on 1 January 2012.

- FRS 124 (revised) 'Related Party Disclosures' (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

  FGVP will apply this standard from financial years beginning on 1 January 2012.

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3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(c) New standards, amendments to published standards and IC interpretations to existing standards that are applicable to FGVP but not yet effective and have not been early adopted (continued)

The following amendments are part of the Malaysian Accounting Standards Board's ('MASB') improvements project and FGVP will apply these amendments from financial years beginning on 1 January 2011 (continued):

- Amendment to FRS 138 'Intangible Assets' (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives.
- Amendment to IC Interpretation 9 'Reassessment of Embedded Derivatives' (effective from 1 July 2010) clarifies that embedded derivatives in contracts acquired in a combination of entities or businesses under common control is not within the scope of IC Interpretation 9.
- Amendment to FRS 101 'Presentation of financial statements' (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

(d) Critical accounting estimates

Estimates and judgments are continually evaluated by Directors and management based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. FGVP makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION IN THIS REPORT (CONTINUED)

(d) Critical accounting estimates (continued)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis to write off their cost to their residual values over their estimated useful lives. The Directors estimate the useful life of the assets excluding leasehold land to be within 3 to 20 years. Changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

Fair value of financial instrument

The fair value of financial liabilities carried at amortised costs that are not traded in an active market is determined by using valuation techniques. The fair value of the long term loan from immediate holding company is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at statement of financial position date.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

(a) Business combination

FGVP shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at that date. The excess of the cost of acquisition over FGVP's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of acquisition is less than the net fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is recognised immediately in the income statement as a credit.

Chuping Cane Division is one of the Sugar Businesses of PBB acquired by FGVP in January 2010.

For the acquisition of Chuping Cane Division by FGVP, the purchase price be allocated to FGVP is RM144.6 million, being the fair value of the identifiable net assets and liabilities of the business. As such, no positive nor negative goodwill has been recognised.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied, unless otherwise stated. (continued)

(b) Financial assets

(i) Classification

On 1 January 2009 and 30 October 2009, Chuping Cane Division and FGVP respectively classify its financial assets in accordance with FRS 139. The classification depends on the purpose for which the financial assets were acquired. All of Chuping Cane Division and FGVP's financial assets are loans and receivables. The management determines the classification of its financial assets at initial recognition. The classifications were not applicable to the financial assets of Chuping Cane Division for the financial year ended 31 December 2008.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Chuping Cane Divisions/FGVP's loans and receivables comprise trade and other receivables, loans and amounts due from related companies and cash and cash equivalents in the statement of financial position.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which Chuping Cane Division/FGVP commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Chuping Cane Division/FGVP has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of financial assets

(i) Assets carried at amortised cost

Chuping Cane Division/FGVP assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event ('or events') has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that Chuping Cane Division/FGVP uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor; or
- A breach of contract, such as a default or delinquency in interest or principal payments.

Chuping Cane Division/FGVP first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's financial position), the reversal of the previously recognised impairment loss is recognised in the income statement.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes their purchase cost and any incidental expenditure that is directly attributable to the acquisition of property, plant and equipment.

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C FELDA GLOBAL VENTURES PERLIS SDN BHD ('FGVP')/CHUPING CANE DIVISION, A FORMER DIVISION OF PPB ('CHUPING CANE DIVISION') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to Chuping Cane Division/FGVP and the costs of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives summarised as follows:

Property, plant and equipment	Estimated useful lives (years)
Buildings	5 to 20
Plant, machinery and equipment	3 to 10
Irrigation	5
Furniture, fixtures, office and other equipment	4 to 5
Motor vehicles	5 to 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

The leasehold land of Chuping Cane Division as of 31 December 2008 and 31 December 2009 stated at valuation was revalued by the directors of PPB based on independent professional valuations carried out in 1980 on the open market value basis. The valuation was for special purposes. It has never been the policy to carry out regular revaluations of its leasehold land. Chuping Cane Division applied the transitional provisions of FRS 117 Leases and accordingly, the carrying amounts of the revalued leasehold land have been retained on the basis of the valuation as though it had never been revalued.

Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale. Depreciation on assets under construction commences when the assets are ready for their intended use. Chuping Cane Division's freehold land will not be depreciated. The leasehold land of Chuping Cane Division/FGVP is amortised on a straight line basis over lease periods of 90 years, which expire on 12 June 2061, 15 October 2061, 12 January 2062 and 10 February 2063 respectively.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

At each statement of financial position date, Chuping Cane Division/FGVP assess whether there is any indication of impairment. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See note 4(e) for impairment of non-financial assets. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets and are included in the income statement.

(e) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The impairment loss is charged to the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets are reviewed for possible reversal of impairment at each reporting date.

(f) Biological assets

Biological assets comprise cultivation costs which include direct materials, direct labour, direct charges and an appropriate proportion of operating overheads determined on principally on the first-in, first-out ('FIFO') basis. All these direct costs are accumulated until the sugar cane matures, at which time are expensed to the income statement.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value after adequate allowance is made for all deteriorated, damaged or slow-moving inventories. Cost is determined on first-in-first-out basis. The cost of inventories includes purchase costs and cost of bringing the inventories to their present location and condition.

