

Annual Report 2010

Building a sustainable future



SARAWAK OIL PALMS BERHAD (7949-M)



Lambir Estates and New Lambir Palm Oil Mill



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Estate Manager's Quarter at Lambir Estate



Group Highlights

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5 Years Financial Record

| | 2006 RM '000 | 2007 RM '000 | Group 2008 RM '000 | 2009 RM '000 | 2010 RM '000 |
|--|-----------------|-----------------|--------------------------|-----------------|-----------------|
| RESULTS | | | | | |
| Turnover | 221,482 | 439,482 | 683,520 | 533,304 | 728,158 |
| Profit before taxation | 39,558 | 151,370 | 208,560 | 134,659 | 222,135 |
| Profit after taxation | 33,822 | 117,172 | 153,886 | 106,537 | 164,282 |
| Total Shareholders' Fund | 347,359 | 455,029 | 736,121 | 828,777 | 974,156 |
| Total assets | 683,999 | 902,346 | 1,263,708 | 1,413,328 | 1,664,661 |
| Total borrowing | 210,001 | 215,089 | 235,822 | 275,659 | 305,447 |
| Issued & paid -up capital | 142,452 | 144,153 | 427,408 | 428,526 | 431,086 |
| Dividend (Net of tax) | 2,564 | 5,200 | 9,042 | 9,630 | 9,659 |
| FINANCIAL STATISTICS | | | | | |
| Profit before taxation / turnover (%) | 17.9 | 34.4 | 30.5 | 25.2 | 30.5 |
| Gross Dividend (sen / share) | 2.5 | 5.0 | 6.0 | 3.0 | 4.0 |
| Net Earnings per share of RM 1 each (sen) – Basic | 24.5 | 76.4 | 36.2 | 23.3 | 35.3 |
| Net Earnings per share of RM 1 each (sen) – Diluted | 22.8 | 67.9 | 35.9 | 22.9 | 34.6 |
| Net tangible assets per share of RM 1 each (RM) | 2.45 | 3.15 | 1.72 | 1.93 | 2.26 |



