SARAWAK OIL PALMS BERHAD (7949-M)

ANNUAL REPORT 2012

Sustainability

Contents Kandungan

Group Highlights

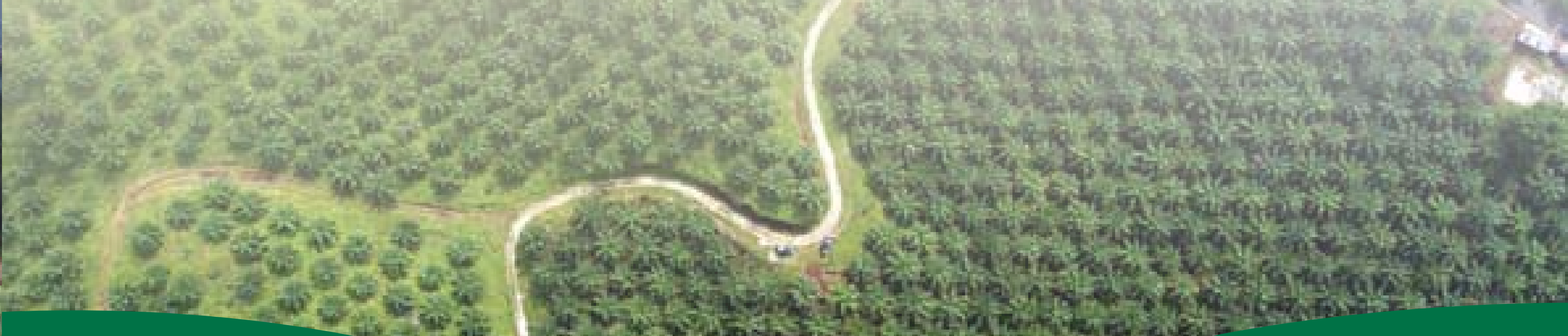
5 YEARS FINANCIAL RECORD

	2008 RM '000	2009 RM '000	Group 2010 RM '000	2011 RM '000	2012 RM '000
RESULTS					
Turnover	683,520	533,304	728,158	1,166,949	1,314,943
Profit before taxation	208,560	134,659	222,135	361,984	213,935
Profit after taxation	153,886	106,537	164,282	266,202	163,602
Total Shareholders' Fund	736,121	828,777	974,156	1,217,615	1,363,961
Total assets	1,263,708	1,413,328	1,664,661	2,049,715	2,480,635
Total borrowing	235,822	275,659	305,447	418,783	644,554
Issued & paid -up capital	427,408	428,526	431,086	434,477	436,548
Dividend (Net of tax)	9,042	9,630	9,659	13,005	16,360
FINANCIAL STATISTICS					
Profit before taxation / turnover (%)	30.5	25.2	30.5	31.0	16.3
Gross Dividend (sen / share)	6.0	3.0	4.0	5.0	6.0
Net Earnings per share of RM 1 each (sen) – Basic	36.2	23.3	35.3	55.9	36.0
Net Earnings per share of RM 1 each (sen) – Diluted	35.9	22.9	34.6	54.7	35.5
Net tangible assets per share of RM 1 each (RM)	1.72	1.93	2.26	2.80	3.12

5 YEARS CROP RECORD

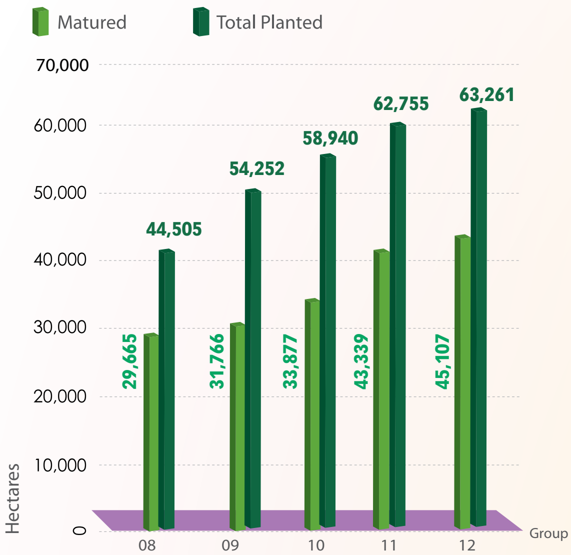
PLANTED HECTARAGE, PRODUCTION AND PRODUCE PRICES

		2008 Ha	2009 Ha	2010 Ha	2011 Ha	2012 Ha
OIL PALMS						
Mature		29,665	31,766	33,877	43,339	45,107
Immature		14,840	22,486	25,063	19,416	18,154
Total		44,505	54,252	58,940	62,755	63,261
Reserves, Unplanted, Building sites, etc		24,768	18,401	13,713	9,898	9,392
Total Area Under Lease		69,273	72,653	72,653	72,653	72,653
		Tonnes	**Tonnes**	**Tonnes**	**Tonnes**	**Tonnes**
FFB CROP						
Estate Crop		663,509	649,855	673,260	839,785	887,425
Outside Crop		421,771	395,963	462,949	665,514	798,106
		1,085,280	1,045,818	1,136,209	1,505,299	1,685,531
Crude Palm Oil (Produced)		226,919	225,056	238,204	310,760	347,548
Palm Kernels (Produced)		47,351	45,562	49,182	63,834	73,871
YIELD PER HECTARE						
Tonnes FFB / Mature palms		23.11	21.25	19.87	20.37	18.21
Crude Palm Oil / FFB		20.91%	21.57%	21.23%	20.90%	20.67%
Palm Kernels / FFB		4.36%	4.37%	4.38%	4.29%	4.39%
AVERAGE SELLING PRICES						
Refined palm products	(FOB Basis)	-	-	-	-	2,702
- Crude Palm Oil	(RM/mt delivered basis)	2,592	2,141	2,673	3,232	2,788
Palm Kernel Oil	(FOB Basis)	-	-	-	-	2,306
Palm Kernel Cake	(FOB Basis)	-	-	-	-	512
- Palm Kernel	(RM/mt delivered basis)	1,396	1,034	1,786	2,177	1,464

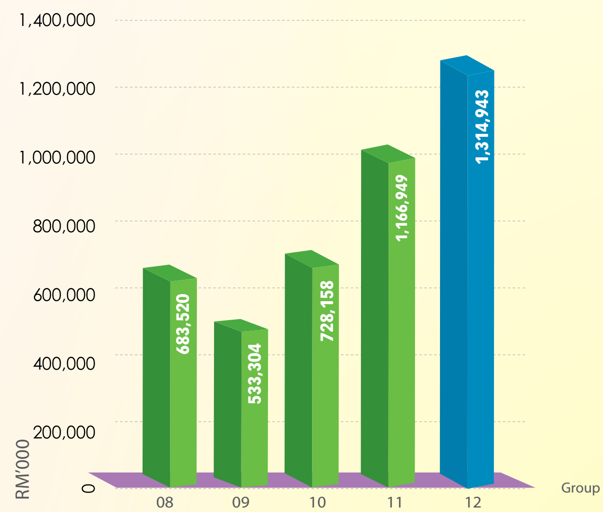


5 YEARS STATISTICAL HIGHLIGHTS

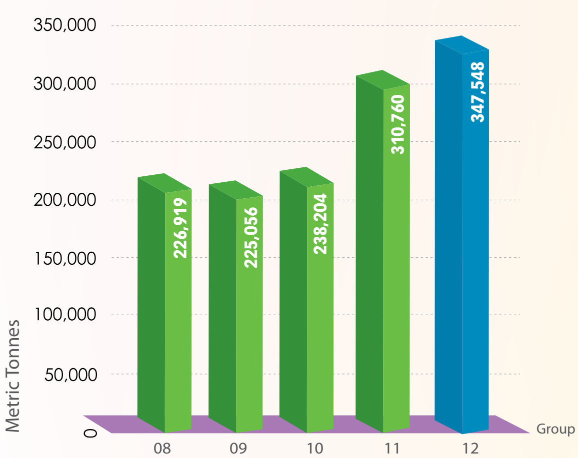
AREA PLANTED



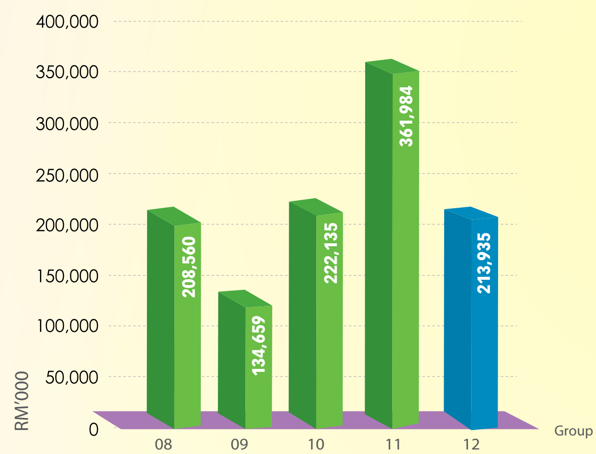
REVENUE



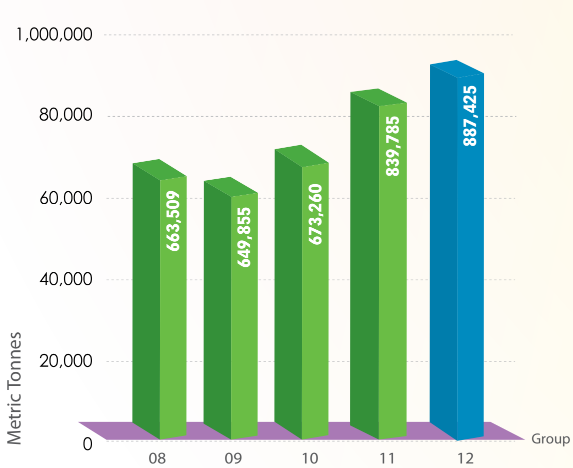
CRUDE PALM OIL PRODUCED INCLUDING OUTGROWERS



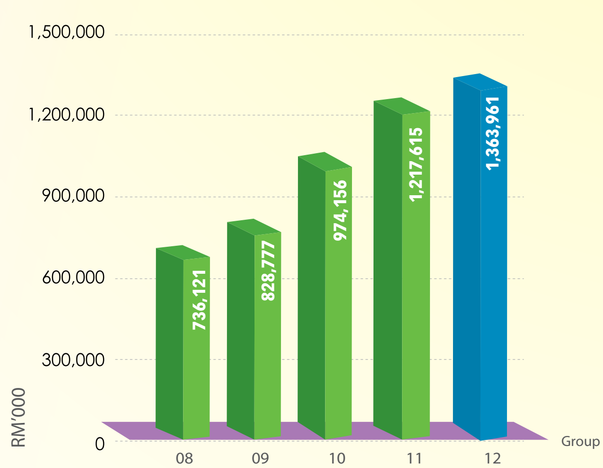
PROFIT BEFORE TAXATION



FRESH FRUIT BUNCHES HARVESTED



SHAREHOLDER FUND



Corporate Information

DIRECTORS

Tan Sri Datuk Ling Chiong Ho
(Group Executive Chairman)

Ling Chiong Sing

Ling Lu Kuang

Tang Tiong Ing

Hasbi Bin Suhaili

Gerald Rentap Jabu

Fong Tshu Kwong

Dr. Lai Yew Hock, Dominic

Wong Ngie Yong

Kamri Bin Ramlee

AUDIT/RISK MANAGEMENT COMMITTEE

Fong Tshu Kwong
Chairman
Independent Non-Executive

Tang Tiong Ing
Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Wong Ngie Yong
Independent Non-Executive

REMUNERATION COMMITTEE

Fong Tshu Kwong
Chairman
Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Hasbi Bin Suhaili
Non-Executive

GROUP CHIEF EXECUTIVE OFFICER

Wong Hee Kwong

COMPANY SECRETARY

Eric Kiu Kwong Seng

REGISTERED OFFICE

No. 124-126
Jalan Bendahara,
98000 Miri, Sarawak
Tel : (6085) 436969
Fax : (6085) 432929

SHARE REGISTRARS

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor, Malaysia
Tel : (603) 7841 8000
Fax : (603) 7841 8181/52

DOMICILE

Malaysia

AUDITORS

Ernst & Young
Room 300-303, 3rd Floor
Wisma Bukit Mata Kuching
Jalan Tunku Abdul Rahman
93100 Kuching, Sarawak, Malaysia

NOMINATION COMMITTEE

Fong Tshu Kwong
Chairman
Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Tang Tiong Ing
Non-Executive

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
AmBank (M) Berhad
Malayan Banking Berhad
HSBC Bank Malaysia Berhad
CIMB Bank Berhad
Affin Bank Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

The Main Board
Bursa Malaysia

STOCK NAME

SOP

STOCK CODE

5126

Profile of Board of Directors

TAN SRI DATUK LING CHIONG HO

A Malaysian citizen, aged 61, was appointed as Director on 16 June 1995. In 1999, he was appointed as the Group Non-Executive Chairman and was subsequently redesignated as Group Executive Chairman in 2003. In addition to being the current Deputy Chairman of Sarawak Timber Association, he also serves as Chairman/Deputy Chairman of several school boards and charitable organizations in Sarawak.

Tan Sri Datuk Ling is the founder and Chairman of the diversified Shin Yang Group of companies involving in reforestation, downstream activities, wood-based related activities, domestic and international shipping, shipbuilding, property development, infrastructure projects, oil palm, public transports, hypermarket and hotel business. He is also the Non-Executive Chairman of Shin Yang Shipping Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad.

Tan Sri Datuk Ling is the brother of Ling Chiong Sing, a director of SOPB. Tan Sri Datuk Ling is deemed connected to Shin Yang Plantation Sdn Bhd, one of the substantial shareholders of SOPB. He is deemed interested in various transactions between the SOPB Group and certain companies carried out in the ordinary course of business by virtue of his common directorship and/or shareholdings in these companies.

LING CHIONG SING

A Malaysian citizen, aged 56, was appointed as Non-Independent Non-Executive Director on 1 December 2006.

He graduated from Taiwan in Accounting and is currently the Chief Executive Director of a well-diversified Shin Yang Group of Companies in Sarawak. He has more than 27 years of managerial experience and is very hands on in the business of logging, plywood, shipping and shipbuilding, quarry operations, transportation, construction and project fields. He is the Group Managing Director of Shin Yang Shipping Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad.

He is the brother of Tan Sri Datuk Ling Chiong Ho who is the Group Executive Chairman of SOPB and is deemed connected party to Shin Yang Plantation Sdn Bhd, a substantial shareholder of the SOPB. He is deemed interested in various transactions between the SOPB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships and/or shareholdings in these companies.

Sepakau Palm Oil Mill

LING LU KUANG

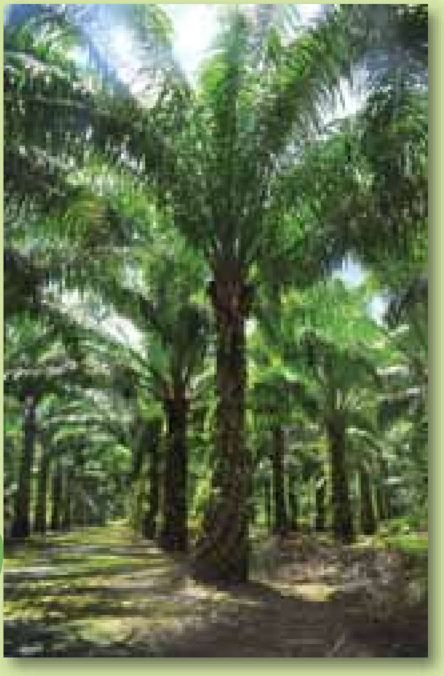
A Malaysian citizen, aged 36, was appointed as a Non-Independent Non-Executive Director on 27 June 2008. He graduated from the University of Auckland with Bachelor of Commerce degree double majoring in management and operation management. Currently he is the Executive Director of several companies of Shin Yang Group which has diversified interests including reforestation, downstream activities, wood-based related activities, domestic and international shipping, shipbuilding, property development, infrastructure projects, oil palm, public transports, hypermarket and hotel business.

He is the eldest son of Tan Sri Datuk Ling Chiong Ho who is the Group Executive Chairman of SOPB and is deemed connected party to Shin Yang Plantation Sdn Bhd, a substantial shareholder of the SOPB. He is deemed interested in various transactions between the SOPB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships and/or shareholdings in these companies.

TANG TIONG ING

A Malaysian citizen, aged 54, has been a Non-Independent Non-Executive Director since 16 June 1995. Presently, he serves as a member of the Audit, Nomination and Risk Management Committees. He graduated from University of Malaya with Bachelor in Accounting with Honours. He is a Chartered Accountant (Malaysia) and is a member of several professional bodies including the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia and Fellow Certified Practising Accountants of Australia.

His career started from Lau Hoi Chew & Co., a Certified Public Accounting firm in 1984 and was promoted to head the Miri Branch in 1985 till 1990. In 1991, he joined Shin Yang Group as a Group Accountant to oversee all the financial and accounting functions, corporate taxation, treasury, corporate planning and company secretarial function of the group. He is an appointed representative of Shin Yang Plantation Sdn. Bhd., a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.



HASBI BIN SUHAILI

A Malaysian citizen, aged 49, was appointed as a Non-Independent Non-Executive Director on 26 August 2005. He also serves as a member of remuneration committee. He holds a Bachelor of Accountancy and also an Executive Master in Business Administration from MARA University of Technology, Malaysia. He is also a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants and Certified Enterprise Risk Manager. He is currently the Deputy Chief Executive Officer of Pelita Holdings Sdn. Bhd. (PHSB). Prior to this, he has worked as a Manager (Finance / Human Resource) in a transportation company and as an executive in financial institution for the past 20 years. He is an appointed representative of Pelita Holdings Sdn. Bhd. (PHSB), a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

GERALD RENTAP JABU

A Malaysian citizen, aged 43, was appointed as a Non-Independent Non-Executive Director on 24 May 2000. He graduated from the La Trobe University, Melbourne, Australia in 1993 with a Bachelor of Economics degree. He was a Licensed Dealer's Representative (Corporate Investment) in Sarawak Securities Sdn. Bhd. from 1993 to 1995 and was a Project Manager and Consultant for Sarawak Capital Sdn. Bhd. in 1995 to 1996. He is currently the Executive Director of Utahol Management Sdn. Bhd. He is an appointed representative of PHSB, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

DR. LAI YEW HOCK, DOMINIC

A Malaysian citizen, aged 54, was appointed as an Independent Non-Executive Director on 24 February 2000. Presently, he serves as a member of the Audit, Nomination, Remuneration and Risk Management Committees. He graduated from the University of Otago, Dunedin, New Zealand with a Bachelor of Laws degree in 1985. He was variously admitted as a Barrister and Solicitor of the High Court of New Zealand in October 1985, as an Advocate of the High Court in Sabah and Sarawak in February 1986, and as an Advocate and Solicitor of the High Court of Malaya in October 1986. He graduated from the University of South Australia, Adelaide, Australia with the degree of Doctor of Business Administration in December 2006. His doctorial thesis is on Corporate Governance. He is also a Commissioner for Oaths, a Notary Public and an Accredited Mediator. He started his own legal firm in Miri, Sarawak in May 1992. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

FONG TSHU KWONG

A Malaysian citizen, aged 54, was appointed as an Independent Non-Executive Director on 22 March 1996. Presently, he serves as a chairman and member of the Audit, Nomination, Remuneration and Risk Management Committees. He is a Chartered Accountant (Malaysia) and is a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and the Malaysian Institute of Corporate Governance. He started his career in the international professional service firm of Ernst & Young and has over 18 years of professional experience in accounting, secretarial, assurance and advisory business services, taxation, management consultancy & corporate advisory services in London, UK and Malaysia offices. From April 1996 to June 2009, he was the Managing Director of OMG Electronic Chemicals (M) Sdn. Bhd., a wholly owned subsidiary of OM Group, Inc., USA, a NYSE listed company. He is also a Non-Executive Independent Director in Kim Hin Industry Berhad. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

WONG NGIE YONG

A Malaysian citizen, aged 61, was appointed as an Independent Non-Executive Director on 15 June 2001. Presently, he serves as a member of the Audit and Risk Management Committees. He holds a diploma in Mechanical Engineering from Technical College, Kuala Lumpur in 1972 and is a member of the Institute of Motor Industry, UK. He has over 30 years of experience in palm oil industry and engineering field, holding various positions as Mill Manager, Engineering Controller, Chief Engineer and Project Manager. He is currently a free-lance Consultant and Director of Utama Parts Trading (Sarawak) Sdn. Bhd. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

KAMRI BIN RAMLEE

A Malaysia citizen, aged 53, was appointed as a Non-Independent Non-Executive Director on 1 April 2011. He holds a degree in LLB (Hons) from University Malaya and also a Master of Business Administration from University Kebangsaan Malaysia. He joined the Land Custody and Development Authority (LCDA) since 1989. He is currently the Senior Manager, Legal & Secretarial Division of Pelita Holdings Sdn Bhd (PHSB), a subsidiary of LCDA, since 2007. Prior to this, he worked as a legal officer with a government agency and a credit officer with a commercial bank in Kuala Lumpur. He is an appointed representative of PHSB, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

Profile of Group Chief Executive Officer

WONG HEE KWONG

A Malaysian citizen, aged 51, appointed as the Chief Executive Officer of Sarawak Oil Palms Berhad ("SOPB") in 1998 and was subsequently redesignated as Group Chief Executive Officer in 2010. He is a Chartered Accountant (Malaysia) and is a member of the Malaysian Institute of Accountants and Fellow member of Chartered Association of Certified Accountants (FCCA). He worked in KPMG, EON Finance Berhad and a Government linked company before joining SOPB Group as the Group Finance Manager and Company Secretary in April 1996. His professional experience covers accounting, secretarial, management consultancy, taxation and banking and finance. He is not related to any director or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. His direct interests in the shares and share options under the Employee Share Option Scheme of SOPB at year end are 414,400 shares and 1,420,200 options respectively. During the year, he had exercised 343,600 share options.