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bad debts are written off in the year in which they are identified. Subsequent recoveries of amounts previously written off are credited in the income statement. An estimate is made for provision for impairment of receivables based on a review of all outstanding accounts at the year end. The provision for impairment is established when there is objective evidence that Chuping Cane Division/FGVP will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. The amount of provision is recognised in the income statement.

(i) Income taxes

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 statement of financial position date.

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

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

(j) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of Chuping Cane Division/FGVP are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ringgit Malaysia (RM), which is Chuping Cane Division/FGVP's functional and presentation currency

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Foreign currencies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end approximate dates financial period ended exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains-net'.

(k) Revenue recognition

Revenue comprises the invoiced value for the sale of goods, net of rebates and discounts. Revenue from sale of goods is recognised upon the delivery of goods, when significant risks and rewards of ownership of the goods are transferred to the buyer.

Interest income is recognised on the accrual basis, taking into account the effective yield on the assets.

Rental income is recognised on the accrual basis, in accordance with the substance of the relevant agreement.

Other revenue is recognised on the accrual basis unless collectability is uncertain.

(l) Dividend distribution

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

(o) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

During the financial years ended 31 December 2008 and 31 December 2009, leasehold land was classified by Chuping Cane Division as prepaid operating lease payments. Upon application of the revised FRS 117 by FGVP, only payment for rights to use land and buildings over a predetermined period, if the requirement of an operating lease is met, is classified as prepaid lease payment and is stated at cost less accumulated amortisation and accumulated impairment losses. As a result, leasehold land of Chuping Cane Division previously classified as operating lease which does not meets the requirement of operating lease has been reclassified to property, plant and equipment in this Report (refer to Note 6.19).

The leasehold land of Chuping Cane Division as of 31 December 2008 and 2009 stated at valuation was revalued by the directors of PPB based on independent professional valuations carried out in 1980 on the open market value basis. The valuation was for special purposes. It has never been the policy to carry out regular revaluations of its leasehold land. Chuping Cane Division applied the transitional provisions of FRS 117 Leases and accordingly, the carrying amounts of the revalued leasehold land have been retained on the basis of the valuation as though it had never been revalued.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Finance lease

Leases of asset where Chuping Cane Division/FGVP assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as finance lease liabilities under term loans. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(q) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non monetary benefits are accrued in the period in which the associated services are rendered by employees of Chuping/FGVP.

(ii) Post-employment benefits – Defined contribution plan

Chuping Cane Division/FGVP contributes to Employees Provident Fund in Malaysia, the national defined contribution plan. Contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, Chuping Cane Division/FGVP has no further payment obligations.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

(s) Provisions

Provisions are recognised when Chuping Cane Division/FGVP has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Contingent liabilities

Chuping Cane Division/FGVP does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of Chuping Cane Division/FGVP or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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5 HISTORICAL FINANCIAL INFORMATION

5.1 INCOME STATEMENTS

	Note	Financial year ended 31.12.2008 *Predecessor* RM	Financial year ended 31.12.2009 *Predecessor* RM	Financial period from 30.10.2009 (date of incorporation to 31.12.2010 *Successor* RM
Revenue	6.1	18,805,939	25,414,735	25,549,870
Cost of sales		(22,687,975)	(25,135,870)	(33,016,117)
Gross (loss)/profit		(3,882,036)	278,865	(7,466,247)
Other operating income		668,523	244,769	384,183
Administrative expenses		(1,646,040)	(1,609,394)	(1,688,053)
Other operating expenses		(35,224)	(65,154)	(70,716)
Finance costs	6.2	-	-	(2,163,460)
Loss before taxation	6.3	(4,894,777)	(1,150,914)	(11,004,293)
Taxation	6.4	1,421,117	380,827	2,656,601
Loss for the financial year/period		(3,473,660)	(770,087)	(8,347,692)

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.2 STATEMENTS OF COMPREHENSIVE INCOME

	Financial year ended 31.12.2008 *Predecessor* RM	Financial year ended 31.12.2009 *Predecessor* RM	Financial period from 30.10.2009 (date of incorporation to 31.12.2010 *Successor* RM
Loss and total comprehensive loss for the financial year/period	(3,473,660)	(770,087)	(8,347,692)

5.3 STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2008 *Predecessor* RM	As at 31 December 2009 *Predecessor* RM	As at 31 December 2010 *Successor* RM
ASSETS				
Non-current assets				
Property, plant and equipment	6.5	17,933,311	17,530,948	152,015,600
Current assets				
Inventories	6.7	3,211,680	3,038,671	3,274,362
Biological assets	6.8	12,052,752	13,752,764	11,360,151
Other receivables, deposits and prepayments	6.9	259,348	247,420	279,821
Amounts due from related parties	6.10	643,613	7,409,476	1,578,706
Tax recoverable		-	-	690,249
Cash and cash equivalents	6.11	326,338	398,297	5,568,878
Total current assets		16,493,731	24,846,628	22,752,167
Total assets		34,427,042	42,377,576	174,767,767