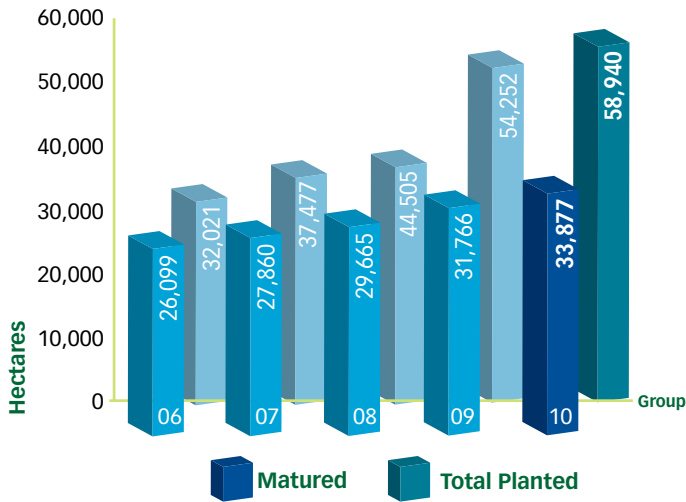
5 Years Crop Record

PLANTED HECTARAGE, PRODUCTION AND PRODUCE PRICES

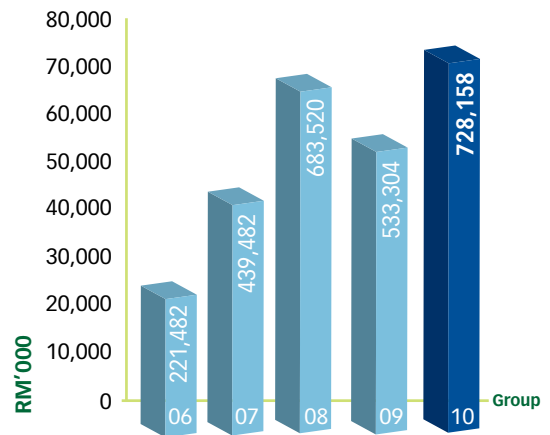
| | 2006 Ha | 2007 Ha | 2008 Ha | 2009 Ha | 2010 Ha |
|--|---------------|---------------|---------------|---------------|---------------|
| OIL PALMS | | | | | |
| Mature | 26,099 | 27,860 | 29,665 | 31,766 | 33,877 |
| Immature | 5,922 | 9,617 | 14,840 | 22,486 | 25,063 |
| Total | 32,021 | 37,477 | 44,505 | 54,252 | 58,940 |
| Reserves, Unplanted, Building sites, etc | 24,064 | 30,292 | 24,768 | 18,401 | 13,713 |
| Total Area Under Lease | 56,085 | 67,769 | 69,273 | 72,653 | 72,653 |
| | Tonnes | Tonnes | Tonnes | Tonnes | Tonnes |
| FFB CROP | | | | | |
| Estate Crop | 482,051 | 560,307 | 663,509 | 649,855 | 673,260 |
| Outside Crop | 160,141 | 197,668 | 421,771 | 395,963 | 462,949 |
| | 642,192 | 757,975 | 1,085,280 | 1,045,818 | 1,136,209 |
| Crude Palm Oil (Produced) | 124,873 | 161,991 | 226,919 | 225,056 | 238,204 |
| Palm Kernels (Produced) | 26,238 | 32,568 | 47,351 | 45,562 | 49,182 |
| YIELD PER HECTARE | | | | | |
| Tonnes FFB / Mature palms | 18.47 | 20.11 | 23.11 | 21.25 | 19.87 |
| Crude Palm Oil / FFB | 21.50% | 20.96% | 20.91% | 21.57% | 21.23% |
| Palm Kernels / FFB | 4.52% | 4.21% | 4.36% | 4.37% | 4.38% |
| AVERAGE PRICES | | | | | |
| FOB Bintulu / Miri | | | | | |
| Crude Palm Oil | 1,458 | 2,306 | 2,592 | 2,141 | 2,673 |
| Palm Kernels | 839 | 1,377 | 1,396 | 1,034 | 1,786 |