Business Review

Chairman's Statement

"On behalf of the Board of Directors, it is my pleasure once again to present the Annual Report of Sarawak Oil Palms Berhad Group ("the Group") for the Financial Year ended 31 December 2012."

REVIEW OF RESULTS

The global economic for the year 2012 was full of uncertainty seeing the lower than expected US economic growth, while European Union spent large part of its effort containing the sovereign debt crises. These have dampened the demand for commodities and with the historical high palm products stock, the Crude Palm Oil ("CPO") and Palm Kernel ("PK") price thus fall significantly by the end of 2012.

As a result, the Group registered lower net profit after tax of RM164 million. The average realized CPO and PK price was RM2,788 and RM1,464 per metric tonne, representing a drop of 14% and 33% respectively against last year average realized price.

Basic net earnings per share of the Group therefore dropped from 55.9 sen in 2011 to 36.0 sen for the financial year concerned.

Pipe Gantry at Downstream Facilities

DIVIDEND

The Group has continued its dividend policy by retaining large part of the available fund to accommodate future capital expenditure. This is imperative in keeping the growth momentum of the Group over the medium to longer term while the Group is eyeing for new sustainable investment opportunities.

In connection therewith, the Board of Directors has proposed first and final dividend of 6% less tax at 25% per ordinary share amounting to RM19,644,681 for the Financial Year ended 31 December 2012.

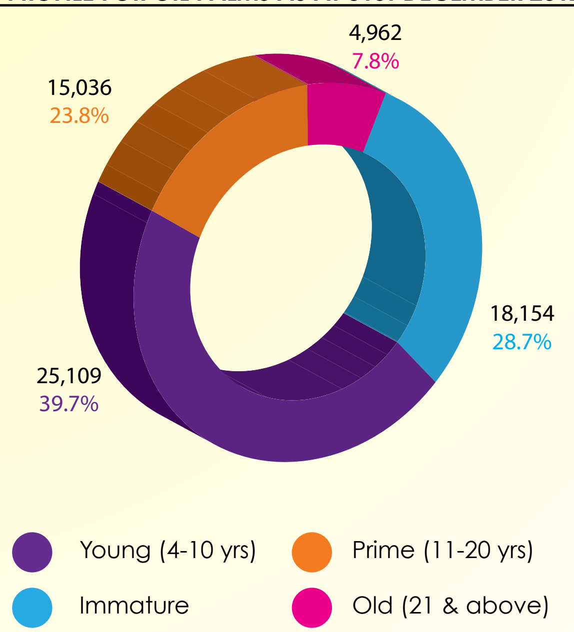
REVIEW OF OPERATIONS

On operational front, the Group's fresh fruit bunches ("FFB") production was at a historical high of 887,425 metric tonnes, though yield per hectare dropped from 20.37 per hectare registered last year to 18.21 per hectare as a result of dilution effect from young matured areas. The increased production was principally attributed to enlarged mature planted hectare and higher proportion of planted palm attaining its prime age.

For the year 2012, the Group planted additional 506 hectares which further expanded its planted land bank from 62,755 hectares to 63,261 hectares, and replanted 219 hectares.
The oil palms age profile as at 31st December 2012 is as follows;

Palms Age (Yrs)	Area (Ha)	Percentage
Immature	18,154	28.7%
Young (4-10 yrs)	25,109	39.7%
Prime (11-20 yrs)	15,036	23.8%
old (21 & above)	4,962	7.8%
Total	63,261	100.0%

AGE PROFILE FOR OIL PALMS AS AT 31ST DECEMBER 2012



With almost half of the planted area falls under young palm categories, the Group expects increase in FFB production for the coming years as more palms will attain its prime age.

The Group's fifth Palm Oil Mill with 60 Tonne per Hour ("TPH") throughput capacity at Kemena, Bintulu, Sarawak has been in operation since July 2012 whereas the sixth Palm Oil Mill of 90 TPH at Baram, Miri, Sarawak currently under construction is expected to commence its operation by second half of 2013, thus making the Group combined capacity of 495 TPH to cater for both internal and out-growers processing needs.

The Group's oil extraction rate ("OER") decreased marginally from 20.90% to 20.67%. Having the average yield per hectare of 18.21 metric tonnes, the Group reported oil per hectare of 3.76 metric tonnes. With the shift of Group palms age profile from young mature to prime age, the Group would expect improvement of both OER and yield per hectare going forward.

The Group's refinery and kernel crushing plant started its operation since July 2012. The embarkation of downstream activities put the Group a step closer to consumer on the palm products and signifies a major milestone for the Group's establishment in international platform.

HUMAN CAPITAL MANAGEMENT

Being one of the leading plantations Group within the state, it is the Group's core value to ensure inculcation of adequate atmosphere in which talented individual will be inspired to excel. The Group continues to impart the knowledge and company philosophy by setting up well-established internal training program under SOPB Academy. The Academy provides an avenue for young talent to learn and acquire necessary skill to fulfill the present and future needs. Besides, key executives are constantly nominated to attend relevant external training courses.

In terms of infrastructure and facilities, the Group continues to improve and upgrade the necessary fields and housing amenities in an effort to promote better working and living environment, hence ensuring improved productivity and more stable labour turnover across the Group.

Chairman's Statement (cont'd)

PROSPECT

Moving forward, the Group would expect stiff challenges arisen from the turbulent global economic climate, pessimistic CPO price outlook and escalating operating cost. It is the Group priority to improve its efficiency and productivity in order to mitigate the surging cost impact and realized the full potential of its present resources.

Barring any unforeseen circumstances, the Group shall expect reasonable growth and profitability in line with the other plantation companies.

APPRECIATION

It is my pleasant duty once again, on behalf of the Board, to extend our sincere gratitude and appreciation to our employees, customers, business associates and shareholders for their continued support and confidence in the Group.

Tan Sri Datuk Ling Chiong Ho
Group Executive Chairman

"Bagi Pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan Kumpulan Sarawak Oil Palms Berhad ("Kumpulan") bagi tahun kewangan berakhir 31 Disember 2012."

ULASAN KEPUTUSAN

Ekonomi global bagi tahun 2012 adalah penuh dengan ketidakpastian dengan wujudnya pertumbuhan ekonomi Amerika Syarikat yang lebih rendah daripada jangkaan serta Kesatuan Eropah yang telah menghabiskan sebahagian besar daripada usahanya dalam mengawal krisis hutang berdaulat. Semua ini telah menjejaskan permintaan terhadap komoditi dan dengan adanya sejarah sawit bernilai tinggi, harga Minyak Sawit Mentah ("CPO") dan Isirong Sawit ("PK") telah jatuh dengan ketaranya menjelang akhir tahun 2012.

Hasilnya, Kumpulan telah mencatatkan keuntungan bersih yang lebih rendah selepas cukai sebanyak RM164 juta. Purata harga CPO dan PK adalah sebanyak RM2,788 dan RM1,464 setan metrik, di mana ini telah mewakili penurunan masing-masing sebanyak 14% dan 33% berbanding purata harga tahun lepas.

Justeru, pendapatan bersih sesaham Kumpulan telah menurun daripada 55.9 sen pada tahun 2011 kepada 36.0 sen bagi tahun kewangan yang ditinjau.

DIVIDEN

Kumpulan telah meneruskan dasar dividennya dengan mengekalkan sebahagian besar daripada dana sedia ada bagi menampung perbelanjaan modal masa hadapan. Ini adalah penting bagi mengekalkan momentum pertumbuhan Kumpulan dalam jangka masa sederhana hingga panjang dan pada masa yang sama, Kumpulan meninjau peluang-peluang pelaburan baru yang mapan.

Penyataan Pengerusi (sambungan)

Sehubungan itu, Lembaga Pengarah telah mencadangkan dividen pertama dan akhir sebanyak 6% ditolak cukai 25% sesaham biasa berjumlah RM19,644,681 bagi tahun kewangan berakhir 31 Disember 2012.

ULASAN OPERASI

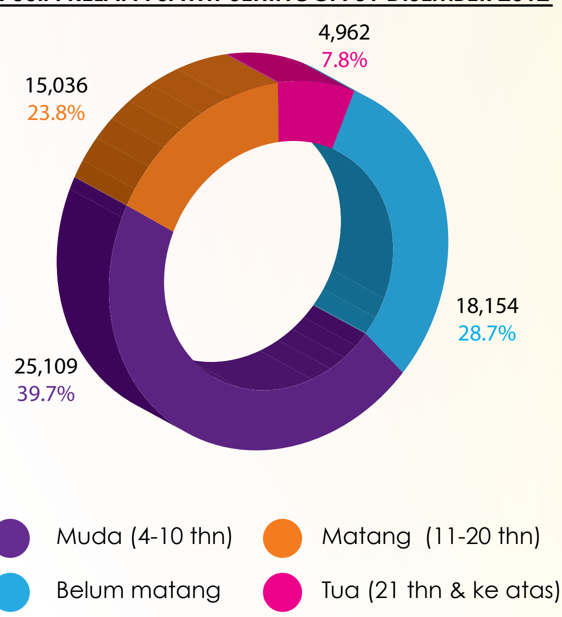
Bagi peringkat operasi, pengeluaran tandan buah segar ("FFB") kumpulan adalah pada peringkat yang paling tinggi iaitu pada 887,425 tan metrik, walaupun hasil sehektar telah menurun dari 20.37 sehektar yang dicatatkan pada tahun sebelum ini kepada 18.21 sehektar akibat daripada kesan pencairan daripada kawasan muda matang. Peningkatan pengeluaran adalah disebabkan oleh pembesaran hektar setelah mencapai usia matangya dan kadar penanaman kelapa sawit yang lebih tinggi.

Bagi tahun 2012, Kumpulan telah menambahkan penanaman sebanyak 506 hektar dan ini telah memperluaskan lagi tanah penanamannya dari 62,755 hektar kepada 63,261 hektar, dan juga telah menanam semula sebanyak 219 hektar.

Profil usia kelapa sawit sehingga 31 Disember 2012 adalah seperti berikut;

Usia Sawit (tahun)	Kawasan (Ha)	Peratus
Belum matang	18,154	28.7%
Muda (4-10 thn)	25,109	39.7%
Matang (11-20 thn)	15,036	23.8%
Tua (21 thn & ke atas)	4,962	7.8%
Jumlah	63,261	100.0%

PROFIL USIA KELAPA SAWIT SEHINGGA 31 DISEMBER 2012



Dengan hampir separuh daripada kawasan yang ditanam jatuh di bawah kategori sawit muda, Kumpulan menjangkakan peningkatan dalam pengeluaran FFB untuk tahun-tahun akan datang kerana lebih banyak pokok akan mencapai umur matangnya.

Kilang minyak sawit kelima Kumpulan dengan kapasiti pemprosesan 60 tan sejam ("TPH") di Kemena, Bintulu, Sarawak telah mula beroperasi sejak Julai 2012 manakala kilang minyak sawit keenam dengan kapasiti pemprosesan 90 TPH di Baram, Miri, Sarawak sedang dalam proses pembinaan dan dijangka akan memulakan operasi menjelang separuh tahun kedua 2013. Lantas, ini menjadikan kapasiti Kumpulan sebanyak 495 TPH untuk memenuhi keperluan pemprosesan dalaman dan luaran.

Kadar perahan minyak ("OER") Kumpulan telah menurun daripada 20.90% kepada 20.67%. Dengan hasil purata sehektar sebanyak 18.21 tan metrik, Kumpulan telah melaporkan minyak sehektar sebanyak 3.76 tan metrik. Dengan peralihan profil usia kelapa sawit Kumpulan daripada muda-matang kepada tua, Kumpulan menjangkakan akan terdapatnya peningkatan bagi kedua-dua OER serta hasil purata sehektar pada masa hadapan.

Loji-loji penapisan dan pemecahan isirong Kumpulan telah mula beroperasi sejak bulan Julai 2012. Aktiviti-aktiviti hiliran yang dimulakan telah membawa Kumpulan selangkah lebih dekat kepada para pengguna mengenai produk-produk sawit dan ini menandakan satu kejayaan yang besar bagi pengukuhan kedudukan Kumpulan di platform antarabangsa.

SUMBER MANUSIA

Sebagai salah satu daripada ladang-ladang Kumpulan yang terkemuka di dalam negeri, ia telah menjadi nilai teras Kumpulan untuk memastikan penerapan suasana yang sesuai di mana individu yang berbakat akan mendapat insipirasi untuk cemerlang. Kumpulan terus menyampaikan pengetahuan dan falsafah syarikat dengan menubuhkan program dalaman yang mantap di bawah Akademi SOPB. Akademi ini memberi ruang kepada bakat muda untuk belajar dan memperolehi kemahiran yang diperlukan untuk memenuhi keperluan semasa dan akan datang. Selain itu, eksekutif utama sentiasa dilantik untuk menghadiri kursus-kursus latihan luar yang relevan.

Dari segi infrastruktur dan kemudahan, Kumpulan terus memperbaiki dan meningkatkan bidang-bidang yang diperlukan dan kemudahan perumahan dalam usaha untuk menggalakkan persekitaran kerja dan tinggal yang lebih baik, dan dengan itu, ia memastikan peningkatan produktiviti dan perolehan buruh yang lebih stabil dalam Kumpulan.

PROSPEK

Melangkah ke hadapan, Kumpulan menjangkakan cabaran yang sengit akibat daripada iklim ekonomi global yang bergolak, unjuran harga CPO yang pesimis dan kos operasi yang semakin meningkat. Ia adalah menjadi keutamaan Kumpulan untuk meningkatkan kecekapan dan produktiviti dalam usaha untuk mengurangkan kesan kos melonjak dan menyedari potensi sepenuhnya sumber-sumber yang sedia ada.

Jika tiada sebarang halangan, Kumpulan menjangkakan pertumbuhan dan keuntungan yang wajar selaras dengan syarikat perladangan yang lain.

PENGHARGAAN

Sekali lagi, bagi pihak Lembaga, kami ingin menyampaikan ucapan terima kasih dan penghargaan kepada pekerja, pelanggan, rakan perniagaan dan para pemegang saham atas sokongan dan keyakinan yang berterusan terhadap Kumpulan.

Tan Sri Datuk Ling Chiong Ho
Pengerusi Eksekutif Kumpulan

Staff Activities


VISITATION TO LAMBIR PALM OIL MILL AND SOPB ACADEMY


CHINESE NEW YEAR & DEEPAVALI OPEN HOUSE


ANNUAL DINNER ORGANIZING COMMITTEE


SOPB GAWAI CELEBRATION


INHOUSE TRAINING GRADUATION AT SOP ACADEMY


SOPB BADMINTON COMPETITION


SOPB BEACH PARTY


SOPB FUTSAL TOURNAMENT


BLOOD DONATION

Corporate Social Responsibility

Young Achievers Award Program ("YAA") held in SOP Academy

Students Adoption Program ("SAP") held in SOP Academy

Corporate Social Responsibility

At Sarawak Oil Palms Berhad ("SOPB"), sustainability and commitment is articulated in its Corporate Social Responsibility ("CSR") policy statement. SOPB focuses on continuous care, responsibility and commitment towards its employees, the environment and particularly local communities. Due to the nature of business with majority of plantation operation located in rural areas, tremendous effort has been put into poverty alleviation and to uplift the educational standards of local communities' younger generation.

SOPB commitment to CSR is reflected in its core values and by aligning its business values, purposes and strategy that will produce long term benefit to the local community. Over the years, SOPB demonstrate its firm commitments towards CSR and its initiatives continue to expand and refine in the following areas.

Employees:

SOPB aims to be recognized as the employer of choice, henceforth hires, educates and trains its employees on the basis of achieving mutual needs and in respect of a healthy, safe and honest working environment. Sports events, outing, games and others that would help to foster the relationships among peers and family members are organized.

Besides, SOPB continues to grant Employees' Excellent Education Award to employees children who had excel excellently in both primary and secondary level of academic results in their public examinations as an recognition and motivation for them to excel further.

Local Communities:

SOPB continues to be an active contributor to the local community development through various economic support and social contribution programs. Amongst others, it includes the followings;

Young Achievers' Award ("YAA")

Established since 2011, the YAA are awarded annually to students from rural areas from primary to upper secondary levels who achieve outstanding result in both academic studies and extra-curriculum activities.

Under the YAA, cash incentives and certificates are granted to qualified students from rural schools nearby the vicinity of SOPB plantation estates. The program aimed to take due recognition of their academic achievement and to motivate them to further excel in the future.

Student Adoption Programme ("SAP")

The SAP was set up to provide educational needs to underprivileged children in the form of financial assistance. Selected primary and secondary schools' students from rural areas have been adopted to receive cash incentives and stationery set every year until they complete primary or secondary school education.

Education Outreach Programme

The remoteness of some local communities hinders them from gaining ready access to educational materials. Since year 2011, SOPB continues to provide educational teaching materials to an indigenous local community situated in a remote region to educate and promote reading culture among the young children concerned.

Community Health & Services

Recently, SOPB launched a new CSR program – Vision Care Program reaching up to the nearby longhouses surrounding the vicinity of the Group's plantation estates in collaboration with government body. The elderly and children will receive free eye checkup and vision aid such as spectacles will be given to those in need. Besides, those diagnosed with eye cataracts problems will be subject to further medical review/operations fully funded by SOPB.

Saved for the above-mentioned, SOPB continues to serve the smallholders in the vicinity of the SOPB Palm Oil Mills in the context of MOU be penned down in 2004 with the Malaysian Palm Oil Board ("MPOB") and Pertubuhan Peladang Kawasan Subis.

The Group, together with the participation of native customary rights ("NCR") landowners has embarked on NCR lands development into oil palm plantation that will elevate the living standard of NCR landowners.

SOPB's CSR program also extended to the establishment of a Disaster Unit which rushes relief aids to the local communities nearby the Group's plantation estates which had suffered losses occasioning by nature disasters such as flood and fire.

Environment

SOPB strive towards being recognized as the leader of sustainable agriculture practices, respecting the balance between economy and ecology.

SOPB is fully committed to sustainable oil palm cultivation through the implementation of Group Agriculture Policy (GAP) which focuses on good agricultural practices, environment protection, proper handling of wastes, products utilization; and the prevention of degradation of soils, air and water to safeguarding the environment.

YAA and SAP Program held in SMK Mukah

YAA and SAP Program held in SMK Tatau

YAA and SAP Program held in SMK Marudi

YAA and SAP Program held in SK Batu Keling

Statement on Corporate Governance

The Board is pleased to present the following report on the measures implemented by the Company and the Group, as set out in the Malaysian Code 2012 on Corporate Governance ("the Code"), to apply the principles and best practices laid out in the Code. Save as specifically identified, the Company has substantially complied with the best practices in Corporate Governance as recommended in the Code.

BOARD OF DIRECTORS

The Group is led by an effective Board which sets the policies to enable them to lead and guide the Group to achieve its goals. The Board currently has ten members comprising one Executive Director and nine Non-Executive Directors, three of them are independent. This has met the Bursa Malaysia Securities Berhad Main Market Listing Requirements which requires at least two (2) Directors or one-third of the Board to be Independent Directors.

Together, the Directors bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, law, business acumen, management and operations.

For the financial year ended 31 December 2012, the Board held four (4) meetings. Directors' profiles and attendance to these meetings can be found on page 8 to 11 of Profile of Board of Directors and page 117 of Statement Accompanying Notice.

At Board Meetings, strategies and performance of the Group are being reviewed and evaluated in the light of any changing circumstances whether economic, social or political. Although all the Directors have an equal responsibility for the Group operations, the role played by the independent Non-Executive Directors is vital to ensure that strategies formulated or transactions proposed by management are amply discussed in unbiased and independent manner, taking into account the interests not only of the Group but also the shareholders, employees, customers, suppliers, environment and community at large.

BOARD COMMITTEE

Group Audit Committee (SC) (Established in 1992)

The composition and terms of reference of this Committee together with its report are presented on page 28 to 33 of the Annual Report.