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.3 STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31 December 2008 *Predecessor* RM	As at 31 December 2009 *Predecessor* RM	As at 31 December 2010 *Successor* RM
EQUITY AND LIABILITIES				
Capital and reserve				
Share capital	6.12	-	-	500,002
Capital contribution from immediate holding company		-	-	96,571,470
Capital contribution – Net investment in Chuping Cane Division		29,036,463	37,238,111	-
Accumulated loss		-	-	(8,347,692)
Total equity		29,036,463	37,238,111	88,723,780
Non-current liabilities				
Deferred tax liabilities	6.13	3,490,435	3,109,608	35,960,022
Loan from immediate holding company	6.10 (c)	-	-	44,500,000
Total non-current liabilities		3,490,435	3,109,608	80,460,022
Current liabilities				
Payables and accruals	6.14	1,873,390	2,023,429	3,395,229
Amounts due to related parties	6.10 (b)	26,754	6,428	25,276
Loan from immediate holding company	6.10 (c)	-	-	2,163,460
Total current liabilities		1,900,144	2,029,857	5,583,965
Total liabilities		5,390,579	5,139,465	86,043,987
Total equity and liabilities		34,427,042	42,377,576	174,767,767

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.4 STATEMENTS OF CHANGES IN EQUITY

	Financial year ended		Financial period from 30.10.2009 to 31.12.2010			
	31.12.08	31.12.09				
	Predecessor	*Predecessor*				*Successor*
	Net investment in the division^	Net investment in the division	Issued and fully paid Share capital	Non-distributable Capital contribution	Accumulated loss	Total
	RM	RM	RM	RM	RM	RM
At beginning of the financial year /period	24,078,396	29,036,463	2	-	-	2
Issuance of shares	-	-	500,000	-	-	500,000
Acquisition of sugar cane cultivation business (Note 6.15)	-	-	-	96,571,470	-	96,571,470
Loss and total comprehensive loss for the financial year/period	(3,473,660)	(770,087)	-	-	(8,347,692)	(8,347,692)
Net capital contributions (*)	8,431,727	8,971,735	-	-	-	-
At end of the financial year /period	29,036,463	37,238,111	500,002	96,571,470	(8,347,692)	88,723,780

^ The net investment of PPB in Chuping Cane Division comprise net capital contribution and retained earnings which is impracticable to segregate.

* Net capital contributions represent net cash in-flows and out-flows during the financial as the treasury is managed centrally at entity level.

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.5 STATEMENTS OF CASH FLOWS

	Note	Financial year ended 31.12.2008 *Predecessor* RM	Financial year ended 31.12.2009 *Predecessor* RM	Financial period from 30.10.2009 (date of incorporation to 31.12.2010 *Successor* RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the financial period		(3,473,660)	(770,087)	(8,347,692)
Adjustments for:				
Interest income		-	-	(119,182)
Interest expenses		-	-	2,163,460
Depreciation of property, plant and equipment		1,497,426	953,511	4,903,942
Taxation		(1,421,117)	(380,827)	(2,656,601)
(Gain)/loss on disposal of property, plant and equipment		(31,045)	20,639	-
Property, plant and equipment written off		543	1,468	8,137
		(3,427,853)	(175,296)	(4,047,936)
Working capital changes				
Inventories		(514,401)	173,009	(246,360)
Biological assets		(2,922,801)	(1,700,012)	7,417,723
Receivables		(54,397)	11,928	(54,672)
Related party balances		371,037	(6,786,189)	*786,383
Payables		(88,462)	155,285	2,670,879
Cash flows from operations		(6,636,877)	(8,321,275)	6,526,017
Tax paid		-	-	(769,768)
Net cash (used in)/generated from operating activities		(6,636,877)	(8,321,275)	5,756,249
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1,914,526)	(571,071)	(272,426)
Purchase of prepaid lease payment		-	(19,530)	-
Interest received		-	-	85,053
Proceeds from disposal of property, plant and equipment		31,050	12,100	-
Net cash used in investing activities		(1,883,476)	(578,501)	(187,373)

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5 HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5.5 STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Financial year ended 31.12.2008 *Predecessor* RM	Financial year ended 31.12.2009 *Predecessor* RM	Financial period from 30.10.2009 (date of incorporation to 31.12.2010 *Successor* RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Net capital contributions		8,431,727	8,971,735	-
Net cash generated from financing activities		8,431,727	8,971,735	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(88,626)	71,959	5,568,876
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR/PERIOD		414,964	326,338	2
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR/PERIOD	6.11	326,338	398,297	5,568,878

* The non-cash transactions of FGVP during the financial period from 30 October 2009 (date of incorporation) to 31 December 2010 are in respect of:

- The purchase consideration for the acquisition of the Sugar Cane Cultivation Business of RM45,000,000 was paid by the immediate holding company, under the long term loan of RM45,000,000 extended to FGVP (Note 6.10).
- The issuance of additional issued and paid up share capital of RM500,000 was satisfied by offsetting the long term loan from the immediate holding company (Note 6.10).