5 Years Statistical Highlights

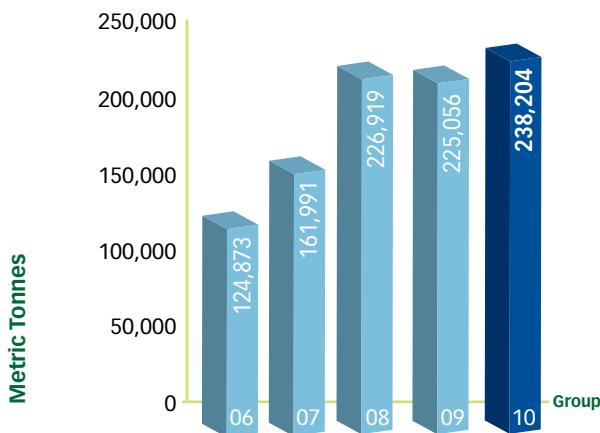
AREA PLANTED



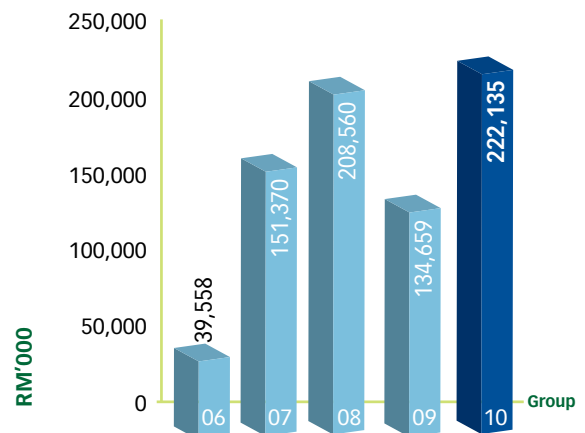
REVENUE



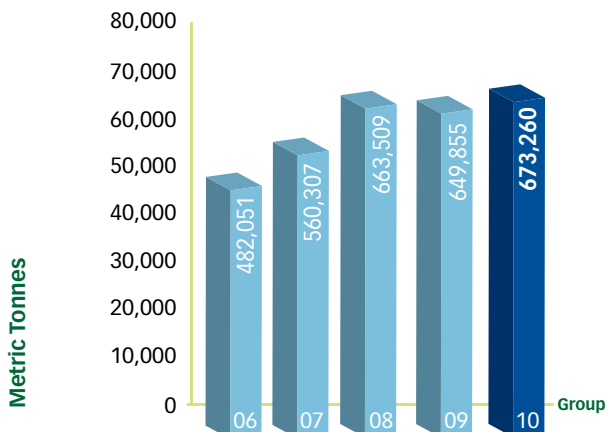
CRUDE PALM OIL PRODUCED INCLUDING OUTGROWERS



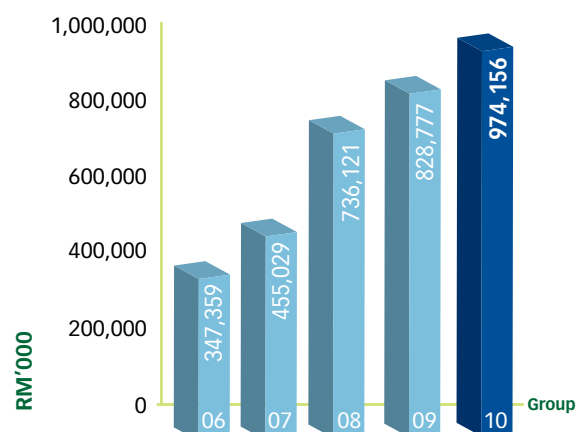
PROFIT BEFORE TAXATION



FRESH FRUIT BUNCHES HARVESTED



SHAREHOLDER FUND



DIRECTORS

Tan Sri Datuk Ling Chiong Ho *(Group Executive Chairman)*

Ling Chiong Sing

Ling Lu Kuang

Tang Tiong Ing

Hasbi Bin Suhaili

Kameri Bin Affandi *(resigned effective 01 April 2011)*

Gerald Rentap Jabu

Fong Tshu Kwong

Dr. Lai Yew Hock, Dominic

Wong Ngie Yong

Kamri Bin Ramlee *(appointed effective 01 April 2011)*



AUDIT/NOMINATION COMMITTEE

Fong Tshu Kwong
Chairman
Independent Non-Executive

Tang Tiong Ing
Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Wong Ngie Yong *(appointed effective 25 February 2011)*
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
Malaysia
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

AUDITORS

Ernst & Young
4th Floor, Unit 4.1, Lot 698
Wisma Yong Lung
Pelita Commercial Centre
98000 Miri, Sarawak, Malaysia

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
AmBank (Malaysia) Berhad
CIMB Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

The Main Board
Bursa Malaysia

STOCK NAME

SOP

STOCK CODE

5126

DOMICILE

Malaysia

Profile of Board of Directors

TAN SRI DATUK LING CHIONG HO

A Malaysian citizen, aged 59, was appointed as Director on 16 June 1995. In 1999, he was appointed as the Group's 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. He is a member of the ESOS Option Committee and the Management Retirement Gratuity Fund Committee of the Board.

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 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.

LING CHIONG SING

A Malaysian citizen, aged 55, was appointed as Director on 1 December 2006. He is a Member of the Management Retirement Gratuity Fund Committee of the Board.

He graduated from Taiwan in Accounting and is currently the Chief Executive Director of a well-diversified Shin Yang Group of Companies in Sarawak and he is the Managing Director for three business sectors of the Group namely, shipping and shipbuilding, transport and support services and quarry operations. He has more than 26 years of managerial experience and is very hands on in the business of logging, plywood, shipping, 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.

LING LU KUANG

A Malaysian citizen, aged 34, was appointed as a 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

Profile of Board of Directors (Cont'd)

TANG TIONG ING

A Malaysian citizen, aged 53, has been a 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 (Malaysian) and is a member of the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia, Malaysian Association of Company Secretaries and Fellow Certified Practising Accountant status (FCPA) of CPA 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. (SYPSB), a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

HASBI BIN SUHALI

A Malaysian citizen, aged 48, was appointed as a Non-Executive Director on 26 August 2005. 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. He is currently the Senior Manager of Internal Audit, Investment Monitoring and Evaluation Division, and Corporate Finance Division 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 19 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 41, was appointed as a 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 52, was appointed as an Independent and 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 doctoral 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 also Non-Executive Non-Independent Director in Technodex Bhd. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

Profile of Board of Directors (Cont'd)

FONG TSHU KWONG @ FONG TSHUN KWONG

A Malaysian citizen, aged 53, was appointed as an Independent and Non-Executive Director on 22 March 1996. Presently, he serves as a member of the Audit, Nomination, Remuneration and Risk Management Committees. He is a Chartered Accountant (Malaysian) 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 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 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 60, was appointed as an Independent and Non-Executive Director on 15 June 2001. 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.