Nomination Committee (SC) (Established in 2001)

The Committee, among others, is responsible for recommending the right candidate with the necessary skills, knowledge, expertise and experience including his/her professionalism and integrity to fill in the Board. The Committee is also responsible to assess the effectiveness of the Board, its Committees and the performance of each individual Director annually. The members of the Nomination Committee are as follows:

Fong Tshu Kwong	-	Chairman, Independent Non-Executive Director
Dr. Lai Yew Hock, Dominic	-	Independent Non-Executive Director
Tang Tiong Ing	-	Non-Independent Non-Executive Director

The Committee meets when necessary. For the financial year ended 31 December 2012, the Committee held one (1) meeting.

Remuneration Committee (SC) (Established in 2003)

The Committee is responsible for recommending the remuneration framework for Directors as well as the remuneration package of Executive Director to the Board for approval. The members of the Remuneration Committee are as follows:

Fong Tshu Kwong,	-	Independent Non-Executive Director
Dr. Lai Yew Hock, Dominic	-	Independent Non-Executive Director
Hasbi Bin Suhaili	-	Non-Independent Non-Executive Director

The Committee meets when necessary. For the financial year ended 31 December 2012, the Committee held one (1) meeting.

DIRECTORS' REMUNERATION

The Group pays its Non-Executive Directors annual fees, which are approved annually by the shareholders. In addition, its Directors and members to the Board Committee are paid a meeting allowance for each meeting they attended. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Group.

The policy practiced by the Group is to provide remuneration package necessary to attract, retain and motivate Directors. The structure of remuneration package of Executive Director is also linked to corporate and individual performance. Where applicable, the Board also takes into consideration information provided by independent consultants or survey data on comparable companies in determining the remuneration package.

The aggregate and range of the Directors' remuneration for the Company for the financial year ended 31 December 2012 are as follows: -

	Directors	
Aggregate of remuneration	**Executive RM000**	**Non-Executive RM000**
Fees	36	337
Salaries	1,080	-
Bonus	630	-
EPF and other emoluments	218	-
Total	1,964	337

Number Of Directors		
Range of remuneration	**Executive**	**Non- Executive**
Below RM50,000	-	9
RM50,000 to RM2,000,000	1	-

There are no contracts of service between any Directors and the Company other than the Group Executive Chairman, Tan Sri Datuk Ling Chiong Ho, whose term is concurrent with the tenure of his directorship.

TERM OF APPOINTMENT

The Articles of Association provide that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. These provide an opportunity for the shareholders to renew their mandates. The election of each Director is voted on separately. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act 1965.

SUPPLY OF INFORMATION TO BOARD MEMBERS

Board Meetings are structured with a pre-set agenda. Board papers for the Agenda are circulated to Directors well before the meeting date to give Directors time to deliberate on the issues to be raised at the meeting. Quarterly reports on the financial performance of the Group are also circulated to the Directors for their views and comments. All proceedings of Board Meetings are minuted and signed by the Chairman of the Meeting.

At other times, Directors have direct access to the Senior Management and the service of the Company Secretary. Directors especially newly appointed ones are encouraged to visit the Group's operating centers to familiarize themselves with the various operations of the Group.

All the Directors have attended and completed the Mandatory Accreditation Programme (MAP) prescribed by the Bursa Malaysia Training Sdn Bhd. The directors are also attending the Continuing Education Programme ("CEP") organized by accredited organizations as and when necessary to keep abreast with the latest development that are relevant to the Group.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Group recognizes the importance of communicating with its shareholders and does this through the Annual Report, Annual General Meeting (AGM) and analyst meetings. The policy of the Group is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete a picture of the Group's performance and position as possible. The primary contact with major shareholders is through the Group Chief Executive Officer and Group Financial Controller, who have regular dialogue with institutional investors and deliver presentation to analyst periodically.

The key elements of the Group's dialogue with its shareholders is the opportunity to gather view of and answer questions from both private and institutional shareholders on all issues relevant to the Group at the AGM. It has also been the Group's practice to send the Notice of the Annual General Meeting and related papers to shareholders at least fourteen (14) working days before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed and about the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholders with a written answer after the AGM. The Chairman of the Board also addresses the shareholders on the review of the Group's operations for the financial year and outlines the prospects of the Group for the subsequent financial year.

The Group's website, www.sop.com.my is also used as a form to communicate with the shareholders and investors and to provide information on the Group's business activities.

The Group has appointed Mr. Fong Tshu Kwong as the Independent Non-Executive Director to whom where investors and shareholders may refer to express their concerns.

At all times, investors and shareholders may contact the Company Secretary for information on the Group.

FINANCIAL REPORTING

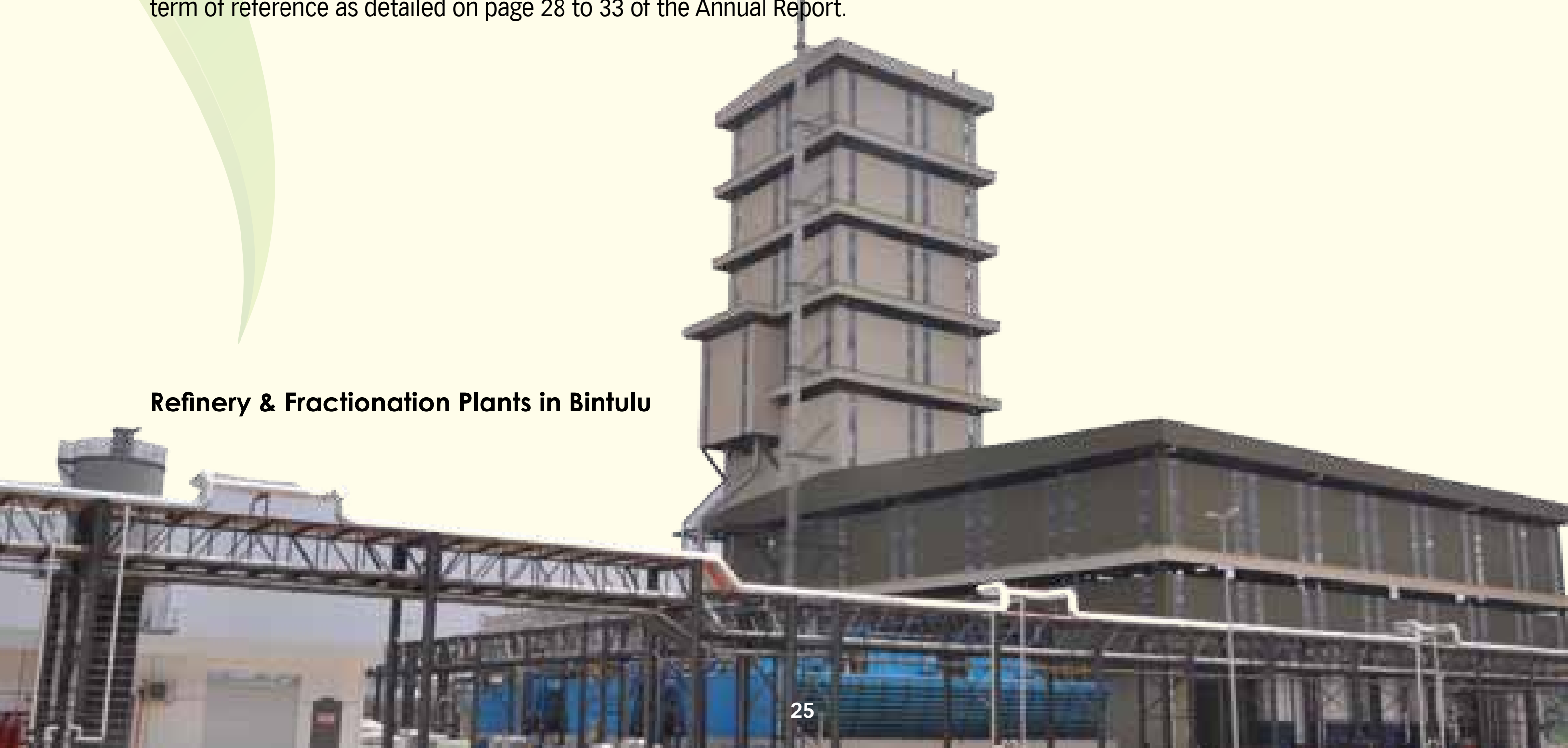
The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Statement on Risk Management and Internal Control is set out on page 26 to 27 of the Annual Report.

RELATIONSHIP WITH THE AUDITORS

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's term of reference as detailed on page 28 to 33 of the Annual Report.



Refinery & Fractionation Plants in Bintulu

Statement on Risk Management and Internal Control

The Board is pleased to provide Statement on Risk Management and Internal Control pursuant to Paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements.

The External Auditors have reviewed this Statement and have reported to the Board that nothing has came to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in this Annual Report is inconsistent with their understanding of the process the Board of Directors has adopted in the review of the adequacy and integrity of internal control of the Group.

BOARD RESPONSIBILITY

The Board affirms its responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The system of internal control consists of financial controls, operational and compliance controls and risk management to safeguard shareholders' investments and the Group's assets.

In view of the limitations that are inherent in any system of internal control, the system is designed to manage, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the system could provide only reasonable but not absolute assurance against material misstatement, operational failure, fraud and loss.

KEY COMPONENTS OF INTERNAL CONTROL ENVIRONMENT

Risk Management Framework

A formal and on–going process of identifying, evaluating, managing and monitoring principal risks that affect the achievement of the Group's business objectives in a structured manner since 2002. The Group has established procedures for reporting and monitoring of risks and controls. Regular reviews are conducted on quarterly basis with additional reviews to be carried out as and when required.

The Group Audit Committee has been delegated to oversee the risk management activities and approve appropriate risk management procedures and measurement methodologies across the Group.

The on-going process is monitored by the Group Risk Management Committee, which consists of Group Chief Executive Officer and Heads of Department within the Group and report quarterly to the Group Audit Committee.

OTHER KEY COMPONENTS OF INTERNAL CONTROL SYSTEM

The other key components of the Group's internal control system are described below:

Board Meetings

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Group Executive Chairman together with GCEO leads the presentation of board papers and provides comprehensive explanation of pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on a regular basis.

Organizational Structure With Formally Defined Responsibility Lines And Delegation Of Authority

There is in place an organizational structure with formally defined responsibility lines and authorities to facilitate quick response to changes in the evolving business environment and accountability for operation performance. Capital and non-capital expenditures and acquisition and disposal of investment interest are subject to appropriate approval processes.

Performance Management Framework

Comprehensive management reports are generated on a regular and consistent basis to facilitate the Board to review the Group's financial and operating performance. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

The Group has in place a detailed and well-controlled budgeting process that provides a responsibility accounting framework.

Operational Policies And Procedures

The documented policies and procedures form an integral control system to safeguard the Group assets against material losses and ensure complete and accurate financial information. The documents consist of memoranda, circulars, manuals and handbooks that are continuously being revised and updated to meet operational needs.

Group Internal Control

The Internal Audit "IA", which reports quarterly to Group Audit Committee, handouts regular reviews on the internal control system and the effectiveness of risk management system of the Group.

STRENGTH IN INTERNAL CONTROL

Continuous management efforts are in place to improve the internal control systems. No material losses were incurred during the year due to the weaknesses in the internal control system.

Audit Committee Report

MEMBERS REPORT

Chairman
Fong Tshu Kwong CA(M)
Independent Non-Executive Director

Members
Dr Lai Yew Hock, Dominic
Independent Non-Executive Director

Tang Tiong Ing CA(M)
Non-Executive Director

Wong Ngie Yong
Independent Non- Executive Director

Palm Kernel Receiving Shed

TERMS OF REFERENCE

The Group Audit Committee ("Committee") was established in 1992 to serve as a Committee of the Board of Directors, with the terms of reference as set out below:

COMPOSITION OF THE COMMITTEE

- The Committee shall comprise not less than three members;
- All members of the Committee must be non-executive directors, with a majority of them being independent directors;
- All members of the Committee should be financially literate and at least one member of the Committee must be a member of Malaysian Institute of Accountants ("MIA");
- No alternate director shall be appointed as a member of the Committee;
- The Chairman who shall be elected by the members of the Committee must be an independent non-executive director;
- Any vacancy in the Committee resulting in non-compliance of the said requirements must be filled within three (3) months;
- The terms of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.

DUTIES AND RESPONSIBILITIES

The Committee shall:

- Provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities relating to the management of financial risk processes, corporate accounting and reporting practices for the Company and Group.
- Maintain a direct line of communication between the Board and the external and internal auditors.
- Act upon the Board's request to direct and where appropriate supervise any special projects or investigation considered necessary and review investigation reports on any major issues or concerns with regard to the management of the Group.
- Review and monitor to ensure that an adequate system of risk management for the management to safeguard the Group's assets and operations.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities.
- Any other activities, as authorized by the Board.
- Report promptly to Bursa Malaysia on any matter reported to the Board which has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Main Market Listing Requirements.

AUTHORITY

- The Committee is authorized to seek any information it requires from employees, who are required to co-operate with any request made by Committee.
- The Committee shall have full and unlimited access to any information pertaining to the Group as well as direct communication to the internal and external auditors and with senior management of the Group.
- The committee shall have the resources that are required to perform its duties. The committee can obtain at the expense of the Group, outside legal or other independent professional advice it considers necessary.

FINANCIAL PROCEDURES AND FINANCIAL REPORTING

Review the quarterly results and the year end financial statements, prior to the approval by the Board, ensure compliance with appropriate accounting policies, accounting standards and disclosure requirements.

RELATED PARTY TRANSACTION	Monitor any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises question on management integrity.
EXTERNAL AUDIT	- Review with the external auditors, the audit scope and plan. - Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money. - Review the external audit reports and to evaluate their findings and recommendations for actions to be taken. - Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendation to the Board.
INTERNAL AUDIT	- Review and approve the yearly internal audit plan. - Review the adequacy of the internal audit scope, functions and resources of the internal audit and that it has the necessary authority to carry out its work. - Review the results of the internal audit and ensure that appropriate action is taken by the management on the recommendations of the internal audits. - Review the performance of the internal audit to ensure that they are able to exercise independence in discharging their duties. - Approve any appointment or termination of the senior staff members of the internal audit function. - Review movement of the internal audit staff members and provide opportunity for resigning staff member to submit reasons for resigning.
ALLOCATION OF SHARE OPTIONS	- Verification on the allocation of any Employee Share Options Scheme (ESOS) to ensure compliance with the criteria for allocation of share options pursuant to the share scheme for employees of the Group at the end of each financial year.

MEETINGS

During the financial year ended 31 December 2012, four (4) committee meetings were held. A record of the attendance to these meetings is as follows:

	No. of Meetings Attended
Fong Tshu Kwong, CA(M)	4/4
Dr Lai Yew Hock, Dominic	4/4
Tang Tiong Ing, CA(M)	4/4
Wong Ngie Yong	4/4

Meetings shall be held not less than four (4) times in a financial year. The quorum for a meeting shall be two (2) members with the majority of members present being independent Directors. The Committee also met with the external auditors at least twice in a financial year without the presence of the Management. Other Directors and employees shall attend any particular Committee meeting only at the Committee's invitation and specific to the relevant meeting. The Company Secretary shall be the Secretary of the Committee. Minutes of each meeting are distributed to each Board member and the Chairman of the Committee reports on key issues discussed at each meeting to the Board.

INTERNAL AUDIT FUNCTION

The Group has Internal Audit ("IA") function to undertake independent regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. The IA reports directly to the Committee with independent and objective reports on the state of internal control of the various operating units within the Group. In addition, the IA also conducts investigations and special reviews at the request of management.

The IA attends the Committee meeting quarterly to present the internal audit findings and makes appropriate recommendations on areas of concern for the Committee's deliberation. Follow-up audits are also carried out to determine whether corrective actions have been taken by the management.

During the year, the IA carried out a total of ten (10) audits and reviews covering the Group's operations. The costs incurred by the IA for the financial year was RM298,550.

ACTIVITIES

The Committee carried out its duties in accordance with its terms of reference during the year.

The summary of activities of the Committee during the year under review were as follows:

- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval, focusing particularly on;
  - the changes in or implementation of major accounting policy;
  - the significant or unusual events;
  - compliance with accounting standards;
  - disclosure and other legal requirements.
- Reviewed the related party transactions entered into by the Group.
- Reviewed the external auditors' scope of work and audit plans for the year prior to commencement of audit.
- Reviewed the annual report and the audited financial statements of the Group with external auditors prior to submission to the Board for their consideration and approval, including issues and findings noted in the course of the audit of the Group's financial statement.
- Considered the appointment of external auditors and their request for increase in audit fees.
- Reviewed the IA programmes and plan for the financial year under review and the annual assessment of the internal auditors' performance.
- Reviewed the IA reports, which highlighted the audit issues, recommendations and management's response. Appraised the adequacy of actions and remedial measures taken by the management in resolving the audit issues reported and recommended further improvement measures.
- Reviewed the allocation of share options to ensure compliance pursuant to the share scheme.

Taniku Estate Aerial View

Laporan Jawatankuasa Audit

LAPORAN AHLI

Pengerusi
Fong Tshu Kwong CA(M)
Pengarah Bebas Bukan-Eksekutif

Ahli
Dr Lai Yew Hock, Dominic
Pengarah Bebas Bukan-Eksekutif

Tang Tiong Ing CA(M)
Pengarah Bukan-Eksekutif

Wong Ngie Yong
Pengarah Bebas Bukan-Eksekutif

TERMA-TERMA RUJUKAN

Jawatankuasa Audit Kumpulan ("Jawatankuasa") telah ditubuhkan pada 1992 berfungsi sebagai Jawatankuasa untuk Lembaga Pengarah, dengan terma-terma rujukan seperti disebutkan di bawah:

KEANGGOTAAN JAWATANKUASA

- Jawatankuasa ini hendaklah dianggotai oleh tidak kurang daripada tiga orang ahli;
- Semua ahli Jawatankuasa hendaklah terdiri daripada Pengarah Bukan-Eksekutif, dengan majoriti daripada mereka adalah Pengarah Bebas;
- Semua ahli Jawatankuasa hendaklah berilmu pengetahuan dalam urusan kewangan dengan sekurang-kurangnya seorang daripada mereka merupakan ahli Institut Akauntan Malaysia ("MIA");
- Pengarah gantian tidak boleh dilantik menganggotai ahli Jawatankuasa;
- Pengerusi yang akan dipilih oleh ahli-ahli Jawatankuasa hendaklah terdiri daripada Pengarah Bukan-Eksekutif Bebas;
- Jika terdapat sebarang kekosongan dalam Jawatankuasa yang menyebabkan kegagalan mematuhi keperluan di atas, mestilah mengisi kekosongan itu dalam tempoh tiga (3) bulan;
- Tempoh jawatan dan prestasi Jawatankuasa dan setiap ahlinya mestilah dikaji oleh Lembaga sekurang-kurangnya sekali setiap tiga (3) tahun.

TUGAS DAN TANGGUNGJAWAB

Jawatankuasa hendaklah:

- Memberi bantuan kepada Lembaga Pengarah dalam memenuhi tanggungjawab fidusiari berkaitan pengurusan hal ehwal proses risiko kewangan, amalan-amalan perakaunan korporat dan penyediaan laporan untuk Syarikat dan Kumpulan.
- Mengekalkan hubungan langsung antara Lembaga dengan audit dalaman dan luaran.
- Bertindak mengikut arahan Lembaga untuk mengarah dan apabila perlu, menyelia mana-mana projek khas atau siasatan yang difikirkan perlu serta menyemak laporan siasatan berhubung sebarang isu atau perkara penting yang ada kaitan dengan pengurusan Kumpulan.
- Menyemak dan memantau kewujudan sistem pengurusan risiko yang menyeluruh agar pihak pengurusan dapat mengawasi aset dan operasi Kumpulan.
- Menyediakan laporan jika diperlukan, atau sekurang-kurangnya sekali (1) setahun, kepada Lembaga dengan merumuskan tugas-tugas yang dijalankan bagi memenuhi tanggungjawab utama Jawatankuasa.
- Sebarang aktiviti lain, seperti yang dibenarkan oleh Lembaga.
- Melapor segera kepada Bursa Malaysia berhubung sebarang perkara yang telah dilaporkan kepada Lembaga yang masih belum diselesaikan dengan sewajarnya yang boleh mengakibatkan pelanggaran Syarat Penyenaraian Pasaran Utama Bursa Malaysia.

BIDANG KUASA

- Jawatankuasa ini diberi kuasa dan hak mendapatkan sebarang maklumat daripada pekerja yang dimestikan bekerjasama bagi memenuhi permintaan Jawatankuasa.
- Jawatankuasa harus mempunyai akses tanpa had dan sepenuhnya ke atas sebarang maklumat mengenai Kumpulan dan juga komunikasi langsung dengan juruaudit dalaman dan luaran serta pihak pengurusan kanan Kumpulan.
- Jawatankuasa harus mempunyai sumber diperlukan untuk melaksanakan tanggungjawabnya. Jawatankuasa boleh mendapatkan nasihat perundangan atau lain-lain nasihat bebas daripada luar yang difikirkan perlu dengan tanggungan Kumpulan.

Laporan Jawatankuasa Audit (sambungan)

PROSEDUR KEWANGAN DAN LAPORAN KEWANGAN	Mengkaji laporan suku tahunan dan penyata kewangan bagi akhir tahun, sebelum diluluskan Lembaga, bagi memastikan pematuhan polisi sebenar perakaunan, piawaian-piawaian perakaunan serta syarat dan keperluan penutupan akaun.

TRANSAKSI PIHAK BERKENAN

Memantau sebarang transaksi pihak berkaitan serta situasi percanggahan kepentingan yang mungkin wujud di dalam Kumpulan, termasuk sebarang transaksi, prosedur atau akibat perlakuan yang menimbulkan persoalan kepada integriti pengurusan.

AUDIT LUARAN

- Mengkaji bersama juruaudit luar, skop dan pelan audit.
- Mengkaji kebebasan dan objektiviti juruaudit luar serta khidmat yang diberi, termasuk khidmat bukan-audit dan yuran profesional, bagi memastikan wujud keseimbangan yang munasabah antara objektiviti dan nilai untuk wang.
- Mengkaji laporan audit luaran serta menafsir penemuan dan cadangan untuk tindakan yang perlu diambil.
- Mengkaji perlantikan dan mutu kerja juruaudit luar, yuran audit dan sebarang perkara berkaitan perletakan jawatan atau pemecatan sebelum membuat syor kepada Lembaga.

AUDIT DALAMAN

- Mengkaji dan meluluskan pelan tahunan audit dalaman.
- Mengkaji kecukupan skop audit dalaman, fungsi dan sumber-sumber audit dalaman bahawa ia mempunyai kuasa sewajarnya untuk melaksanakan tugasnya.
- Mengkaji keputusan-keputusan audit dalaman dan memastikan agar tindakan yang sewajarnya diambil oleh pihak pengurusan berdasarkan cadangan-cadangan yang dibuat oleh audit dalaman.
- Mengkaji prestasi kerja audit bagi memastikan mereka mempunyai kebebasan dalam melaksanakan tugas.
- Meluluskan sebarang perlantikan atau penamatan fungsi ahli- ahli kakitangan kanan audit dalaman.
- Mengkaji pergerakan kakitangan audit dalaman dan memberi peluang kepada kakitangan audit dalaman yang akan berhenti untuk mengemukakan sebab-sebab pemberhentian.

PERUNTUKAN SAHAM OPSYEN

- Pengesahan peruntukan sebarang Skim Opsyen Saham Kakitangan (ESOS) bagi memastikan pematuhan terhadap kriteria peruntukan opsyen saham seperti yang ditetapkan dalam skim saham untuk kakitangan kumpulan setiap tahun kewangan.

MESYUARAT

Bagi tahun kewangan berakhir pada 31 Disember 2012, empat (4) mesyuarat Jawatankuasa telah diadakan. Rekod kehadiran ahli pada mesyuarat tersebut adalah seperti berikut:

	Jumlah mesyuarat dihadiri
Fong Tshu Kwong, CA(M)	4/4
Dr Lai Yew Hock, Dominic	4/4
Tang Tiong Ing, CA(M)	4/4
Wong Ngie Yong	4/4

Mesyuarat akan diadakan tidak kurang dari empat (4) kali bagi setiap tahun kewangan. Korum bagi mesyuarat hendaklah terdiri daripada dua (2) ahli jawatankuasa dengan kehadiran majoritinya Pengarah Bebas. Jawatankuasa juga bertemu dengan juruaudit luar sekurang-kurangnya dua kali sepanjang tahun kewangan tanpa kehadiran pihak Pengurusan. Lain-lain ahli Lembaga dan kakitangan hendaklah menghadiri mana-mana mesyuarat jawatankuasa jika diundang oleh Jawatankuasa dan perkara-perkara yang berhubung berkenaan mesyuarat. Setiausaha Syarikat adalah Setiausaha Jawatankuasa. Minit-minit bagi setiap mesyuarat hendaklah diedarkan kepada setiap ahli-ahli Lembaga dan Pengerusi Jawatankuasa serta melaporkan perkara penting yang dibincangkan di setiap mesyuarat kepada Lembaga.

FUNGSI AUDIT DALAMAN

Kumpulan mempunyai fungsi Audit Dalaman ("IA") untuk melakukan penilaian semula secara kerap dan sistematik tehadap sistem kawalan dalaman bagi memberi jaminan munasabah bahawa sistem seperti itu boleh terus beroperasi secara memuaskan dan efisien. IA akan membuat laporan terus kepada Jawatankuasa berdasarkan laporan yang bebas dan objektif tentang keadaan kawalan dalaman pelbagai unit operasi di dalam kumpulan. Sebagai tambahan, IA juga menjalankan siasatan dan penilaian khas di atas arahan pihak Pengurusan.

IA juga menghadiri mesyuarat suku tahunan Jawatankuasa bagi membentangkan penemuan-penemuan audit dan membuat syor-syor yang bersesuaian berkaitan perkara-perkara untuk tindakan Jawatankuasa. Audit susulan juga dijalankan untuk memastikan pengeyoran dilaksanakan oleh Pengurusan.

Sepanjang tempoh tahun kewangan, IA menjalankan sepuluh (10) audit dan penilaian yang merangkumi semua kegiatan operasi Kumpulan. Kos untuk IA bagi tahun kewangan adalah sebanyak RM298,550.

AKTIVITI-AKTIVITI

Jawatankuasa telah menjalankan tugas sejajar dengan terma-terma rujukan bagi tahun semasa.

Rumusan aktiviti-aktiviti Jawatankuasa sepanjang tempoh kajian adalah seperti berikut:

- Mengkaji pengumuman keputusan suku tahunan kewangan belum diaudit sebelum membuat syor untuk kelulusan Lembaga, dengan fokus utama ke atas:
  - Perubahan pada atau pelaksanaan polisi utama perakaunan;
  - Kejadian penting atau di luar kebiasaan;
  - Pematuhan dengan piawaian-piawaian perakaunan;
  - Pemberitahuan dan lain-lain peraturan perundangan.
- Mengkaji urusniaga pihak berkaitan yang terlibat dengan Kumpulan.
- Mengkaji skop kerja juruaudit luar dan rancangan audit tahun semasa sebelum kerja audit dimulakan.
- Mengkaji laporan tahunan dan penyata kewangan yang telah diaudit bersama juruaudit luar sebelum diserahkan kepada Lembaga untuk pertimbangan dan kelulusan, termasuk isu dan penemuan yang dinyatakan oleh juruaudit semasa menjalankan tugas menyiapkan penyataan kewangan bagi Kumpulan.
- Mempertimbang perlantikan juruaudit luar dan permintaan mereka untuk semakan semula yuran audit.
- Mengkaji program dan pelan IA bagi tahun kewangan di bawah kajian dan penilaian tahunan mutu kerja audit dalaman.
- Mengkaji laporan IA, yang memberi penekanan tentang isu-isu audit, syor and maklum balas pengurusan. Memberi penilaian kerja ke atas tindakan dan langkah-langkah penambahbiakan yang perlu diambil oleh pihak Pengurusan dalam menyelesaikan isu-isu audit yang dilapor dan disyorkan untuk tujuan penambahbaikan seterusnya.
- Mengkaji peruntukan opsyen saham bagi memastikan pematuhan seperti yang ditetapkan dalam skim saham.

Statement on Directors' Responsibility

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

In preparing the financial statements for the year ended 31 December 2012 set out in pages 39 to 109, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, followed the applicable approved accounting standards in Malaysia, the provision of the Companies Act 1965 and the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy financial information for preparation of the financial statements. The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Additional Compliance Information

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the following information is provided:

1. NON-AUDIT FEES

The amount of non-audit fees paid in the financial year ended 31 December 2012 to the Group's external auditors is mainly for the tax advisory and accounting services. The breakdown of the fees is as follows:

Name of Auditor	Fees (RM)
Ernst & Young	16,750
KPMG	58,300
	75,050

2. MATERIAL CONTRACTS

There were no material contracts involving the interest of Directors and major shareholders pursuant to paragraph 21, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia entered into by the Group since the end of the previous financial year up to 31 December 2012 except for the followings:

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

The RRPT entered into by the Group during the financial year ended 31 December 2012 were as follows:

Name of Transacting Party	Nature of Transaction	Related Party #		Year 2012 Actual (RM'000)
1. The Group	Purchases of diesel and petrol to oil palm estates of SOPB Group from Shin Yang Services Sdn Bhd ("SY Services")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	9,951
2. The Group	Purchase of lubricant, spare parts and tyres for the tractors and machinery from Shin Yang Trading Sdn Bhd ("SY Trading")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	1,186
3. The Group	Purchase of gravel from Hollystone Quarry Sdn Bhd ("HQ")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	8,664
4. The Group	Provision of maintenace services and supply of lubricants, spare parts and tyres for the tractors and machinery by Dai Lieng Trading Sdn Bhd ('DLT') and Dai Lieng Machinery Sdn Bhd ("DLM")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	1,403
5. The Group	Land transportation services from Melinau Transport Sdn Bhd ("MTSB") and Miri Belait Transport Company Sdn Bhd ("MBTCSB)	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	4,334
6. The Group	Purchase of tractors and machinery from Dai Lieng Trading Sdn Bhd ('DLT') and Dai Lieng Machinery Sdn Bhd ("DLM")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	6,179

Additional Compliance Information (cont'd)

Name of Transacting Party	Nature of Transaction	Related Party #		Year 2012 Actual (RM'000)
7. The Group	Purchase of sawn timber from Shin Yang Sawmill Sdn Bhd ("SYSM")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	571
8. The Group	Purchase of oil filter for the tractors from Scott & English Trading (Sarawak) Sdn Bhd ("SETSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	72
9. The Company	Purchase of fresh fruit bunches from Shin Yang Forestry Sdn Bhd ("SYFSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	45,274
10. The Group	Purchase of plastic bags from Kian Hang Plastic Sdn Bhd ("KHPSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	181
11. The Group	Purchase of sawn timber from Menawan Wood Sdn Bhd ("MWSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	477
12. The Group	Purchase of motor vehicles from Boulevard Jaya Sdn Bhd ("BJSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	185
13. The Company	Purchase of fresh fruit bunches from Linau Mewah Sdn Bhd ("LMSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	19,976
14. The Group	Purchase of CPO and PK from Shin Yang Oil Palm (Sarawak) Sdn Bhd ("SYOPSSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing	(1) (2)	16,729
15. The Group	Provision of maintenance services and supply of spare parts of mill plant and machinery by Utama Parts Trading (Sarawak) Sdn Bhd ("UPTSSB")	Wong Ngie Yong	(5)	1,112
16. The Company	Provision of shipbuilding, repairing and maintenance of ships by Shin Yang Shipyard Sdn Bhd ("SYSSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4)	1,774

SOP Academy

Note #

(1) Tan Sri Datuk Ling Chiong Ho is the Group Executive Chairman and major shareholder of SOPB and is also the Director of SYHSB, SY Trading, HQ, SYFSB, SYSM, LMSB, MWSB, BJSB and SYOPSSB. He has substantial direct/ indirect interest in SYHSB, SY Services, SY Trading, HQ, SYSM, LMSB, SYFSB, KHPSB, MTSB, MBTCSB, BJSB, MWSB and SYOPSSB.

(2) Ling Chiong Sing is the Non-Executive Director of SOPB and is also the Director of SYHSB, DLT, DLM, SY Services, MTSB, KHPSB, LMSB, HQ, SYFSB, SY Trading, SYSM, MBTCSB, BJSB, MWSB, Micaline and SYOPSSB. He has substantial direct/indirect interest in SYHSB, DLT, DLM, SY Services, MTSB, KHPSB, LMSB, HQ, SYFSB, SY Trading, SYSM, MBTCSB, PSB, BJSB, MWSB, Micaline and SYOPSSB.

(3) Ling Lu Kuang is the Non-Executive Director of SOPB and is also the Director of SY Trading, SYSM, SYFSB and MWSB. He is also a deemed person connected to Tan Sri Datuk Ling Chiong Ho and also authorized representative of Shin Yang Group.

(4) Tang Tiong Ing is the Non-Executive Director Director of SOPB, an authorized representative and also an employee of Shin Yang Group.

(5) Wong Ngie Yong is the Independent Non-Executive Director and member of the Audit and Risk Management Committees of SOPB.

Palm Kernel Crushing In Progress

FINANCIAL STATEMENTS

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are the cultivation of oil palms and the operations of palm oil mills. The principal activities of the subsidiaries are set out in Note 19 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year, except for the commencement of operations of edible oil refinery.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	163,602	125,168
Profit attributable to:		
Owners of the Company	156,776	125,168
Non-controlling interests	6,826	-
	163,602	125,168

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

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

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2011 was as follows:

	RM'000
In respect of the financial year ended 31 December 2011 as reported in the Directors' report of that year:	
First and final dividend of 5.0% less 25% tax on 436,267,559 ordinary shares, paid on 23 July 2012	16,360

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2012, of 6% less 25% taxation on 436,548,459 ordinary shares, amounting to a dividend payable of RM19,644,681 (4.5 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

DIRECTORS

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

Tan Sri Datuk Ling Chiong Ho
Ling Chiong Sing
Gerald Rentap Jabu
Tang Tiong Ing
Fong Tshu Kwong
Dr. Lai Yew Hock
Wong Ngie Yong
Hasbi Bin Suhaili
Ling Lu Kuang
Kamri Bin Ramlee

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 12 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year (including where applicable the interests of their spouses or children who themselves are not Directors of the Company) in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	At 1.1.2012	**Acquired**	**Sold**	**At 31.12.2012**
The Company				
Direct interest				
Tan Sri Datuk Ling Chiong Ho	31,069,808	-	-	31,069,808
Tang Tiong Ing	174,880	-	-	174,880
Fong Tshu Kwong	70,000	10,000	(10,000)	70,000
Dr. Lai Yew Hock	39,400	-	-	39,400
Wong Ngie Yong	20,000	-	-	20,000
Gerald Rentap Jabu	-	7,000	(6,000)	1,000
Deemed interest				
Tan Sri Datuk Ling Chiong Ho	126,294,214	-	-	126,294,214
Ling Chiong Sing	126,294,214	-	-	126,294,214

Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM434,477,000 to RM436,548,000 by way of the issuance of 2,071,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM1.69 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE OPTIONS SCHEME

The Sarawak Oil Palms Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at an Extraordinary General Meeting held on 15 February 2007 and was implemented on 12 March 2007. It is to be in force for a period of 10 years from the date of implementation.

The salient features and other terms of the Employee Share Option Plans are disclosed in Note 36 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who have been granted options to subscribe for less than 146,000 ordinary shares of RM1.00 each.

During the financial year:

The Company granted 1,295,700 share options under the scheme. These options expire on 12 March 2017 and are exercisable if the employee remains in service.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the employee share option plans as at 31 December 2012 are as follows:

Expiry date	Weighted average exercise price RM	Number of options
12 March 2017	2.12	9,127,200

OTHER STATUTORY INFORMATION

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

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

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

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

   i) the amount written off for bad debts inadequate to any substantial extent or it necessary to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and

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

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

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

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

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

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

f) In the opinion of the Directors:

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

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

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 42 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 April 2013.

Fong Tshu Kwong **Tang Tiong Ing**

Statement By Directors
Pursuant To Section 169(15) Of The Companies Act, 1965

We, **Fong Tshu Kwong** and **Tang Tiong Ing**, being two of the Directors of **Sarawak Oil Palms Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 46 to 108 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 44 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 April 2013.

Fong Tshu Kwong

Tang Tiong Ing

Statutory Declaration
Pursuant To Section 169(16) Of The Companies Act, 1965

I, **Wong Hee Kwong**, being the officer primarily responsible for the financial management of **Sarawak Oil Palms Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 46 to 109 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named **Wong Hee Kwong** at Miri in the State of Sarawak on 26 April 2013

Wong Hee Kwong

Before me,

Lim Swee Huat
Commissioner For Oaths (No. Q095)
Lot 1269, 2nd Floor, Jalan Kwangtung,
98000 Miri, Sarawak

Independent Auditors' Report

To The Members Of Sarawak Oil Palms Berhad – 7949-M (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Sarawak Oil Palms Berhad, which comprise the statements of financial position as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 46 to 108.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Other matters

The supplementary information set out in Note 44 on page 109 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young
AF: 0039
Chartered Accountants

Yong Voon Kar
1769/04/14 (J/PH)
Chartered Accountant

Miri, Malaysia
Date: 26 April 2013

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	4	1,314,943	1,166,949	1,036,792	1,112,091
Cost of sales	5	(1,021,265)	(728,963)	(838,292)	(876,279)
Gross profit		293,678	437,986	198,500	235,812
Other items of income					
Interest income	6	12,709	10,892	14,826	12,527
Dividend income	7	-	-	14,133	55,080
Other income	8	5,626	4,141	3,362	6,025
Other items of expense					
Selling and marketing expenses		(73,916)	(73,411)	(68,375)	(73,073)
Administrative expenses		(7,748)	(9,008)	(1,265)	(3,266)
Finance costs	9	(13,380)	(6,556)	(1,332)	(1,149)
Other expense		(3,389)	(2,060)	(3,389)	(2,059)
Share of results of an associate		355	-	-	-
Profit before tax	10	213,935	361,984	156,460	229,897
Income tax expense	13	(50,333)	(95,782)	(31,292)	(45,935)
Profit net of tax		163,602	266,202	125,168	183,962
Profit attributable to:					
Owners of the Company		156,776	242,183	125,168	183,962
Non-controlling interests		6,826	24,019	-	-
		163,602	266,202	125,168	183,962
Earnings per share attributable to owners of the Company (sen per share)					
Basic	14	36.0	55.9		
Diluted	14	35.5	54.7		

Statements of Comprehensive Income (cont'd)

For The Financial Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit net of tax		163,602	266,202	125,168	183,962
Other comprehensive income					
Fair value adjustment on cash flow hedge		585	1,244	-	-
Income tax relating to components of other comprehensive income	13	(146)	(312)	-	-
Other comprehensive income for the year, net of tax		439	932	-	-
Total comprehensive income for the year		164,041	267,134	125,168	183,962
Total comprehensive income attributable to:					
Owners of the Company		157,061	242,789	125,168	183,962
Non-controlling interests		6,980	24,345	-	-
		164,041	267,134	125,168	183,962

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

Statement of Financial Position
As At 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Assets					
Non-current assets					
Property, plant and equipment	15	986,297	602,248	279,119	205,799
Plantation development expenditure	16	563,224	514,837	34,971	33,370
Land held for property development	17	18,538	8,352	-	-
Land use rights	18	4,023	250,600	-	31,059
Investment in subsidiaries	19	-	-	249,415	216,350
Investment in an associate	20	8,005	-	7,650	-
Other investments	21	-	-	40,600	40,600
Other receivables	24	32	32	-	-
Intangible asset	25	5,182	5,182	-	-
Deferred tax assets	29	17,591	4,485	-	-
		1,602,892	1,385,736	611,755	527,178
Current assets					
Inventories	23	228,476	91,249	84,537	74,093
Trade and other receivables	24	63,731	60,203	327,165	233,627
Prepaid operating expenses		2,598	1,701	825	454
Tax recoverable		13,103	52	8,262	-
Cash and bank balances	26	569,835	510,774	240,449	291,926
		877,743	663,979	661,238	600,100
Total assets		2,480,635	2,049,715	1,272,993	1,127,278
Equity and liabilities					
Current liabilities					
Loans and borrowings	27	226,929	63,620	13,180	15,091
Trade and other payables	28	219,392	150,934	83,572	72,994
Income tax payable		706	15,221	706	7,932
Derivatives	22	666	2,187	-	1,429
		447,693	231,962	97,458	97,446
Net current assets		430,050	432,017	563,780	502,654

Statement of Financial Position (cont'd)
As At 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-current liabilities					
Loans and borrowings	27	417,625	355,163	35,213	6,298
Derivatives	22	513	1,006	-	-
Deferred tax liabilities	29	124,439	121,027	31,255	28,907
		542,577	477,196	66,468	35,205
Total liabilities		990,270	709,158	163,926	132,651
Net assets		1,490,365	1,340,557	1,109,067	994,627
Equity attributable to owners of the Company					
Share capital	30	436,548	434,477	436,548	434,477
Share premium	30	8,828	5,813	8,828	5,813
Employee share option reserve	31	3,244	2,698	3,244	2,698
Hedge reserve	32	(575)	(860)	-	-
Retained earnings	33	915,916	775,487	660,447	551,639
		1,363,961	1,217,615	1,109,067	994,627
Non-controlling interests		126,404	122,942	-	-
Total equity		1,490,365	1,340,557	1,109,067	994,627
Total equity and liabilities		2,480,635	2,049,715	1,272,993	1,127,278