FFB Ramp at New Lambir Palm Oil Mill



KAMERI BIN AFFANDI (resigned effective 01 April 2011)

A Malaysian citizen, aged 51, was appointed as a Non-Executive Director on 28 November 2008. He holds a Bachelor of Science from the National University of Malaysia and also a Master of Business Administration from Ohio University of the USA. He is currently the Senior Manager from Agro Business Division of Pelita Holdings Sdn. Bhd. Prior to this, he was with the government service and attached to various State Agencies since 1987. 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.

KAMRI BIN RAMLEE (appointed effective 01 April 2011)

A Malaysian citizen, aged 51, was appointed as a Non-Executive Director on 1 April 2011. He holds a degree in LLB (Hons) from University Malaya in 1984 and also a Master of Business Administration from University Kebangsaan Malaysia in 2010. He joined the Land Custody and Development Authority (LCDA) since 1989. He is currently the Senior Manager from 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 Oriental Bank Berhad 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 49, was appointed as the Chief Executive Officer of Sarawak Oil Palms Berhad Group in 1998 and was subsequently redesignated as Group Chief Executive Officer in 2010. He is a Chartered Accountant (Malaysian) and is a member of the Malaysian Institute of Accountants and Fellow member of Chartered Association of Certified Public 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 Sarawak Oil Palms Berhad ("SOPB") and does not have any conflict of interest with SOPB. His interests in the shares and the options under the Employee Share Option Scheme ("ESOS") of SOPB at year end are 100,800 shares and 1,763,800 options respectively.

SOPB won the Award for the "Highest Compound Growth in Profit Before Tax over Three Years" in The Edge Billion Ringgit Club And Corporate Awards 2010.







Business Review

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Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report of Sarawak Oil Palms Berhad Group ("the Group") for the Financial Year ended 31 December 2010.

REVIEW OF RESULTS

The favorable commodity prices maintained its momentum throughout year 2010 backed by strong demand for vegetable oils amid tight supply due to inclement climatic factors.

The Group registered a turnover of RM728.16 million, an increase of 36.54% as compared to RM533.30 million achieved in 2009. The Group operating profit ("EBIT") bounced back strongly to RM222.13 million which is 64.96% up from previous year.

Accordingly the Group registered a net profit of RM164.28 million. The Earnings Per Share of the Group also improved from 23.3 sen to 35.3 sen.

DIVIDEND

With the stronger overall performance of the Group, the Board proposes a first and final dividend of 4 % less tax at 25% per ordinary share amounting to RM12,932,595 for the Financial Year ended 31 December 2010.

SOPB will continue its present dividend practice by reinvesting substantial portion of its profit in order to sustain the long term growth.

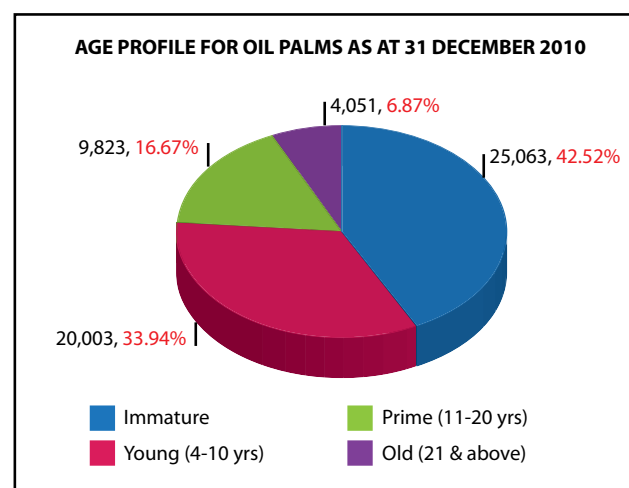
REVIEW OF OPERATIONS

For the year under review, the fresh fruit bunches ("FFB") production of the Group only increased marginally to 673,260 tonnes from 649,855 tonnes. The marginally increase experienced by the Group was due to the contribution from the new mature areas netting off the effect of low production cycle as a result of biological stress. FFB yield per hectare declined by 6.49% to 19.87 tonne due partly to dilution effects of newly matured areas and lower yield. The oil extraction rate remained flat at 21.23% and the oil per hectare was 4.22 tonnes per hectare. The average net prices achieved for crude palm oil was RM2,673 and RM1,786 for palm kernel.