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

Statement of Changes in Equity

For The Financial Year Ended 31 December 2012

2012 Group	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Employee share option reserve RM'000	Hedge reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000
			Attributable to Equity Holders of the Company	Non-distributable				Distributable	
Opening balance at 1 January 2012		1,340,557	1,217,615	434,477	5,813	2,698	(860)	775,487	122,942
Total comprehensive income		164,041	157,061	-	-	-	285	156,776	6,980
Transactions with owners									
Dividend paid to non-controlling interests		(3,540)	-	-	-	-	-	-	(3,540)
Dividends on ordinary shares	41	(16,360)	(16,360)	-	-	-	-	(16,360)	-
Acquisition of shares in a subsidiary		35	-	-	-	-	-	-	35
Adjustment due to increase in equity in a subsidiary		-	13	-	-	-	-	13	(13)
Issuance of ordinary shares:									
Pursuant to exercise of ESOS		3,511	3,511	2,071	1,440	-	-	-	-
Share option granted under ESOS:									
Recognised in profit or loss		2,121	2,121	-	-	2,121	-	-	-
Exercise of ESOS		-	-	-	1,575	(1,575)	-	-	-
Closing balance at 31 December 2012		1,490,365	1,363,961	436,548	8,828	3,244	(575)	915,916	126,404

Statement of Changes in Equity (cont'd)

For The Financial Year Ended 31 December 2012

2011 Group	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Employee share option reserve RM'000	Hedge reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000
			← Attributable to Equity Holders of the Company →						
				← Non-distributable		→		Distributable	
Opening balance at 1 January 2011		1,096,468	974,156	431,086	2,790	2,571	(1,466)	539,175	122,312
Total comprehensive income		267,134	242,789	-	-	-	606	242,183	24,345
Transactions with owners									
Dividend paid to non-controlling interests		(13,455)	-	-	-	-	-	-	(13,455)
Dividends on ordinary shares	41	(13,005)	(13,005)	-	-	-	-	(13,005)	-
Acquisition of shares from non-controlling interests		(3,850)	7,134	-	-	-	-	7,134	(10,984)
Issuance of redeemable preference shares to non-controlling interests		724	-	-	-	-	-	-	724
Issuance of ordinary shares:									
Pursuant to exercise of ESOS		3,477	3,477	2,050	1,427	-	-	-	-
Pursuant to exercise of warrants		1,341	1,341	1,341	-	-	-	-	-
Share option granted under ESOS:									
Recognised in profit or loss		1,723	1,723	-	-	1,723	-	-	-
Exercise of ESOS		-	-	-	1,596	(1,596)	-	-	-
Closing balance at 31 December 2011		1,340,557	1,217,615	434,477	5,813	2,698	(860)	775,487	122,942

Statement of Changes in Equity (cont'd)

For The Financial Year Ended 31 December 2012

2012 Company	Note	Equity, total RM'000	Non distributable Share capital RM'000	Share premium RM'000	Employee share option reserve RM'000	Distributable Retained earnings RM'000
Opening balance at 1 January 2012		994,627	434,477	5,813	2,698	551,639
Total comprehensive income		125,168	-	-	-	125,168
Transactions with owners						
Dividends on ordinary shares	41	(16,360)	-	-	-	(16,360)
Issuance of ordinary shares:						
Pursuant to exercise of ESOS		3,511	2,071	1,440	-	-
Pursuant to exercise of warrants		-	-	-	-	-
Share option granted under ESOS:						
Recognised in profit or loss		1,252	-	-	1,252	-
Charged to subsidiaries		869			869	-
Exercise of ESOS		-	-	1,575	(1,575)	-
Closing balance at 31 December 2012		1,109,067	436,548	8,828	3,244	660,447

2011 Company	Note	Equity, total RM'000	Non distributable Share capital RM'000	Share premium RM'000	Employee share option reserve RM'000	Distributable Retained earnings RM'000
Opening balance at 1 January 2011		817,129	431,086	2,790	2,571	380,682
Total comprehensive income		183,962	-	-	-	183,962
Transactions with owners						
Dividends on ordinary shares	41	(13,005)	-	-	-	(13,005)
Issuance of ordinary shares:						
Pursuant to exercise of ESOS		3,477	2,050	1,427	-	-
Pursuant to exercise of warrants		1,341	1,341	-	-	-
Share option granted under ESOS:						
Recognised in profit or loss		1,115	-	-	1,115	-
Charged to subsidiaries		608	-	-	608	-
Exercise of ESOS		-	-	1,596	(1,596)	-
Closing balance at 31 December 2011		994,627	434,477	5,813	2,698	551,639

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

Statements of Cash Flows

For The Financial Year Ended 31 December 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Operating activities					
Profit before tax		213,935	361,984	156,460	229,897
Adjustments for:					
Amortisation of land use rights	18	-	1,813	-	317
Amortisation of plantation development expenditures	16	20,368	17,484	3,117	3,117
Depreciation of property, plant and equipment	15	43,039	40,191	27,262	26,996
Dividend income	7	-	-	(14,133)	(55,080)
Share options granted under ESOS	31	2,121	1,723	1,252	1,115
Unrealised (gain)/loss on forward sales contracts	10	(1,429)	1,429	(1,429)	1,429
Gain on disposal of property, plant and equipment	8	(566)	-	(2,001)	(2,863)
Interest income	6	(12,709)	(10,892)	(14,826)	(12,527)
Interest expense	9	13,380	6,556	1,332	1,149
Inventories written off	10	154	-	-	-
Loss on disposal of property, plant and equipment	10	7	19	-	-
Unrealised gain on foreign exchange	8	(22)	(735)	(22)	(735)
Unrealised loss on foreign exchange	10	880	-	-	-
Impairment loss on other receivables	10	2	-	2	-
Property, plant and equipment written off	10	177	338	137	305
Plantation development expenditure written off	10	154	-	154	-
Share of results of an associate		(355)	-	-	-
Total adjustments		65,201	57,926	845	(36,777)
Operating cash flows before changes in working capital		279,136	419,910	157,305	193,120
Changes in working capital					
Increase in inventories		(137,381)	(27,797)	(10,444)	(27,558)
(Increase)/Decrease in trade and other receivables		(3,508)	(14,346)	15,030	(17,995)
(Increase)/Decrease in other current assets		(897)	735	(371)	159
Increase in trade and other payables		68,458	19,741	6,602	9,547
Net movement in subsidiaries balances		-	-	(103,725)	(53,991)
Total changes in working capital		(73,328)	(21,667)	(92,908)	(89,838)
Cash flows from operations		205,808	398,243	64,397	103,282
Interest received		947	207	-	-
Interest paid		(19,793)	(11,589)	-	-
Income tax paid		(88,779)	(93,461)	(44,432)	(50,048)
Income tax refunded		1,040	361	-	338
Net cash flows from operating activities		99,223	293,761	19,965	53,572

Statements of Cash Flows (cont'd)
For The Financial Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Investing activities					
Dividend received		-	-	14,133	55,080
Interest received		11,762	10,685	14,826	12,527
Purchase of property, plant and equipment		(164,880)	(168,886)	(60,436)	(49,553)
Increase in plantation development expenditures		(56,373)	(65,961)	(4,562)	(5,842)
Increase in land held for property development		(10,186)	(53)	-	-
Additions to land use rights		(684)	(3,555)	-	(3,191)
Proceeds from disposal of land use rights		-	750	-	-
Proceeds from disposal of property, plant and equipment		1,153	3,944	2,691	10,191
Proceeds from redemption of convertible redeemable preference shares		-	-	-	4,250
Acquisition of shares from non-controlling interests		-	(3,850)	-	-
Acquisition of preference shares in a subsidiary		-	-	-	(9,600)
Acquisition of additional shares in investment in subsidiaries		-	-	(33,065)	(15,584)
Acquisition of an associate		(7,650)	-	(7,650)	-
Net cash flows used in investing activities		(226,858)	(226,926)	(74,063)	(1,722)
Financing activities					
Repayment of loans and borrowings		(56,146)	(56,121)	(35,479)	(42,788)
Repayment of obligations under finance leases		(13,783)	(11,998)	(6,882)	(7,475)
Proceeds from exercise of ESOS		3,511	3,477	3,511	3,477
Proceeds from issuance of share or preference share to non-controlling interests		35	724	-	-
Proceeds from exercise of warrants		-	1,341	-	1,341
Proceeds from loans and borrowings		277,221	166,770	59,141	37,000
Proceeds from obligations under finance leases		526	-	-	-
Dividend paid		(16,360)	(13,005)	(16,360)	(13,005)
Dividend paid to non-controlling interests		(3,540)	(13,455)	-	-
Interest paid		(3,888)	(3,223)	(1,332)	(1,149)
Net cash flows from/(used in) financing activities		187,576	74,510	2,599	(22,599)
Net increase/(decrease) in cash and cash equivalents		59,941	141,345	(51,499)	29,251
Cash and cash equivalents at 1 January		510,774	368,694	291,926	261,940
Effect of exchange rate changes on cash and cash equivalents		(880)	735	22	735
Cash and cash equivalents at 31 December	26	569,835	510,774	240,449	291,926

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

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.

The principal activities of the Company are the cultivation of oil palms and the operations of palm oil mills. The principal activities of the subsidiaries are set out in Note 19 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year, except for the commencement of operations of edible oil refinery.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2012 as described fully in Note 2.2.

The financial statements of the Group and of the Company have also been prepared on a historical basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

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

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

- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
- Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7: Transfers of Financial Assets
- Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets
- FRS 124 Related Party Disclosures

Adoption of the above FRS and IC Interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

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

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective

Description	Effective for annual periods beginning on or after
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits	1 January 2013
FRS 127 Separate Financial Statements	1 January 2013
FRS 128 Investment in Associate and Joint Ventures	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to FRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS 116: Property, Plant and Equipment (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS 132: Financial Instruments: Presentation (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS134: Interim Financial Reporting (Improvements to FRSs (2012))	1 January 2013
Amendments to FRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to FRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to FRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities	1 January 2014
FRS 9 Financial Instruments	1 January 2015

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

<u>FRS 10 Consolidated financial statements</u>

FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

The Group is in the process of assessing the effect of the new requirements.

<u>FRS 12 Disclosures of Interests in Other Entities</u>

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

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

FRS 127 Separate Financial Statements

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

FRS 128 Investments in Associates and Joint Ventures

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

FRS 13 Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted.

Upon adoption of FRS 13, the Group will take into consideration the highest and best use of certain properties in measuring the fair value of such properties. The adoption of FRS 13 is expected to result in higher fair value of certain properties of the Group.

FRS 119 Employee Benefits

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" as permitted under the previous version of FRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to FRS 119 require retrospective application with certain exceptions. The directors anticipate that the application of the amendments to FRS 119 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the Group is currently assessing the impact that this standard will have on the financial position and performance of the Group.

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

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

FRS 9 Financial Instruments: Classification and Measurement

FRS 9 reflects the first phase of the work on the replacement of FRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

Malaysian Financial Reporting Standards (MFRS Framework)

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

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

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

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

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

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

2.4 Basis of consolidation

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

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

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

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

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of Non-controlling interests in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.9. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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

2.5 Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the Non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment

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

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

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

Leasehold land	over the remaining leasehold period
Infrastructures	over the remaining leasehold period
Buildings	5 – 20 years
Furniture and office equipment	5 – 10 years
Motor vehicles and vessels	5 – 8 years
Plant, machinery and field equipment	4 – 10 years

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

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

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

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

Certain leasehold land have not been revalued since they were first revalued in 1991. The Directors have not adopted policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS16 (Revised): Property, Plant and Equipment, these assets continued to be stated at valuation less accumulated depreciation.

2.8 Plantation development expenditure

New planting expenditure incurred on land clearing, upkeep of immature oil palms and interest incurred during the pre-maturity period (pre-cropping costs) is capitalised under plantation development expenditure. Upon maturity, all subsequent maintenance expenditure is charged to revenue and the capitalised pre-cropping cost is amortised on a straight line basis over 25 years, the expected useful life of oil palms.

All replanting expenditure is also capitalised in plantation development expenditure and amortised on the above-mentioned basis.

Certain plantation development expenditure have not been revalued since they were first revalued in 1991. The Directors have not adopted policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS16 (Revised): Property, Plant and Equipment, these assets continued to be stated at valuation less accumulated depreciation.

2. Summary of significant accounting policies (Continued)

2.9 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.10 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.11 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

2. Summary of significant accounting policies (Continued)

2.12 Subsidiaries

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

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

2.13 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-currect assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

2. Summary of significant accounting policies (Continued)

2.16 Inventories

(a) Inventories of refined palm oil products and futures contracts

Inventories of refined palm oil products are valued at the lower of cost and spot prices prevailing at the date of the statement of financial position.

Cost of refined palm oil products includes cost of raw materials of crude palm oil and palm kernel, direct labour and an appropriate proportion of fixed and variable production overheads.

The Company has committed purchase and sales contracts for palm oil that are entered into as part of its manufacturing and sale activities. The prices and physical delivery of the sales and purchases are fixed in the contracts and these contracts are not recognised in the financial statements until physical deliveries take place.

Gains or losses arising from matched non-physical delivery futures contracts of palm based products are recognised immediately in the statement of comprehensive income. These futures contracts are entered into as part and parcel of the business of the Company to manage the price risk of its physical inventory.

Outstanding futures contracts of palm-based products are valued at their fair values at the date of the statement of financial position. Where available, quoted market prices are used as a measure of fair values for the outstanding contracts. Where the quoted market prices are not available, fair values are based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar. Unrealised losses arising from the valuation are set off against unrealised gains on an aggregate basis.

(b) Other processed inventories

Fresh fruit bunches, processed inventories of crude palm oil and palm kernel and nursery inventories comprising seedlings remaining in nursery for eventual field planting, are valued at the lower of cost, determined on the weighted average basis, and net realisable value. Cost of processed inventories and nursery inventories includes cost of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

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

(c) Other inventories

Other inventories are stated at the lower of cost and net realisable value.

2.17 Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit and loss and loans and receivables.

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

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

2. Summary of significant accounting policies (Continued)

2.17 Financial assets (Continued)

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

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

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

(b) Loans and receivables

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

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

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

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

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

2.18 Impairment of financial assets

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

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

2. Summary of significant accounting policies (Continued)

2.18 Impairment of financial assets

Trade and other receivables and other financial assets carried at amortised cost (continued)

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

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

2.19 Financial liabilities

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

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

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

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

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

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

(b) Other financial liabilities

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.20 Financial guarantee contracts

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

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

2.21 Borrowing costs

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

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

2.22 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the profit or loss as incurred or capitalised in plantation development expenditure, as appropriate.

(b) Employee share option plans

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

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

2. Summary of significant accounting policies (Continued)

2.23 Leases

As lessee

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

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

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

2.24 Revenue

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

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer.

(b) Rendering of services

Revenue services rendered is recognised net of discounts as and when the services are performed.

2.25 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.25 Income taxes (Continued)

(b) Deferred tax (Continued)

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

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

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

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

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

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

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

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.26 Share capital and share issuance expenses

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

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

2. Summary of significant accounting policies (Continued)

2.27 Contingencies

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

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

2.28 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts, commodity futures and interest rate swaps to manage its exposure to its foreign market risks, price risks of its physical inventory of crude palm oil and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that did not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the income statement.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. Crude palm oil futures are valued at the end of the reporting period against quoted market prices. The fair value of interest rate swap contracts is determined by reference to market value for similar instruments.

The Group uses derivatives to manage its exposure to interest rate risk by interest rate swaps. The Group applies hedge accounting for this hedging relationship which qualifies for hedge accounting.

For the purpose of hedge accounting, hedging relationship is classified as cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other operating expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs.

2. Summary of significant accounting policies (Continued)

2.28 Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (Continued)

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects profit or loss.

The Group uses an interest swap as a hedge for the exposure to its floating rate secured loan. See Note 22 for more details.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

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

(a) Useful lives of property, plant and equipment and plantation development expenditure

The cost of property, plant and equipment for the running of estate operations and plantation development expenditure are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these assets to be within 4 to 99 years for property, plant and equipment and 25 years for plantation development expenditure.

These are common life expectancies applied in the oil palm industry. Changes in the expected level of usage and technological developments and other factors could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment and plantation development expenditure at the reporting date is disclosed in Notes 15 and 16 respectively. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1.48% (2011: 0.80%) variance in the Group's profit for the year.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 24.

3. Significant accounting judgements and estimates (continued)

Key sources of estimation uncertainty (continued)

(c) Deferred tax assets

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

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

The carrying value of deferred tax assets of the Group at 31 December 2012 was RM17,591,000 (2011: RM4,485,000) and recognised tax losses and capital allowances were RM148,448,000 (2011: RM88,172,000) and RM430,812,000 (2011: RM331,668,000).

(d) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value are given in Note 25.

4. Revenue

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sale of goods	1,314,658	1,166,631	1,036,171	1,107,786
Rendering of services	285	318	621	4,305
	1,314,943	1,166,949	1,036,792	1,112,091

5. Cost of sales

Cost of inventories sold	1,020,846	727,654	837,554	868,849
Cost of services rendered	419	1,309	738	7,430
	1,021,265	728,963	838,292	876,279

6. Interest income

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Interest income from:				
- Short term deposits	12,552	10,892	6,774	7,068
- Current account	157	-	-	-
- Subsidiaries	-	-	8,051	5,460
- Loan and receivables	-	-	1	(1)
	12,709	10,892	14,826	12,527

7. Dividend income

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Dividend income from subsidiaries	-	-	14,133	55,080

8. Other income

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Gain on disposal of property, plant and equipment	566	-	2,001	2,863
Gain on future contracts	201	-	-	-
Rental income	464	355	484	557
Miscellaneous	1,945	2,488	327	1,307
Gain on foreign exchange				
- Unrealised	22	735	22	735
- Realised	2,428	563	528	563
	5,626	4,141	3,362	6,025

9. Finance costs

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Interest expenses on:				
- Bank loans	20,294	14,188	646	588
- Overdraft	1	-	-	-
- Obligations under finance leases	1,218	952	686	561
- Revolving credits	1,003	272	-	-
- Interest rate swap	915	846	-	-
- Others	250	254	-	-
	23,681	16,512	1,332	1,149
Less: Amount capitalised in:				
- Plantation development expenditure (Note 16)	(6,820)	(8,992)	-	-
- Property, plant and equipment (Note 15)	(3,481)	(964)	-	-
Total finance costs	13,380	6,556	1,332	1,149

10. Profit before tax

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
The following items have been included in arriving at profit before tax:				
Employee benefits expense (Note 11)	119,173	89,591	45,921	43,305
Non-executive directors' remuneration (Note 12)	444	455	337	354
Auditors' remuneration				
- Current year	175	158	65	60
- Overprovision in previous years	(2)	(3)	-	-
Depreciation of property, plant and equipment (Note 15)	43,039	40,191	27,262	26,996
Amortisation of land use rights (Note 18)	-	1,813	-	317
Amortisation of plantation development expenditure (Note 16)	20,368	17,484	3,117	3,117
Rental expenses	671	799	528	697
Loss on disposal of property, plant and equipment	7	19	-	-
Unrealised (gain)/loss on forward sales contracts	(1,429)	1,429	(1,429)	1,429
Incorporation fee	5	-	-	-
Inventories written off	154	-	-	-
Plantation development expenditure written off	154	-	154	-
Property, plant and equipment written off	177	338	137	305
Impairment loss on other receivables	2	-	2	-
Unrealised loss on foreign exchange	880	-	-	-
Loss on future contracts	2,796	1,318	2,796	1,318

11. Employee benefits expense

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Salaries and wages	128,437	101,030	41,526	39,250
Social security contributions	609	587	397	279
Share options granted under ESOS	2,083	1,723	1,252	1,115
Contributions to defined contribution plan	6,014	5,494	2,746	2,661
Other benefits	116	42	-	-
	137,259	108,876	45,921	43,305
Less: Amount capitalised in plantation development expenditure	(18,086)	(19,285)	-	-
	119,173	89,591	45,921	43,305

11. Employee benefits expense (Continued)

Included in employee benefits expense of the Group and of the Company are the Executive Director's remuneration amounting to RM1,956,000 (2011: RM1,658,000) and RM1,936,000 (2011: RM1,638,000) respectively as further disclosed in Note 12.

The remuneration of Directors and other members of key management during the year was as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short-term employee benefits	7,049	6,559	2,192	2,671
Post-employment benefits:				
Defined contribution plan	717	765	225	315
Share-based payment	542	423	170	173
	8,308	7,747	2,587	3,159

Members of key management of the Group and the Company who are not Directors have been granted the following number of options under the Employee Share Options Scheme ("ESOS"):

	Group/Company	
	2012 RM'000	2011 RM'000
At 1 January	3,710	3,835
Granted	73	-
Exercised	(719)	(125)
At 31 December	3,064	3,710

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 36).

12. Directors' remuneration

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Executive:				
Fees	56	56	36	36
Other emoluments	1,900	1,602	1,900	1,602
Total executive directors' remuneration (excluding benefits-in-kind) (Note 11)	1,956	1,658	1,936	1,638
Estimated money value of benefits-in-kind	28	-	28	-
Total executive directors' remuneration (including benefits-in-kind)	1,984	1,658	1,964	1,638
Non-executive:				
Fees (Note 10)	444	455	337	354
Total non-executive directors' remuneration	444	455	337	354
Total directors' remuneration	2,428	2,113	2,301	1,992

12. Directors' remuneration (continued)

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

	Number of Directors 2012	2011
Executive Director:		
RM1,600,001 - RM1,650,000	-	1
RM1,950,001 – RM2,000,000	1	-
Non-Executive Directors:		
Below RM50,000	5	4
RM50,001 – RM100,000	4	5

13. Income tax expense

Major components of income tax expense

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Statement of comprehensive income:				
Current income tax:				
Malaysian income tax	59,641	91,911	28,448	44,854
Underprovision in respect of previous years	532	946	496	719
	60,173	92,857	28,944	45,573
Deferred income tax (Note 29):				
Origination or reversal of temporary differences	(8,691)	14	2,540	(2,178)
(Over)/Underprovision in respect of previous years	(1,149)	2,911	(192)	2,540
	(9,840)	2,925	2,348	362
Income tax expense recognised in profit and loss	50,333	95,782	31,292	45,935

13. Income tax expense (Continued)

Reconciliation between tax expense and accounting profit

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax	213,935	361,984	156,460	229,897
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	53,484	90,496	39,115	57,474
Adjustments:				
Non-deductible expenses	4,292	3,437	964	949
Income not subject to taxation	(1,573)	(1,090)	(3,849)	(15,212)
Effect of tax incentives	(4,900)	-	(4,900)	-
Underprovision of income tax in respect of previous years	532	946	496	719
(Over)/Underprovision of deferred tax in respect of previous years	(1,149)	2,911	(192)	2,540
Others	(353)	(918)	(342)	(535)
Income tax expense recognised in profit and loss	50,333	95,782	31,292	45,935
Deferred tax relating to other comprehensive income:				
Fair value adjustment on cash flow hedge	146	312	-	-

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

14. Earnings per share

Continuing operations

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

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company (after adjusting for interest expense on convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Group	
	2012 RM'000	2011 RM'000
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	156,776	242,183

14. Earnings per share (continued)

	2012 '000	2011 '000
Weighted average number of ordinary shares of basic earnings per share computation	435,976	433,380
Effect of dilution		
- share options	6,266	8,591
- warrants	-	1,115
Weighted average number of ordinary shares for diluted earnings per share computation	442,242	443,086

15. Property, plant and equipment

Group	Land, buildings and infra-structure * RM'000	Furniture and office equipment RM'000	Motor vehicles and vessels RM'000	Plant, machinery and field equipment RM'000	Total RM'000
Cost:					
At 1 January 2011	333,534	10,787	49,742	218,370	612,433
Additions	27,483	1,306	10,867	12,166	51,822
Disposals	(1,838)	(27)	(545)	(3,060)	(5,470)
Written off	(379)	(40)	-	(1,103)	(1,522)
Transferred from capital work-in-progress	10,155	-	-	3,652	13,807
At 31 December 2011 and 1 January 2012	368,955	12,026	60,064	230,025	671,070
Additions	27,427	3,580	25,184	16,803	72,994
Reclassified from land use rights	270,766	-	-	-	270,766
Reclassified from plantation development expenditure	5	-	-	-	5
Disposals	(2)	(28)	(2,105)	(795)	(2,930)
Written off	(868)	(90)	-	(666)	(1,624)
Transferred from capital work-in-progress	85,064	1	-	135,673	220,738
At 31 December 2012	751,347	15,489	83,143	381,040	1,231,019

15. Property, plant and equipment (continued)

Group	Land, buildings and infra-structure * RM'000	Furniture and office equipment RM'000	Motor vehicles and vessels RM'000	Plant, machinery and field equipment RM'000	Total RM'000
Accumulated depreciation:					
At 1 January 2011	61,727	5,444	30,401	94,139	191,711
Charge for the year	11,927	1,223	8,253	24,985	46,388
Disposals	(33)	(12)	(274)	(1,188)	(1,507)
Written off	(379)	(29)	-	(776)	(1,184)
At 31 December 2011 and 1 January 2012	73,242	6,626	38,380	117,160	235,408
Charge for the year	16,590	1,367	4,708	26,095	48,760
Reclassified from land use rights	23,505	-	-	-	23,505
Disposals	-	(14)	(1,851)	(471)	(2,336)
Written off	(830)	(53)	-	(564)	(1,447)
At 31 December 2012	112,507	7,926	41,237	142,220	303,890
Net carrying amount:					
At 31 December 2011	295,713	5,400	21,684	112,865	435,662
Capital work-in-progress					
At 1 January 2011					47,680
Additions					132,713
Transferred to property, plant and equipment					(13,807)
At 31 December 2011					166,586
					602,248
At 31 December 2012	638,840	7,563	41,906	238,820	927,129
Capital work-in-progress					
At 1 January 2012					166,586
Additions					113,320
Transferred to property, plant and equipment					(220,738)
At 31 December 2012					59,168
					986,297

15. Property, plant and equipment (Continued)

***Land, Buildings and Infrastructures**

Group	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Infrastructures RM'000	Total RM'000
Cost:					
At 1 January 2011	-	-	125,446	208,088	333,534
Additions	-	-	62	27,421	27,483
Disposals	-	-	-	(1,838)	(1,838)
Written off	-	-	(379)	-	(379)
Transferred from capital work-in-progress	-	-	9,006	1,149	10,155
At 31 December 2011 and 1 January 2012	-	-	134,135	234,820	368,955
Additions	-	12,303	366	14,758	27,427
Reclassifications	-	-	(518)	518	-
Reclassified from land use rights	68,627	202,139	-	-	270,766
Reclassified from plantation development expenditure	-	-	-	5	5
Disposals	(2)	-	-	-	(2)
Written off	-	-	(868)	-	(868)
Transferred from capital work-in-progress	-	-	70,255	14,809	85,064
At 31 December 2012	68,625	214,442	203,370	264,910	751,347
Accumulated depreciation:					
At 1 January 2011	-	-	46,813	14,914	61,727
Charge for the year	-	-	8,556	3,371	11,927
Disposals	-	-	-	(33)	(33)
Written off	-	-	(379)	-	(379)
At 31 December 2011 and 1 January 2012	-	-	54,990	18,252	73,242
Charge for the year	1,395	1,623	9,713	3,859	16,590
Reclassified from land use rights	10,515	12,990	-	-	23,505
Written off	-	-	(830)	-	(830)
At 31 December 2012	11,910	14,613	63,873	22,111	112,507
Net carrying amount:					
At 31 December 2011	-	-	79,145	216,568	295,713
At 31 December 2012	56,715	199,829	139,497	242,799	638,840

15. Property, plant and equipment (Continued)

Company	Leasehold land, buildings and infra-structure* RM'000	Furniture and office equipment RM'000	Motor vehicles and vessels RM'000	Machinery and field equipment RM'000	Total RM'000
Cost:					
At 1 January 2011	90,301	7,224	35,703	165,962	299,190
Transferred from capital work-in-progress	1,542	-	-	3,135	4,677
Additions	39	917	6,785	3,277	11,018
Disposals	-	(13)	(4,162)	(9,060)	(13,235)
Written off	-	(23)	-	(648)	(671)
At 31 December 2011 and 1 January 2012	91,882	8,105	38,326	162,666	300,979
Reclassified from land use rights	37,721	-	-	-	37,721
Transferred from capital work-in-progress	28,925	2	-	31,129	60,056
Additions	416	1,655	21,474	6,499	30,044
Disposals	-	(8)	(3,600)	(1,101)	(4,709)
Written off	(652)	(22)	-	(258)	(932)
At 31 December 2012	158,292	9,732	56,200	198,935	423,159
Accumulated depreciation:					
At 1 January 2011	32,846	4,015	20,587	67,209	124,657
Charge for the year	4,406	844	5,298	16,448	26,996
Disposals	-	(6)	(2,231)	(3,670)	(5,907)
Written off	-	(16)	-	(350)	(366)
At 31 December 2011 and 1 January 2012	37,252	4,837	23,654	79,637	145,380
Charge for the year	5,223	782	4,172	17,395	27,572
Reclassified from land use rights	6,662	-	-	-	6,662
Disposals	-	(2)	(3,313)	(704)	(4,019)
Written off	(614)	(12)	-	(169)	(795)
At 31 December 2012	48,523	5,605	24,513	96,159	174,800

15. Property, plant and equipment (Continued)

Company	Leasehold land, buildings and infra-structure* RM'000	Furniture and office equipment RM'000	Motor vehicles and vessels RM'000	Machinery and field equipment RM'000	Total RM'000
Net carrying amount:					
At 31 December 2011	54,630	3,268	14,672	83,029	155,599
Capital work-in-progress					
At 1 January 2011					9,005
Additions					45,872
Transferred to property, plant and equipment					(4,677)
At 31 December 2011					50,200
					205,799
At 31 December 2012	109,769	4,127	31,687	102,776	248,359
Capital work-in-progress					
At 1 January 2012					50,200
Additions					40,616
Transferred to property, plant and equipment					(60,056)
At 31 December 2012					30,760
					279,119

15. Property, plant and equipment (Continued)

* Leasehold land, buildings and infrastructure

Company	Long term leasehold land RM'000	Buildings RM'000	Infrastructure RM'000	Total RM'000
Cost:				
At 1 January 2011	-	90,301	-	90,301
Transferred from capital work-in-progress	-	1,542	-	1,542
Additions	-	39	-	39
At 31 December 2011 and 1 January 2012	-	91,882	-	91,882
Reclassifications	-	(518)	518	-
Reclassified from land use rights	37,721	-	-	37,721
Transferred from capital work-in-progress	-	22,322	6,603	28,925
Additions	-	44	372	416
Written off	-	(652)	-	(652)
At 31 December 2012	37,721	113,078	7,493	158,292
Accumulated depreciation:				
At 1 January 2011	-	32,846	-	32,846
Charge for the year	-	4,406	-	4,406
At 31 December 2011 and 1 January 2012	-	37,252	-	37,252
Charge for the year	317	4,658	248	5,223
Reclassifications	-	(12)	12	-
Reclassified from land use rights	6,662	-	-	6,662
Written off	-	(614)	-	(614)
At 31 December 2012	6,979	41,284	260	48,523
At 31 December 2011	-	54,630	-	54,630
At 31 December 2012	30,742	71,794	7,233	109,769

a) Assets held under finance leases

During the financial year, the Group and the Company acquired plant and machinery and motor vehicles with an aggregate cost of RM17,953,000 (2011: RM14,685,000) and RM10,224,000 (2011: RM7,337,000) respectively by means of finance leases. The cash outflows on acquisition of property, plant and equipment of the Group and of the Company amounted to RM164,880,000 (2011: RM168,886,000) and RM60,436,000 (2011: RM49,553,000) respectively.

15. Property, plant and equipment (Continued)

a) Assets held under finance leases (Continued)

The carrying amounts of plant and machinery and motor vehicles held under finance leases are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Plant and machinery	16,636	15,317	4,830	4,797
Motor vehicles	22,593	13,097	17,948	10,376
	39,229	28,414	22,778	15,173

Leased assets are pledged as security for the related finance lease liabilities (Note 27).

b) Additions to property, plant and equipment include:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loan interests capitalised (Note 9)	3,481	964	-	-

c) Depreciation and amortisation charge for the year is allocated as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income statement (Note 10)	43,039	40,191	27,262	26,996
Plantation development expenditure (Note 16)	5,721	6,197	310	-
	48,760	46,388	27,572	26,996

d) The net carrying amount of leasehold land pledged for loan and borrowings as referred to in Note 27 are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Leasehold land	37,499	-	7,888	-

e) The issuance of certain land titles to the subsidiaries by relevant government authorities is in progress.

16. Plantation development expenditure

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cost:				
At 1 January	634,053	551,820	85,218	79,376
Additions	68,914	82,233	4,872	5,842
Reclassified to property, plant and equipment	(5)	-	-	-
Written off	(385)	-	(385)	-
At 31 December	702,577	634,053	89,705	85,218
Accumulated amortisation:				
At 1 January	119,216	101,732	51,848	48,731
Amortisation for the year (Note 10)	20,368	17,484	3,117	3,117
Written off	(231)	-	(231)	-
At 31 December	139,353	119,216	54,734	51,848
Net carrying amount	563,224	514,837	34,971	33,370

Additions to plantation development expenditure include:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Amortisation of land use rights (Note 18)	-	1,083	-	-
Depreciation of property, plant and equipment (Note 15)	5,721	6,197	310	-
Loan interests capitalised (Note 9)	6,820	8,992	-	-

17. Land held for property development

	Group 2012 RM'000	Group 2011 RM'000
Cost:		
At 1 January	8,352	-
Additions:		
Transferred from land use rights (Note 18)	-	8,299
Leasehold land	9,990	-
Development costs	196	53
	10,186	8,352
At 31 December	18,538	8,352

18. Land use rights

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cost:				
At 1 January	274,105	279,890	37,721	34,530
Reclassified to property, plant and equipment	(270,766)	-	(37,721)	-
Additions	684	3,555	-	3,191
Disposals	-	(750)	-	-
Transfer to property development	-	(8,590)	-	-
At 31 December	4,023	274,105	-	37,721
Accumulated amortisation:				
At 1 January	23,505	20,900	6,662	6,345
Amortisation for the year	-	2,896	-	317
Recognised in income statement (Note 10)	-	1,813	-	317
Capitalised in plantation development expenditure (Note 16)	-	1,083	-	-
Reclassified to property, plant and equipment	(23,505)	-	(6,662)	-
Transfer to property development	-	(291)	-	-
At 31 December	-	23,505	-	6,662
Net carrying amount	4,023	250,600	-	31,059
Amount to be amortised:				
- Not later than one year	-	2,896	-	317
- Later than one year but not later than five years	-	11,584	-	1,268
- Later than five years	4,023	236,120	-	29,474
	4,023	250,600	-	31,059

a) The net carrying amount of leasehold land pledged for loan and borrowings as referred to in Note 27 are as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Leasehold land	-	52,415	-	16,985

b) In 2011, the issuance of certain land titles to the subsidiaries by relevant government authorities is in progress.

c) During the year, the Group reassessed the land use rights and recognised certain land held for own use as property, plant and equipment.

19. Investment in subsidiaries

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares at cost	249,415	216,350

Details of the subsidiaries, all of which are incorporated in Malaysia, and their principal activities are shown as follows:

Name of subsidiaries	Principal activities	Proportion of ownership interest 2012 %	Proportion of ownership interest 2011 %
Held by the Company:			
SOP Karabungan Sdn. Bhd.	Cultivation of oil palms	70	70
SOP Pelita Batu Lintang Plantation Sdn. Bhd.	Cultivation of oil palms	60	60
SOP Plantations (Balingian) Sdn. Bhd.*	Cultivation of oil palms	80	80
SOP Plantations (Beluru) Sdn. Bhd.	Cultivation of oil palms	60	60
SOP Plantations (Borneo) Sdn. Bhd.	Cultivation of oil palms	85	85
SOP Plantations (Kemena) Sdn. Bhd.	Cultivation of oil palms	65	65
SOP Plantations (Niah) Sdn. Bhd.*	Cultivation of oil palms	80	80
SOP Plantations (Sarawak) Sdn. Bhd.	Investment holding	100	100
SOP Plantations (Suai) Sdn. Bhd.*	Cultivation of oil palms	85	85
SOP Plantations (Sabaju) Sdn. Bhd.	Cultivation of oil palms	60	60
SOP Resources Sdn. Bhd.	Supplies of goods	100	100
SOP Services Sdn. Bhd. (Formerly known as SOP System Sdn. Bhd.)	Rendering of IT services	100	100
SOP Industries Sdn. Bhd.	Investment holding	100	100
SOP Properties Sdn. Bhd.	Investment holding	100	100
SOP-Pelita Developments Sdn. Bhd. (Formerly known as Suria Megajaya Sdn. Bhd.)	Inactive	65	100
SOP Agro Sdn. Bhd.*	Inactive	100	-
SOP Pelita Sg Arang Plantation Sdn. Bhd. (Formerly known as Titisan Jaya Sdn. Bhd.)	Inactive	60	-
Wawasan Asiamaju Sdn. Bhd	Inactive	100	-

19. Investment in subsidiaries (Continued)

Name of subsidiaries	Principal activities	Proportion of ownership interest 2012 %	2011 %
Held through a subsidiary - SOP Industries Sdn. Bhd.:			
SOP Green Energy Sdn. Bhd.	Inactive	100	100
SOP Edible Oils Sdn. Bhd.	Refining and trading of palms oil	100	100
Held through a subsidiary - SOP Plantations (Beluru) Sdn. Bhd.:			
Setia Wiramaju Sdn. Bhd.	Management and maintenance of road and barge	51.82	51.82

* Audited by a firm of auditors other than Ernst & Young.

Acquisition of subsidiaries

SOP Agro Sdn. Bhd.

On 25 July 2012, the Company acquired 100% equity interest or 2 ordinary shares in SOP Agro Sdn. Bhd. for a cash consideration of RM2.

On 10 September 2012, the Company acquired by allotment of additional 999,998 ordinary shares in SOP Agro Sdn. Bhd. for a cash consideration of RM999,998.

SOP Pelita Sg Arang Plantation Sdn. Bhd.

On 25 May 2012, the Company acquired 60% equity interest or 60 ordinary shares in SOP Pelita Sg Arang Plantation Sdn. Bhd. for a cash consideration of RM60.

Wawasan Asiamaju Sdn. Bhd.

On 30 July 2012, the Company acquired 100% equity interest or 2 ordinary shares in Wawasan Asiamaju Sdn. Bhd. for a cash consideration of RM2.

The fair values of the identifiable assets and liabilities of subsidiaries as at the date of acquisition were:

	Fair Value/ Carrying Amount 2012 RM'000	2011 RM'000
Cash and bank balances	1,000	-
Net identifiable assets	1,000	-

The effect of the acquisitions on cash flows is as follows:

	2012 RM'000	2011 RM'000
Total cost of the business combination	1,000	-
Less: Cash and cash equivalents of subsidiaries acquired	(1,000)	-
Net cash outflow on acquisitions	-	-

19. Investment in subsidiaries (Continued)

Acquisition of subsidiaries (Continued)

Goodwill arising on acquisition

	2012 RM'000	2011 RM'000
Fair value of net identifiable assets	1,000	-
Less: Non-controlling interests	-*	-
Group's interest in fair value of net identifiable assets	1,000	-
Goodwill on acquisition (Note 25)	-	-
Cost of business combination	1,000	-

*RM40

20. Investment in an associate

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unquoted shares, at cost	7,650	-	7,650	-
Share of post acquisition reserves	355	-	-	-
	8,005	-	7,650	-

Details of the associates are as follows:

Name of Company	Country of Incorporation	Principal Activities	Percentage of equity held 2012 %	2011 %
Micaline Sdn.Bhd	Malaysia	Shipping agency	45	-

Acquisition of Micaline Sdn. Bhd.

On 2 April 2012, the Company acquired 45% equity interest in Micaline Sdn. Bhd., an unlisted company incorporated in Malaysia.

20. Investment in an associate (Continued)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2012 RM	2011 RM
Assets and liabilities		
Total assets	52,919	-
Total liabilities	(35,151)	-
Results		
Revenue	8,790	-
Profit for the year	790	-

21. Other investments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Investment in preference shares	-	-	40,600	40,600

22. Derivatives

a) Derivatives not designated as hedging instruments

The Group uses forward currency contracts and commodity futures to manage some of its transaction exposures. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with the related transaction exposures.

	Group/Company			
	2012 RM'000		2011 RM'000	
	Contract/ Notional amount	Liabilities	Contract/ Notional amount	Liabilities
Forward currency contacts	-	-	19,982	1,429

b) Cash flow hedges

At 31 December 2012, the Group has two interest rate swap agreements in place with notional amounts of RM25,000,000 (2011: RM25,000,000) and RM41,000,000 (2011: RM41,000,000) respectively whereby the Group pays fixed rates of interest of 3.68% and 5.08% per annum respectively and receives variable rates equal to MYR-KLIBOR-BNM on the notional amounts. The interest rate swaps are being used to hedge the exposure to changes in the floating interest rate of its secured loans amounting to RM45,000,000 (2011: RM45,000,000) and RM78,000,000 (2011: RM80,000,000) respectively. The management considers the interest rate swaps as effective hedging instruments as the secured loans and the swaps have identical critical terms.

A net unrealised loss of RM1,179,000 (2011: RM1,764,000), a related deferred tax asset of RM294,000 (2011: RM440,000) was included in equity.