In 2010, the Group planted additional 4,688 hectares of oil palms, thus further increased the total area planted to 58,940 hectares out of a total land bank of 72,653 hectares. The oil palms age profile of the Group is as follows;

Oil palms age profile as at December 2010

| Palms Age (Yrs) | Area (Ha) | Percentage |
|-------------------|---------------|----------------|
| Immature | 25,063 | 42.52% |
| Young (4-10 yrs) | 20,003 | 33.94% |
| Prime (11-20 yrs) | 9,823 | 16.67% |
| Old (21 & above) | 4,051 | 6.87% |
| Total | 58,940 | 100.00% |



With the increased area of new planting, the FFB production of the Group is expected to increase further over the next few years from both the immature palms coming into productive age and young palms approaching their prime production age.

As mentioned in the last financial report, the Company had started the construction of its fifth Palm Oil Mill of 60 tonnes per hour at Kemena, Bintulu, Sarawak and it is expected to be operational by first half of year 2012. The company is also planning to build its sixth Palm Oil Mill of 90 tonnes per hour at Baram, Miri, Sarawak and is expected to commence construction by second half of 2011.

REVIEW OF OPERATIONS (CONT'D)

In line with the Group plan to integrate its oil palm business, the Group has, via its subsidiary SOP Edible Oils Sdn Bhd, started construction of its palm oil refinery and fractionation plant of 1,500 tonnes per day together with Kernel crushing plant of 250 tonnes per day at Bintulu, Sarawak. The plants are expected to be operational by first half of year 2012.

HUMAN RESOURCES

In line with the Group's plan to further expand in its business operations, the Group continues to build up its management team through training and retention programme. The Group emphasizes on upgrading the skill and knowledge of its employees through an organized and structured internal training programme under SOPB Academy, tailored to fulfill the present and future needs of the Group and the employees. Key Managers and Executives are also selected to go for external training programme.

The Group has also started to further improve its housing and amenities to uplift the quality of life of the employees. This is part of the Group effort in providing a better working and living environment in the plantation operations.



Palm Oil Refinery under Construction



SOP Academy, Lambir Estate

Chairman's Statement (Cont'd)

PROSPECT

Over the next two years, the Group will continue to expand its oil palms areas. With the construction of two additional palm oil mills, and the refinery and fractionation and kernel crushing plants, the Group will focus very much in developing and establishing its market for its downstream products. The Group is also exploring opportunities to expand and enhance its businesses.

Going forward, like many other plantation companies, the Group will be facing challenging operating conditions despite favorable palm oil prices. The challenge for the Group is to further improve its efficiency and productivity. The Group shall continue to work on achieving and realizing the full potential of its resources.

With the expected recovery of palms from last year's biological stress, and increased contributions from the rising yield from the young mature areas, these, together with the assumption that current firm commodity prices will continue for 2011, and barring any unforeseen circumstances, the Group is projected to have better earnings and profits for the next financial year.

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



Palm Oil Refinery under Construction

Pernyataan Pengerusi

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan Kumpulan Sarawak Oil Palms Berhad ("Kumpulan") bagi tahun kewangan berakhir 31 Disember 2010.

ULASAN KEPUTUSAN

Harga komoditi yang baik telah berterusan di sepanjang tahun 2010 disebabkan oleh permintaan yang kukuh terhadap minyak sayur-sayuran sedangkan penawarannya adalah ketat akibat daripada faktor-faktor cuaca buruk.

Kumpulan telah mencatatkan jumlah dagangan sebanyak RM728.16 juta, peningkatan sebanyak 36.54% berbanding RM533.30 juta yang dicapai pada tahun 2009. Keuntungan Operasi ("EBIT") Kumpulan telah melonjak kepada RM222.13 juta, peningkatan sebanyak 64.96% berbanding tahun sebelumnya.