22. Derivatives (Continued)

b) Cash flow hedges (Continued)

The amount retained in equity at 31 December 2012 is expected to mature and affect the income statement during the next 7 financial years as follows:

	Group	
	2012 RM'000	2011 RM'000
Within one year	666	758
Later than 1 year but not later than 2 years	127	553
Later than 2 years but not later than 5 years	331	314
Later than 5 years	55	139
	1,179	1,764

The related financial liabilities are analysed as follows:

	Notional Amount RM'000	2012 Fair Value RM'000	2011 Fair Value RM'000
Cash flow hedges	66,000	1,179	1,764
Analysed as:			
Current		666	758
Non-current		513	1,006
		1,179	1,764

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total derivatives:				
Current	666	2,187	-	1,429
Non-current	513	1,006	-	-
	1,179	3,193	-	1,429

23. Inventories

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cost				
Refined products	55,385	-	-	-
Crude palm oil and palm kernel	105,564	63,237	71,370	63,237
Nursery inventories	2,920	1,917	705	303
Stores and spares	36,846	25,937	12,462	10,396
Crushed stone	-	158	-	157
	200,715	91,249	84,537	74,093
Net realisable value				
Refined products	27,761	-	-	-
	228,476	91,249	84,537	74,093

24. Trade and other receivables

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Current:				
Trade receivables				
Third parties	26,047	47,749	1	38,645
Other receivables				
Other receivables	10,988	4,500	8,205	2,757
Amounts due from subsidiaries	-	-	292,921	184,351
Refundable deposits	26,696	7,954	26,038	7,874
	37,684	12,454	327,164	194,982
	63,731	60,203	327,165	233,627
Non-current:				
Other receivables				
Other receivables	32	32	-	-
Total trade and other receivables (current and non-current)	63,763	60,235	327,165	233,627
Add: Cash and bank balances (Note 26)	569,835	510,774	240,449	291,926
Total loans and receivables	633,598	571,009	567,614	525,553

a) Trade receivables

The Group and the Company trade receivables are non-interest bearing and are generally on 30 day (2011: 30 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

<u>Ageing analysis of trade receivables</u>

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

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Neither past due nor impaired	25,918	47,693	-	38,645
1 to 30 days past due not impaired	31	12	-	-
31 to 60 days past due not impaired	19	5	-	-
61 to 90 days past due not impaired	11	4	-	-
91 to 120 days past due not impaired	7	2	1	-
More than 121 days past due not impaired	61	33	-	-
	129	56	1	-
	26,047	47,749	1	38,645

24. Trade and other receivables (Continued)

a) Trade receivables (Continued)

Receivables that are neither past due nor impaired

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

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM129,000 (2011: RM56,000) and RM1,000 (2011:Nil) respectively that are past due at the reporting date but not impaired.

b) Amount due from subsidiaries

Included in the amount due from subsidiaries is an amount of RM224,075,000 (2011: RM153,774,000), being advances which bears interest at COF + 1.1% (2011: COF + 1.1%) per annum.

The amount due from subsidiaries is unsecured and is repayable on demand.

c) Other receivables

Included in other receivables of the Group and of the Company is an amount of RM289,000 (2011: RM59,000) due from companies in which certain Directors have substantial financial interests.

25. Intangible asset

	Group	
	2012 RM'000	2011 RM'000
Goodwill		
Cost:		
At 1 January and 31 December	5,182	5,182

26. Cash and bank balances

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash at banks and on hand	67,835	97,447	36,253	36,741
Short term deposits with licensed banks	502,000	413,327	204,196	255,185
Cash and bank balances	569,835	510,774	240,449	291,926

26. Cash and bank balances (Continued)

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

	Group		Company	
	2012 %	2011 %	2012 %	2011 %
Deposits with licensed banks	2.20 – 3.35	1.95 – 3.35	2.20-3.35	2.20 – 3.35

The maturity of deposits as at the end of the financial year was as follows:

	Group		Company	
	2012 Days	2011 Days	2012 Days	2011 Days
Deposits with licensed banks	2 – 92	4 – 92	2 – 92	4 – 92

27. Loans and borrowings

		Group		Company	
	Maturity	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current					
Secured:					
Bankers acceptances	2013	150,054	-	-	-
Obligations under finance leases (Note 34(b))	2013	12,188	9,974	7,076	5,112
Revolving credits	2013	23,000	26,000	-	-
Term loans	2013	35,583	17,667	-	-
		220,825	53,641	7,076	5,112
Unsecured:					
Revolving credits	2013	5,000	6,000	5,000	6,000
Term loans	2013	1,104	3,979	1,104	3,979
		6,104	9,979	6,104	9,979
		226,929	63,620	13,180	15,091
Non-current					
Secured:					
Obligations under finance leases (Note 34(b))	2014 - 2015	11,788	9,306	6,572	5,194
Term loans	2014 - 2022	377,196	344,753	-	-
		388,984	354,059	6,572	5,194
Unsecured:					
Term loans	2014 - 2016	28,641	1,104	28,641	1,104
		417,625	355,163	35,213	6,298
Total loans and borrowings		644,554	418,783	48,393	21,389

27. Loans and borrowings (Continued)

The remaining maturities of the loans and borrowings as at 31 December are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
On demand or within one year	226,929	63,620	13,180	15,091
Later than 1 year but not later than 2 years	88,819	43,195	8,496	4,941
Later than 2 years but not later than 5 years	268,460	189,721	26,717	1,357
Later than 5 years	60,346	122,247	-	-
	644,554	418,783	48,393	21,389

Bankers acceptances

Bankers acceptances are secured by legal charges over certain leasehold land of the Group and debenture incorporating fixed and floating charge over all present and future assets of a subsidiary.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 15).

Revolving credits

Revolving credits are secured by charges over certain leasehold land of the Group and of the Company.

Term loans

The term loans are secured by charges over certain leasehold land of the Group and of the Company.

The ranges of interest rates during the financial year for loans and borrowings are as follows:

	Group	
	2012 %	2011 %
Bankers acceptances	3.78 – 3.87	N/A
Obligations under finance leases	3.10 – 6.17	4.78 – 6.17
Term loans		
- Fixed rates	4.95 – 5.50	5.50 – 5.52
- Floating rates	4.05 – 4.87	4.05 – 4.95
Revolving credits	3.99 – 4.33	4.11 – 4.35

28. Trade and other payables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade payables				
Third parties	112,221	72,254	27,173	22,943
Amount due to subsidiaries	-	-	21,226	17,250
	112,221	72,254	48,399	40,193
Other payables				
Retention sums payable to contractors	5,797	4,817	5,797	4,817
Staff remuneration payable	4,722	3,603	4,722	3,603
Deposits received	42	35	19	18
Dividend payable	-	300	-	-
Other payable and accrued operating expenses	96,610	69,925	24,635	24,363
	107,171	78,680	35,173	32,801
	219,392	150,934	83,572	72,994
Total trade and other payables	219,392	150,934	83,572	72,994
Add: Loans and borrowings (Note 27)	644,554	418,783	48,393	21,389
Total financial liabilities carried at amortised cost	863,946	569,717	131,965	94,383

a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 day (2011: 30 to 60 day) terms.

Included in trade payables of the Group and of the Company are amounts of RM2,906,000 (2011: RM4,674,000) and RM423,000 (2011: RM683,000) respectively due to companies in which certain Directors have substantial financial interests.

b) Other payables

Included in other payables of the Group and of the Company are amounts of RM2,154,000 (2011: RM25,000) and RM7,000 (2011: RM21,000) respectively due to companies in which certain Directors have substantial financial interests.

Included in other payables of the Group is an amount of RM5,250,000 (2011: RM5,250,000) which bears interest of 4.60% (2011: 4.60%) p.a.

c) Amount due to subsidiaries

This amount is unsecured, non-interest bearing and is repayable on demand.

29. Deferred tax

	As at 1 January 2011 RM'000	Recognised in profit or loss RM'000	Recognised in other compre-hensive income RM'000	As at 31 December 2011 RM'000	Recognised in profit or loss RM'000	Recognised in other compre-hensive income RM'000	As at 31 December 2012 RM'000
Group							
Deferred tax liabilities:							
Property, plant and equipment	200,740	21,964	-	222,704	31,709	-	254,413
Deferred tax assets:							
Unutilised tax losses	(17,173)	(4,870)	-	(22,043)	(15,069)	-	(37,112)
Unabsorbed capital allowance and agriculture allowance	(69,510)	(13,407)	-	(82,917)	(24,786)	-	(107,703)
Fair value adjustment on cash flow hedge	(752)	-	312	(440)	-	146	(294)
Others	-	(762)	-	(762)	(1,694)	-	(2,456)
	(87,435)	(19,039)	312	(106,162)	(41,549)	146	(147,565)
	113,305	2,925	312	116,542	(9,840)	146	106,848

	As at 1 January 2011 RM'000	Recognised in profit or loss RM'000	As at 31 December 2011 RM'000	Recognised in profit or loss RM'000	As at 31 December 2012 RM'000
Company					
Deferred tax liabilities:					
Property, plant and equipment	28,545	362	28,907	2,348	31,255

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(17,591)	(4,485)	-	-
Deferred tax liabilities	124,439	121,027	31,255	28,907
	106,848	116,542	31,255	28,907

29. Deferred tax (Contineud)

During the year, the Group has:

	Group 2012 RM'000	Group 2011 RM'000
Unutilised tax losses	143,865	50,065
Unabsorbed capital allowances	73,292	13,411
Unabsorbed agriculture allowance	357,164	163,960
	574,321	227,436

The unutilised tax losses, unabsorbed capital allowances and unabsorbed agriculture allowance of the Group are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act 1967 and guidelines issued by the tax authority.

30. Share capital and share premium

	Number of Ordinary Shares of RM1 Each Share Capital (Issued and Fully Paid) '000	Amount: Share Capital (Issued and Fully Paid) RM'000	Amount: Share Premium RM'000	Amount: Total Share Capital and Share Premium RM'000
At 1 January 2011	431,086	431,086	2,790	433,876
Ordinary shares issued during the year:				
Pursuant to exercise of ESOS	2,050	2,050	1,427	3,477
Pursuant to exercise of warrants	1,341	1,341	-	1,341
Transfer from employee share option reserve arising from exercise of ESOS	-	-	1,596	1,596
At 31 December 2011 and 1 January 2012	434,477	434,477	5,813	440,290
Ordinary shares issued during the year:				
Pursuant to exercise of ESOS	2,071	2,071	1,440	3,511
Transfer from employee share option reserve arising from exercise of ESOS	-	-	1,575	1,575
At 31 December 2012	436,548	436,548	8,828	445,376

30. Share capital and share premium (Continued)

	Number of Ordinary Shares of RM1 Each		Amount	
	2012	2011	2012	2011
	'000	'000	RM'000	RM'000
Authorised share capital				
At 1 January and 31 December	5,000,000	5,000,000	5,000,000	5,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

31. Employee share option reserve

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
At 1 January	2,698	2,571	2,698	2,571
Share options granted under ESOS				
Recognised in profit or loss	2,121	1,723	1,252	1,115
Charged to subsidiaries	-	-	869	608
Transfer to Share Premium arising from exercise of ESOS	(1,575)	(1,596)	(1,575)	(1,596)
At 31 December	3,244	2,698	3,244	2,698

The employee share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

32. Hedge reserve

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
At 1 January	(860)	(1,466)	-	-
Fair value adjustment on cash flow hedge	285	606	-	-
At 31 December	(575)	(860)	-	-

The hedge reserve represents the cumulative fair value changes, net of tax, of the interest rate swap designated as cash flow hedges.

33. Retained earnings

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

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2012 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient credit in the 108 balance and the tax exempt income account to pay franked dividends amounting to RM277,357,000 (2011: RM303,318,000) out of its retained earnings. If the balance of the retained earnings of RM383,090,000 (2011: RM248,321,000) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

34. Commitments

a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Capital expenditure:				
Approved and contracted for:				
Plantation development expenditure	5,883	32,949	-	-
Property, plant and equipment	98,855	107,362	66,726	36,545
	104,738	140,311	66,726	36,545
Approved but not contracted for:				
Plantation development expenditure	12,997	264,391	-	1,122
Property, plant and equipment	81,293	116,321	29,106	73,877
	94,290	380,712	29,106	74,999
	199,028	521,023	95,832	111,544

34. Commitments (Continued)

b) Finance lease commitments

The Group has finance leases for certain items of plant and machinery and motor vehicles (Note 15). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Minimum lease payments				
Not later than 1 year	13,149	10,723	7,613	5,540
Later than 1 year but not later than 2 years	9,176	6,986	5,067	4,008
Later than 2 years but not later than 5 years	3,050	2,712	1,753	1,386
Total minimum lease payments	25,375	20,421	14,433	10,934
Less: Amounts representing finance charges	(1,399)	(1,141)	(785)	(628)
Present value of minimum lease payments	23,976	19,280	13,648	10,306
Present value of payments:				
Not later than 1 year	12,188	9,974	7,076	5,112
Later than 1 year but not later than 2 years	8,789	6,648	4,850	3,837
Later than 2 years but not later than 5 years	2,999	2,658	1,722	1,357
Present value of minimum lease payments	23,976	19,280	13,648	10,306
Less: Amount due within 12 months (Note 27)	(12,188)	(9,974)	(7,076)	(5,112)
Amount due after 12 months (Note 27)	11,788	9,306	6,572	5,194

35. Related party transactions

Sale and purchase of goods and services

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

	Company 2012 RM'000	Company 2011 RM'000
Significant transactions with subsidiaries		
Purchase of fresh fruit bunches	327,659	354,113
Purchase of goods	26,288	23,643
Sale of seedlings and consumables	(1,591)	(465)
Sale of goods and services	(435,641)	-
Construction services	(170)	(5,045)
Sale of property, plant and equipment	(2,268)	(10,394)
Purchase of property, plant and equipment	1,090	4,331
Interest expenses recharged	(8,051)	(5,460)
Management fees	(200)	(200)
Other income	(1,498)	(496)
Other services	(7,947)	(1,773)
Rental charges	132	132

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Transactions with companies owned substantially by Directors Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing				
Contract fees paid	-	505	-	-
Purchase of spare parts and consumables	22,558	21,573	2,170	3,271
Sales of property, plant and equipment	(400)	-	(400)	-
Purchase of property, plant and equipment	9,314	5,011	4,944	1,931
Purchase of fresh fruit bunches	66,873	62,706	66,873	62,706
Sales of goods and services	(54)	(69)	-	-
Transportation charges	4,367	3,245	61	34
Transactions with a company owned substantially by a Director, Wong Ngie Yong				
Purchase of spare parts and consumables	-	905	-	-

36. Employee benefits

Employee Share Options Scheme ("ESOS")

The Sarawak Oil Palms Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at an Extraordinary General Meeting held on 15 February 2007 and was implemented on 12 March 2007. It is to be in force for a period of 10 years from the date of implementation.

The salient features of the ESOS are as follows:

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

(ii) Subject to the discretion of the Option Committee, any employee who has been employed for at least one year and whose employment has been confirmed is eligible to participate in the ESOS. Directors of the Group are not eligible to participate in the Proposed ESOS.

(iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 6.32% of the issued and paid up share capital of the Company during the tenure of the ESOS. The aggregate allocation of options to the senior management of the Group shall not exceed 50% of the total number of shares to be issued under the ESOS. In addition, not more than 10% of the shares available under the ESOS are to be allocated to any eligible employee who, either singly or collectively through persons connected to the eligible employee, holds 20% or more in the issued and paid up share capital of the Company.

(iv) The option price for each share shall be the higher of (a) at a discount of not more than 10% from the 5-day weighted average market price of the shares of the Company as shown in the daily official list issued by Bursa Securities immediately preceding the date on which the option is granted or (b) the par value of the shares of the Company.

(v) The options shall be exercisable only by the employee during his lifetime and in employment of the Group and within the option period, subject to a maximum percentage of options exercisable in each year over a period up to 10 years.

(vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the then existing ordinary shares of the Company except that the shares so issued shall not be entitled for any dividends, rights, allotments or other distributions to shareholders the entitlement date of which is prior to the date of allotment of the shares.

(vii) The options shall not carry any right to vote at a general meeting of the Company.

(viii) Fair value of share options granted during the year

The fair value of share options granted during the year was estimated by an external valuer using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at granted date and the assumptions are as follows:

	2012	2011
Fair value of share options at the following grant dates (RM):		
3 November 2012	5.40	-
12 March 2011	-	1.15
Weighted average share price (RM)	6.58	4.10
Weighted average exercise price (RM)	2.12	1.70
Expected volatility (%)	28.56	27.82
Expected life (years)	5	6
Risk free rate (%)	3.2	3.1
Expected dividend yield (%)	0	0

The expected life of the options is based on historical date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

36. Employee benefits (Continued)

Employee Share Options Scheme ("ESOS") (Continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	Outstanding 1 January '000	Movements during the year Granted '000	Exercised '000	Forfeited '000	Expired '000	Outstanding 31 December '000	Exercisable 31 December '000
2012							
2012 options	-	1,296	(12)	(122)	-	1,162	221
2011 options	821	-	(171)	(24)	-	626	113
2010 options	1,619	-	(252)	(28)	-	1,339	285
2009 options	552	-	(110)	(10)	-	432	180
2008 options	503	-	(188)	(6)	-	309	322
2007 options	6,654	-	(1,339)	(56)	-	5,259	2,564
WAEP	1.65	5.40	1.69	3.66	-	2.12	1.77
2011							
2011 options	-	988	(51)	(116)	-	821	96
2010 options	2,041	-	(293)	(129)	-	1,619	200
2009 options	806	-	(191)	(63)	-	552	89
2008 options	884	-	(334)	(47)	-	503	227
2007 options	7,908	-	(1,181)	(73)	-	6,654	2,298
WAEP	1.56	3.12	1.70	2.27	-	1.65	1.50

(i) Details of share options outstanding at the end of the year:

Grant date	WAEP	Exercised Period RM
2012	2.12	11.3.2012 – 11.3.2017
2011	1.65	12.3.2011 - 11.3.2017
2010	1.56	9.6.2010 - 11.3.2017
2009	1.41	12.3.2009 - 11.3.2017
2008	1.37	12.3.2008 - 11.3.2017
2007	2.91	12.3.2007 - 11.3.2017

(ii) Share options exercised during the year

Option exercised during the financial year resulted in the issuance of 2,072,000 (2011: 2,050,000) ordinary shares at an average price of RM1.69 (2011: RM1.70) each. The related weighted average share price at the date of exercise was RM6.58 (2011: RM4.10).

37. Fair value of financial instruments

Determination of fair value

The following methods and assumptions are used to estimate the fair value of each class of financial instruments other than derivative financial instruments, for which it is practicable to estimate that value:

(a) Cash and bank deposits, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short term nature.

(b) Trade receivables and trade payables

The carrying amounts of trade receivables and trade payables approximate their fair values because they are subject to normal trade credit terms.

(c) Amounts due from/to subsidiaries

The carrying values of amounts due from/to subsidiaries approximate their fair values due to their short term nature.

(d) Loans and borrowings

The carrying values of loans and borrowings approximate their fair values as they bear interest rates which approximate the current incremental borrowing rates for similar types of lending and borrowing arrangements.

(e) Derivatives

The fair value of a foreign exchange forward contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate at the current spot value at the reporting date for the same maturity profile.

(f) Financial guarantees

Fair value is determined based on the probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

38. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's overall financial risk management strategy seeks to minimise potential adverse effects of financial performance of the Group. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

Financial risk management policies are periodically reviewed and approved by the Board of Directors and executed by risk management committees. The Group Risk Committee provides independent oversight to the effectiveness of the risk management process.

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

38. Financial risk management objectives and policies

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. At the reporting date, the Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers are subject to credit verification procedures. Receivables are monitored on an ongoing basis.

Exposure to credit risk

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

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 24.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 24.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group adopts a prudent approach to managing its liquidity risk. The Group always maintains sufficient cash and cash equivalents, and has available funding through a diverse source of committed and uncommitted credit facilities from various banks.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment obligations.

Group	On demand or within1 year RM'000	Between 1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2012				
Financial liabilities:				
Trade and other payables,				
excluding financial guarantees*	219,392	-	-	219,392
Loans and borrowings	226,929	349,784	67,841	644,554
Total undiscounted financial liabilities	446,321	349,784	67,841	863,946
At 31 December 2011				
Financial liabilities:				
Trade and other payables,				
excluding financial guarantees*	150,934	-	-	150,934
Loans and borrowings	63,620	232,916	122,247	418,783
Total undiscounted inancial liabilities	214,554	232,916	122,247	569,717

38. Financial risk management objectives and policies (Continued)

(b) Liquidity risk

Company	**On demand or within1 year RM'000**	**Between 1 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
At 31 December 2012				
Financial liabilities:				
Trade and other payables,				
excluding financial guarantees*	83,572	-	-	83,572
Loans and borrowings	13,180	27,718	7,495	48,393
Total undiscounted financial liabilities	96,752	27,718	7,495	131,965
At 31 December 2011				
Financial liabilities:				
Trade and other payables,				
excluding financial guarantees*	72,994	-	-	72,994
Loans and borrowings	15,091	6,298	-	21,389
Total undiscounted financial liabilities	88,085	6,298	-	94,383

* At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as no default has occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to market risk for changes in interest rates arise primarily from their long term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM301,000 (2011: RM229,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the functional currency of the Group (RM). The foreign currency in which these transactions are denominated is primarily United States Dollars (USD).

The Group manages its foreign currency risk by hedging transactions using forward currency contracts.

38. Financial risk management objectives and policies (Continued)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The sensitivity of the Group's profit net of tax to a reasonable possible change in the USD exchange rates against the functional currency of the Group and of the Company, with all other variables held constant:

	Group Profit net of tax		Company Profit net of tax	
	2012	2012	2012	2011
	RM'000	RM'000	RM'000	RM'000
USD/RM - strengthen by 5%	1,827	772	443	772
USD /RM - weaken by 5%	(1,827)	(772)	(443)	(772)

39. Capital management

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

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

40. Segment information

No segmental analysis is presented as the Group is principally engaged in the oil palm industry in Malaysia.

41. Dividends

	Group/Company	
	2012	2011
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
Final dividend for 2011:		
5% (2010: 4%) less 25% (2010: 25%) tax on		
436,267,559 (2010: 433,483,359) ordinary shares	16,360	13,005
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
Final dividend for 2012:		
6% (2011: 5%) less 25% (2011: 25%) tax on		
436,548,459 (2011: 434,476,559) ordinary shares	19,645	16,293

42. Events occurring after the reporting date

On 10 January 2013, the Company acquired the remaining 15,999,999 ordinary shares of RM1 each in SOP Plantations (Beluru) Sdn. Bhd. representing 40% equity interest not already held by the Company for a total cash consideration of RM122,400,000.

On 10 January 2013, the Company acquired the remaining 10,500,000 ordinary shares of RM1 each in SOP Plantations (Kemena) Sdn. Bhd. representing 35% equity interest not already held by the Company for a total cash consideration of RM120,100,000.

43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 26 April 2013.

44. Supplementary information - breakdown of retained earnings into realised and unrealised

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Recognised during the financial year:				
Total retained earnings of the Company and its subsidiaries:				
- Realised	992,247	861,796	690,251	581,818
- Unrealised	(76,331)	(86,309)	(29,804)	(30,179)
Retained earnings as per financial statements	915,916	775,487	660,447	551,639

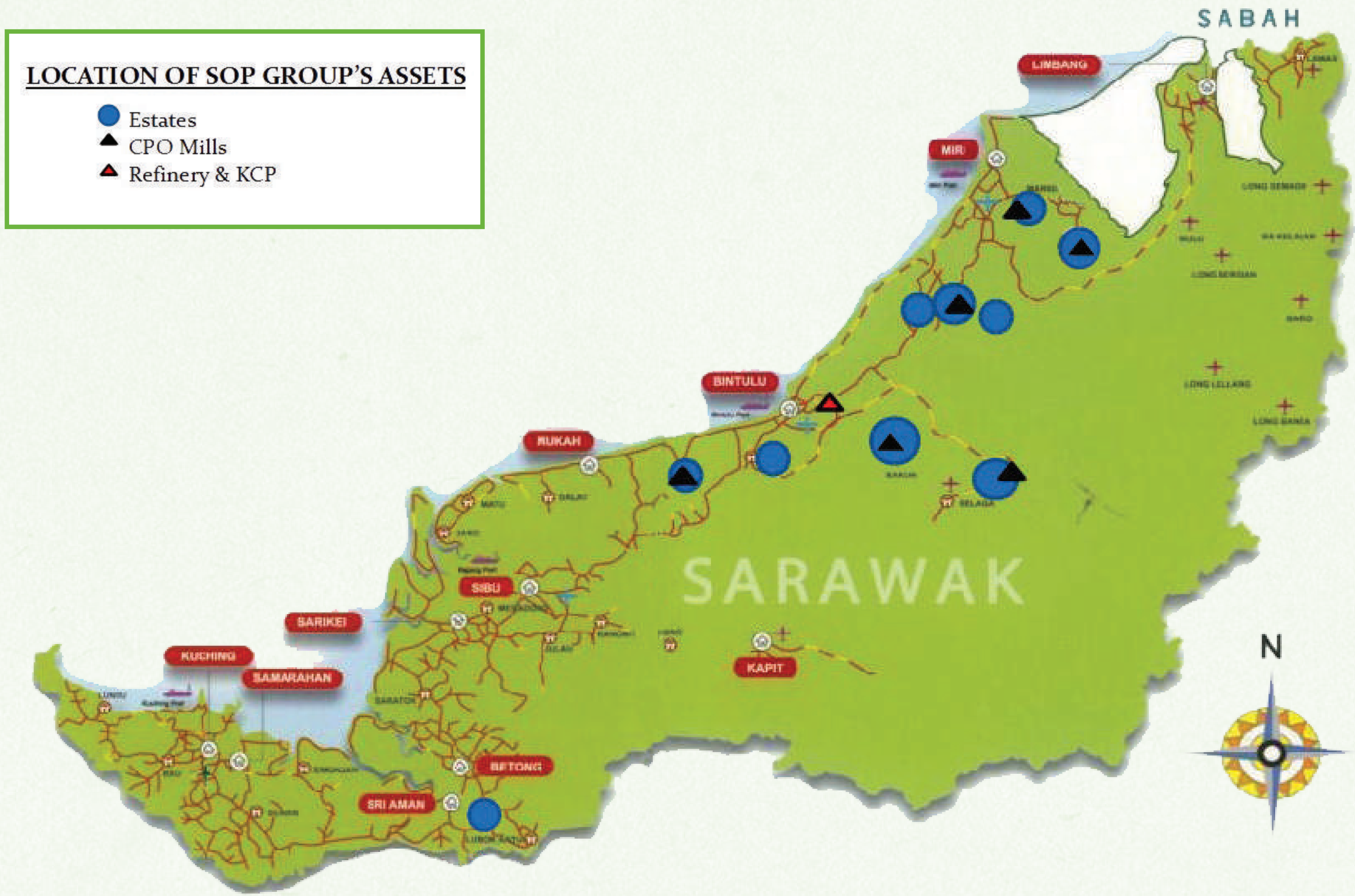
List of Properties of Group

As At 31 December 2012

	Location of Property Sarawak	Year of Acquired/ Revaluation	Tenure	Year of Expiry	Size Hectares	Description Net	Book Value As at 31 Dec 2012 (RM'000)	Age of Building (Years)
1	Kebuloh Estate, Miri	1971-1972	Leasehold 87 to 97 years	2067	1,841	Oil Palm Estate & Oil Palm Mill		
2	Luak Estate, Miri	1977-1980	Leasehold 87 to 97 years	2067	2,785	Oil Palm Estate		
3	Telabit Estate, Miri	1989	Leasehold 99 years	2085	2,762	Oil Palm Estate	314,090	1 to 42
4	Pinang Estate, Miri	1991	Leasehold 99 years	2090	1,296	Oil Palm Estate		
5	Galasah Estate, Miri	1989	Leasehold 99 years	2084	1,907	Oil Palm Estate & Oil Palm Mill		
6	Balingian Estate 1, Balingian	1977	Leasehold 60 years	2057	1,679	Oil Palm Estate & Oil Palm Mill	44,838	1 to 14
	Balingian Estate 2, Balingian	1999	Leasehold 60 years	2059	2,298	Oil Palm Estate		
7	Sengah/Tibus Estate, Miri	2003-2004	Leasehold 60 years	2063-2064	1,499	Land under Oil Palm Development		
8	Lamaus Estate, Miri	2003-2004	Leasehold 60 years	2063-2064	3,818	Land under Oil Palm Development	60,831	1 to 15
9	Suai Estate, Miri	2004	Leasehold 60 years	2064	3,337	Land under Oil Palm Development		
10	Niah Estate, Miri	1999	Leasehold 60 years	2059	5,000	Oil Palm Estate	60,129	1 to 14
11	Taniku Estate, Miri	2003	Leasehold 60 years	2058	4,858	Oil Palm Estate	127,821	1 to 15
12	Sepakau Estate, Belaga	2003	Leasehold 60 years	2059	9,030	Land Under Oil Palm Development		
13	Karabungan Estate	2005	Leasehold 60 years	2058	2,023	Land Under Oil Palm Development	30,297	1 to 8
14	Tatau Estate	2008	Leasehold 99 years	2103	3,840	Land Under Oil Palm Development		
15	Sebungan Estate	2006	Leasehold 99 years	2103	1,667	Land Under Oil Palm Development	203,312	1 to 7
16	Lavang Estate	2006	Leasehold 99 years	2104	4,880	Land Under Oil Palm Development		
17	Tinbarap Estate	2007	Leasehold 99 years	2105	12,910	Land Under Oil Palm Development	259,939	1 to 5
18	Batu Lintang, Sri Aman	2008	NCR Native Land 60 years	NA	2,298	Land Under Oil Palm Development	42,718	1 to 5
19	Sabaju Estate	2010	Leasehold	-	3,370	Land Under Oil Palm Development	53,278	1 to 3
20	POIC, Bintulu	2012	Leasehold 60 years	*	41	Palm Oil Refinery, Fractionation, Palm Kernel Crushing Plant & other amenities	183,037	1 to 1

* Pending issuance of Title

SARAWAK OIL PALMS BERHAD GROUP



Analysis of Shareholdings
As At 07 May 2013

SHARE CAPITAL

Authorised	:	500,000,000 Ordinary Shares of RM1.00 each
Issued and Fully Paid	:	437,302,209
Voting Rights	:	One Vote Per Share

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	184	4.59	2,716	0.00
100 – 1,000	903	22.52	567,223	0.13
1,001 – 10,000	2,242	55.92	8,796,242	2.01
10,001 – 100,000	566	14.12	16,195,402	3.70
100,001 to less than 5% of issued shares	108	2.69	65,584,286	15.00
5% and above of issued shares	6	0.15	346,156,340	79.16
TOTAL	4,009	100.00	437,302,209	100.00

Substantial Shareholders

	No. of Shares Held	% of Issued Capital
1. Shin Yang Plantation Sdn Bhd	126,294,214	28.88
2. Pelita Holdings Sdn Bhd	124,591,852	28.49
3. Tan Sri Datuk Ling Chiong Ho	31,069,808	7.10

Directors' Interests In Shares

	Direct Interest		Deemed Interest	
Size of Holdings	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
In the company				
Tan Sri Datuk Ling Chiong Ho	31,069,808	7.10	-	-
Ling Chiong Sing	-	-	-	-
Tang Tiong Ing	42,880	0.01	-	-
Fong Tshu Kwong	70,000	0.02	-	-
Gerald Rentap Jabu	1,000	negligible	-	-
Dr. Lai Yew Hock, Dominic	-	-	39,400	0.01
Wong Ngie Yong	-	-	20,000	negligible

Thirty Largest Shareholders
As At 07 May 2013

THIRTY LARGEST SHAREHOLDERS AS AT 07 MAY 2013

	NAME	No. of Shares	Shares %
1	PELITA HOLDINGS SDN BHD	124,591,852	28.49
2	AMMB NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD (KCH 001)	103,064,478	23.57
3	UOBM NOMINEES (ASING) SDN BHD EXEMPT AN FOR SOCIETE GENERALE BANK & TRUST, SINGAPORE BRANCH (CUST ASSET)	41,515,166	9.49
4	LING CHIONG HO	31,069,808	7.10
5	SHIN YANG PLANTATION SDN BHD	23,229,736	5.31
6	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR HSBC PRIVATE BANK (SUISSE) S. A. (SPORE TST AC CL)	22,685,300	5.19
7	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH (A/C CLIENTS-FGN)	9,778,400	2.24
8	VALUECAP SDN BHD	7,569,500	1.73
9	PEKAN MEGAH SDN BHD	5,820,360	1.33
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG ING YUNG (PB)	3,000,000	0.69
11	ECML NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN (002)	1,975,000	0.45
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	1,834,000	0.42
13	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIT PHENG	1,558,000	0.36
14	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN (M)	1,443,900	0.33
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (SHAREHLDR'S FD)	1,180,300	0.27
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR KOON YEW YIN (MY0951)	1,099,000	0.25
17	HLIB NOMINEES (ASING) SDN BHD UOB KAY HIAN PTE LTD FOR QUEK LENG CHYE	1,074,240	0.25
18	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN	1,034,700	0.24
19	WONG YU @ WONG WING YU	1,034,200	0.24
20	ADINAMAJU SDN BHD	1,024,660	0.23
21	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIT PHENG (M)	992,500	0.23
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	866,900	0.20
23	RHB NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR YAP SUNG PANG	827,000	0.19
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE NON-PAR FD)	791,900	0.18
25	CIMB COMMERCE TRUSTEE BERHAD PUBLIC FOCUS SELECT FUND	739,400	0.17
26	NEOH CHOO EE & COMPANY, SDN. BERHAD	677,000	0.15
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	600,000	0.14
28	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	596,220	0.14
29	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A)	586,200	0.13
30	LING CHIONG PIN	559,500	0.13

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 45th Annual General Meeting of the Company will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 25 June 2013 at 10.00 am for the following purposes:-

AGENDA

1 To receive and adopt the annual accounts for the year ended 31st December 2012 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2 To declare a Final Dividend in respect of the financial year ended 31st December 2012 as recommended by the Directors. **(Resolution 2)**

3 To approve payment of Directors' fees in respect of the financial year ended 31st December 2012. **(Resolution 3)**

4 To re-elect the following Directors who retire pursuant to Article 95 and 101 of the Company's Articles of Association and being eligible, offer themselves for re-election.

(a) Tang Tiong Ing **(Resolution 4)**
(b) Gerald Rentap Jabu **(Resolution 5)**
(c) Fong Tshu Kwong **(Resolution 6)**

5 To appoint Messrs. Ernst & Young as the auditors of the Company and to authorise the Board of Directors to fix their remuneration. **(Resolution 7)**

6 **As Special Businesses**
To consider and, if thought fit, to pass the following ordinary resolutions:-

(i) Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

"**THAT** approval be and is hereby given to Directors who has served as an Independent Non-Executive Director of the Company for a cumulative form of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company."

(a) Fong Tshu Kwong **(Resolution 8)**
(b) Dr. Lai Yew Hock, Dominic **(Resolution 9)**
(c) Wong Ngie Yong **(Resolution 10)**

(ii) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature **(Resolution 11)**

"**THAT**, subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into Recurrent Related Party Transactions of a revenue or trading nature with those Related Parties as stated in Section 2.2 of the Circular to Shareholders dated 4 June 2013, which are necessary for its day-to-day operations subject further to the following: -

a) That the transactions are in the ordinary course of business and are made on an arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those available to the public and not to the detriment of the minority shareholders; and

b) That disclosure will be made in the annual report of the Company of the breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year based on information such as the type of the Recurrent Transactions made and the names of the related parties involved in each type of the Recurrent Transactions made and their relationship with the company.

c) That such approval shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company ;
(ii) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("Acts") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
(iii) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier;

7 To transact any other business for which due notice shall be given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT the First and Final Dividend of 6% less 25% tax for the financial year ended 31 December 2012 will be payable on 23 July 2013 to Depositors registered in the Records of Depositors at the close of business on 28 June 2013. Depositor shall qualify for entitlement to the dividend only in respect of:

a) Shares deposited into Depositor's Securities Account before 12:30pm on 26 June 2013. (In respect of shares which are exempted from mandatory deposit)
b) Shares transferred into the Depositor's Securities Account before 4:00pm on 28 June 2013 in respect of transfers; and
c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Eric Kiu Kwong Seng
Secretary
Miri

4 June 2013

Notice of Annual General Meeting (cont'd)

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of its attorney.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. The Form of Proxy must be deposited to either of the following offices not less than forty-eight (48) hours before the time appointed for holding the meeting:
   (i) The Office of the Share Registrars, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia.
   (ii) The Registered office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.
5. Explanatory notes on Special Business:
   Ordinary Resolution No. 6(i): Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012
   (i) Fong Tshu Kwong
   (ii) Dr. Lai Yew Hock, Dominic
   (iii) Wong Ngie Yong
   The Nomination Committee has assessed the independence of Fong Tshu Kwong, Dr. Lai Yew Hock, Dominic and Wong Ngie Yong who have served as an Independent Non-Executive Director of the Company for a term of seventeen years (Mr. Fong), thirteen years (Dr. Lai) and twelve years (Mr. Wong) respectively and recommended them to continue to act as Independent Non-Executive Director of the Company based on the following justifications:
   (a) They fulfill the criteria stated under the definition of Independent Director as defined in the Listing Requirements of Bursa Malaysia Securities Berhad and they are able to provide proper checks and balance thus bring an element of objectivity to the Board of Directors.
   (b) They have always actively participated in Board and Board Committees discussions and has continuously provided an independent view to the Board.
   (c) They have the caliber, qualifications, experience and personal qualities to consistently challenge management in an effective and constructive manner.
   (d) Profile of the three (3) Directors appear on page 10 and page 11 of the Annual Report.

Ordinary Resolution No. 6(ii): Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature:

If passed, will authorize the Company and/or its subsidiary companies to enter into Recurrent Related Party Transactions of revenue or trading nature. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 4 June 2013 for more information.

6. Depositors who appear in the Record of Depositors as at 19 June 2013 shall be regarded as member of the Company entitled to attend the Forty-Fifth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Statement Accompanying Notice
Of The Forty-Fifth Annual General Meeting of Sarawak Oil Palms Berhad

1. **Directors who are standing for Re-election**
   (a) Tang Tiong Ing (Resolution 4)
   (b) Gerald Rentap Jabu (Resolution 5)
   (c) Fong Tshu Kwong (Resolution 6)

   Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 9 to 11 of this Annual Report.

2. **Directors who are seeking for continuation of office as Independent Non-Executive Director**
   (a) Fong Tshu Kwong (Resolution 8)
   (b) Dr. Lai Yew Hock, Dominic (Resolution 9)
   (c) Wong Ngie Yong (Resolution 10)

   Profiles of the three (3) Directors appear on pages 10 to 11 of this Annual Report.

3. **Details of Attendance of Directors of Board Meetings**

Name of Directors	Date of Appointment	Board Attendance
Tan Sri Datuk Ling Chiong Ho	16/06/1995	4/4
Ling Chiong Sing	01/12/2006	4/4
Ling Lu Kuang	27/06/2008	4/4
Tang Tiong Ing	16/06/1995	4/4
Hasbi Bin Suhaili	26/08/2005	4/4
Gerald Rentap Jabu	24/05/2000	3/4
Fong Tshu Kwong	22/03/1996	4/4
Dr Lai Yew Hock, Dominic	24/02/2000	4/4
Wong Ngie Yong	15/06/2001	4/4
Kamri Bin Ramlee	01/04/2011	4/4

Number of meetings attended (first figure) number of meetings held while in office (second figure)

4. **Details of the Board of Directors' Meeting held**

   Four Board Meetings were held during the year.

Board Meeting	Time	Place
24 February 2012	9.30 a.m	Conference Room of SOPB, No. 124-126, Jalan Bendahara, Miri, Sarawak
27 April 2012	2.15 p.m	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak
29 August 2012	10.00 a.m	Conference Room of SOP Edible Oils Sdn Bhd, Lot 3144, Kidurong Industrial Estate Area, Phase 2, 97000 Bintulu, Sarawak
27 November 2012	9.30 a.m	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak

5. **Details of persons who are standing for election as Directors**

   No individual is seeking election as Director at the Forty-Fifth Annual General Meeting of the Company.

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Form of Proxy

SARAWAK OIL PALMS BERHAD
(Company No.7949-M)
(Incorporated in Malaysia)

No of ordinary shares held

I/We ____

of ____

being a member/members of the above Company, hereby appoint *Chairman of the meeting or ____________________

____

of ____

or failing him ____

of ____

as *my/our proxy to vote for* me/us and on* my/our behalf at the Forty-Fifth Annual General Meeting of the Company to be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 25 June 2013 at 10.00 am and, at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Annual General Meeting as indicated with an "X" in the appropriate spaces.

NO.	RESOLUTIONS	FOR	AGAINST
1	Adoption of Accounts and Reports of Directors and Auditors.		
2	Declaration of Final Dividend.		
3	Approval of Directors' fees.		
4	Re-election of retiring directors: Tang Tiong Ing		
5	Re-election of retiring directors: Gerald Rentap Jabu		
6	Re-election of retiring directors: Fong Tshu Kwong		
7	Appointment of Auditors		
	SPECIAL BUSINESSES		
8	Continuation of terms in office of Fong Tshu Kwong as Independent Non-Executive Director		
9	Continuation of terms in office of Dr. Lai Yew Hock, Dominic as Independent Non-Executive Director		
10	Continuation of terms in office of Wong Ngie Yong as Independent Non-Executive Director		
11	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue of trading nature		

(Please indicate with an "X' in the space provided above on how you wish your proxy to vote. If no instruction is given this form will be taken to authorise the proxy to vote at his/her discretion)

Dated this …………………day of …………………… 2013

……………………………………………………..........
Signature and/or Common Seal of Shareholders

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his instead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one (1) proxy, the proportion of his shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Pursuant to paragraph 7.22 of the Listing Requirements of the Bursa Malaysia Berhad, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy or proxies shall be in writing (in the common and usual form) under the hand of the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy or proxies must be either under seal or under the hand of an office or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at either of the following offices not less than forty-eight (48) hours before the time appointed for the holding of the meeting:
   a) The Office at the Share Registrars, Symphony Share Registrars Sdn. Bhd. At Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46 47301 Petaling Jaya, Selangor.
   b) The Registered Office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.
5. Depositors who appear in the Record of Depositors as at 19 June 2013 shall be regarded as member of the Company entitled to attend the Forty-Fifth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

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Stamp

The Company Secretary
SARAWAK OIL PALMS BERHAD (7949-M)
No. 124-126, Jalan Bendahara
98000 Miri
Sarawak

Please fold here


SARAWAK OIL PALMS BERHAD (7949-M)
No.124-126, Jalan Bendahara
98000 Miri, Sarawak