Kumpulan juga telah mencatatkan pendapatan bersih sebanyak RM164.28 juta. Perolehan Kumpulan bagi setiap saham juga telah meningkat daripada 23.3 sen kepada 35.3 sen.

DIVIDEN

Dengan prestasi keseluruhan Kumpulan yang lebih kukuh, Lembaga mencadangkan dividen pertama dan terakhir sebanyak 4% ditolak cukai pada 25% sesaham biasa yang berjumlah RM12,932,595 bagi tahun kewangan berakhir 31 Disember 2010.

SOPB akan meneruskan amalan dividen yang sedia ada dengan melaburkan semula sebahagian besar keuntungannya untuk mempertahankan pertumbuhan jangka panjang.

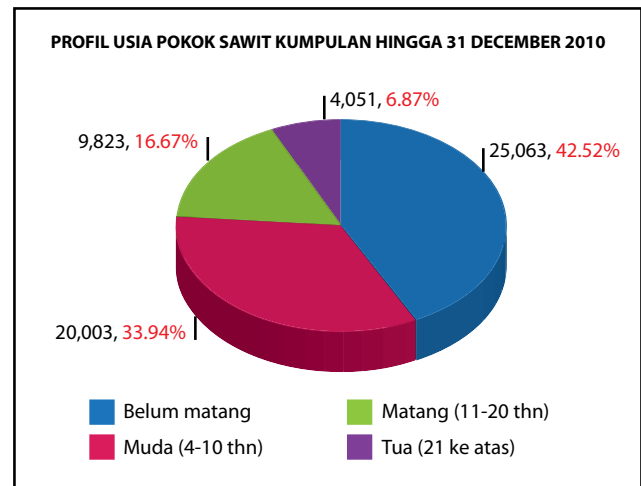
ULASAN OPERASI

Bagi tahun kewangan yang ditinjau, pengeluaran tandan buah segar ("FFB") Kumpulan meningkat sedikit kepada 673,260 tan daripada 649,855 tan. Peningkatan sedikit yang diperolehi oleh Kumpulan adalah disebabkan oleh sumbangan dari kawasan yang baru matang serta kesan kitaran pengeluaran yang rendah akibat daripada tekanan biologi. Pengeluaran FFB sehektar telah berkurang sebanyak 6.49% kepada 19.87 tan yang juga disebabkan oleh kesan pencairan kawasan yang baru matang dan pengeluaran yang rendah. Kadar ekstraksi minyak kekal mendatar pada 21.23% dan minyak sehektar adalah 4.22 tan. Harga bersih purata bagi minyak sawit mentah adalah RM2,673 dan RM1,786 bagi isirong sawit.

Pada 2010, Kumpulan telah menambah kawasan tanaman sawitnya sebanyak 4,688 hektar, dan dengan ini jumlah keseluruhan kawasan tanaman sawit adalah sebanyak 58,940 hektar daripada jumlah keluasan tanah sebanyak 72,653 hektar. Profil usia kelapa sawit Kumpulan adalah seperti berikut:

Profil usia pokok sawit Kumpulan sehingga Disember 2010

| Usia Sawit (Thn) | Kawasan(Ha) | Peratus |
|--------------------|-------------|---------|
| Belum matang | 25,063 | 42.52% |
| Muda (4-10 thn) | 20,003 | 33.94% |
| Matang (11-20 thn) | 9,823 | 16.67% |
| Tua (21 ke atas) | 4,051 | 6.87% |
| Jumlah | 58,940 | 100.00% |



Dengan bertambahnya kawasan penanaman yang baru, pengeluaran FFB di peringkat Kumpulan dijangka meningkat untuk tempoh beberapa tahun yang akan datang daripada kedua-dua pokok pra matang yang memasuki usia produktif dan juga peningkatan hasil daripada pokok sawit muda.

Seperti yang telah disebut dalam laporan kewangan yang lalu, Syarikat telah memulakan pembinaan Kilang Minyak Sawit kelimanya dengan keupayaan 60 tan sejam di Kemena, Bintulu, Sarawak dan dijangka operasi akan bermula pada pertengahan pertama tahun 2012. Syarikat juga merancang untuk memulakan pembinaan Kilang Minyak Sawit keenamnya dengan keupayaan 90 tan sejam pada pertengahan kedua tahun 2011.

Selaras dengan rancangan Kumpulan untuk menyepadukan perniagaan sawitnya, Kumpulan, melalui anak syarikatnya, SOP Edible Oils Sdn Bhd, telah memulakan pembinaan loji penapisan minyak sawit dan loji pemeringkatan dengan keupayaan 1,500 tan sehari bersama dengan loji pemecahan isirong sawit dengan keupayaan 250 tan sehari di Bintulu, Sarawak. Loji-loji tersebut dijangka akan beroperasi pada pertengahan pertama tahun 2012.

Pernyataan Pengerusi (Sambungan)

SUMBER MANUSIA

Sejajar dengan rancangan Kumpulan untuk mengembangkan lagi operasi perniagaannya, Kumpulan terus mengukuhkan pasukan pengurusan melalui program latihan dan pengukuhan. Kumpulan memberi penekanan untuk meningkatkan kemahiran dan pengetahuan pekerjaannya melalui program dalaman yang tersusun dan teratur di bawah kelolaan Akademi SOPB, yang dirangka bagi memenuhi keperluan semasa dan juga masa depan Kumpulan serta kakitangannya. Pengurus-pengurus dan eksekutif-eksekutif kanan juga dipilih untuk menjalani program latihan luar.

Kumpulan juga telah bermula menaikkan taraf perumahan dan kemudahan-kemudahannya untuk meningkatkan kualiti kehidupan kakitangannya. Ini adalah merupakan sebahagian daripada usaha Kumpulan untuk menyediakan persekitaran perkerajaan dan perumahan yang lebih selesa dalam operasi perladangannya.

PROSPEK

Untuk dua tahun yang akan datang, Kumpulan akan terus memperluaskan kawasan ladang sawitnya. Dengan pembinaan dua kilang sawit tambahan, loji-loji penapisan dan pemeringkatan serta pemecahan isirong, Kumpulan akan memberi lebih tumpuan dalam pembangunan dan pengujudan pasaran untuk produk-produk hilirannya. Kumpulan juga akan meneroka peluang untuk mengembangkan dan meningkatkan lagi perniagaannya.

Dalam menuju ke hadapan, seperti juga syarikat-syarikat perladangan yang lain, Kumpulan akan menghadapi keadaan operasi yang mencabar walaupun harga sawit berada pada tahap yang baik. Cabaran bagi Kumpulan adalah untuk terus memperbaiki kecekapan dan produktiviti. Kumpulan akan terus berusaha untuk mencapai dan merealisasikan sepenuhnya potensi sumber-sumber yang ada.

Dengan jangkaan pemulihan pokok-pokok sawit akibat daripada tekanan biologi tahun lepas, peningkatan pengeluaran FFB dari kawasan matang muda, andaian harga-harga komoditi yang baik akan berterusan bagi tahun 2011, dan tanpa factor-faktor luar jangkaan, Kumpulan dijangka akan memperolehi pulangan dan keuntungan yang lebih baik untuk tahun kewangan yang akan datang.

PENGHARGAAN

Sekali lagi bagi pihak Lembaga Pengarah, saya menghulurkan penghargaan ikhlas kepada kakitangan, pelanggan, rakan niaga dan pemegang saham di atas sokongan berterusan serta keyakinan mereka terhadap Kumpulan.

Tan Sri Datuk Ling Chiong Ho
Pengerusi Eksekutif Kumpulan



Staff Activities



Presentation of souvenir to our retired staff



SOP Badminton Competition



Achievement-MPOB Awards 2010
-Lambir Estates



Fruits Fest



Inter-Estate Volley Ball Match
organized by SOP Club



Students Visit to New Lambir Palm Oil Mill



Inhouse Training Graduation
at SOP Academy



Best OER Awards 2010
-Sepakau Palm Oil Mill



Group Photo with Board of Directors during
Annual Dinner 2010/2011

Corporate Social Responsibility



Donating books to local community at Ulu Belanga



Young Achievers Award and Student Adoption Programme Presentation



Young Achievers Award and Student Adoption Programme Presentation



Food aid to flood victims of Kampung Long Maru, Tinjar Baram.

The Group has always been mindful of its Corporate Responsibility ("CR") towards the community, environment, its shareholders and employees. Its community projects focus mainly on promoting education amongst young generation and elevating living standard of local communities. Towards this end, the Group has undertaken initiatives that will have long term impact on the local community.

In promoting education, the Group has launched two additional programs, namely, " Young Achievers Award Program ", and " Education Outreach Program ", besides the existing " Student Adoption Program " and "Excellent Education Award Program".

Under the Young Achievers Award Program, cash incentives are granted to primary and secondary schools students hailed from rural schools in the vicinity of the Group plantation estates who have achieved outstanding academic results in the public examinations. The program aims to take due recognition of their early academic achievement and to motivate them and also other peers to strive for continued academic excellence. During the year, over 80 students were awarded with such cash incentives.

Student Adoption Program launched in preceding year received encouraging response. During the year, over 70 students in rural schools who were from less privileged family background were awarded with financial and education aids.

Academic achievement by the children of the employees were too recognized. The Group continues to grant Excellent Education Award to achievers of excellent academic results in primary and secondary schools public examinations as an incentive for them to excel further. The remoteness of some local communities hinders them from

gaining ready access to educational materials. The Group launched the "Education Outreach Program" and provided over 1,000 sets of educational materials to an indigenous local community situated in a remote region for use by a group of volunteers from non-governmental organizations to educate young children of the community.

The Group continues to provide service to the smallholders in the vicinity of the Group Palm Oil Mills in the context of MOU signed in 2004 with MPOB and Pertubuhan Peladang Kawasan Subis ["PPK Subis"]. The Group has also worked hand-in-hand with MPOB, PPK Subis and Bank to establish one stop centre to better serve the smallholders in the areas of improving production yields and quality through effective use of fertilizers and proper agronomic practices and to provide financial assistance where necessary. The Group continues to support Kelompok Baja Terkumpul concept promoted by MPOB.

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

Included also in the Corporate Social Responsibility program of the Group is establishment of a Disaster Unit which rushes relief aids to local communities nearby the Group plantation estates which suffer loss occasioned by natural disaster such as flood and fire.

The Group is fully committed to sustainable oil palm cultivation through implementation of its Group Agriculture Policy which is directed at good agricultural practices, environment protection, proper handling of waste, by-product utilization and prevention of degradation of soil, air and water.

Statement on Corporate Governance

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 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 nearest of 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 2010, the Board held five (5) meetings. Directors’ profiles and attendance to these meetings can be found in the profiles of Directors on page 8 to 10.

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 26 to 28 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
Fong Tshun Kwong
Dr. Lai Yew Hock - Independent Non-Executive Director
Tang Tiong Ing - Non-Independent Non-Executive Director

The Committee meets when necessary. For the financial year ended 31 December 2010, the Committee held one (1) meeting.

Statement on Corporate Governance (Cont'd)

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 @ | - | Chairman, Independent Non-Executive Director |
| Fong Tshun Kwong | | |
| Dr. Lai Yew Hock | - | Independent Non-Executive Director |
| Hasbi Bin Suhaili | - | Non-Independent Non-Executive Director |

The Committee meets when necessary. For the financial year ended 31 December 2010, the Committee held two (2) meetings.

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 2010 are as follows: -

| Aggregate of remuneration | Directors | |
|---------------------------|--------------------|------------------------|
| | Executive RM000 | Non-Executive RM000 |
| Fees | 32 | 283 |
| Salaries | 720 | |
| Bonus | 300 | |
| EPF | 112 | |
| Total | 1,164 | 283 |

Number Of Directors

Range of remuneration

| | Executive | Non- Executive |
|----------------------------|-----------|----------------|
| 0 to RM50,000 | | 9 |
| RM1,150,000 to RM1,200,000 | 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.

Statement on Corporate Governance (Cont'd)

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 @ Fong Tshun 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.

INTERNAL CONTROLS

The Statement on Internal Control is set out on page 24 to 25 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 26 to 28 of the Annual Report.

Statement on Internal Control

The Board is pleased to provide Statement on 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 come to their attention that causes them to believe that the Statement on 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.



The Group's 1st shipment of CPO to India



The Group's 1st shipment of CPO to India

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 ("GCEO") 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:

Statement on Internal Control (Cont'd)

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 operational performance. Capital and non-capital expenditures and acquisition and disposal of investment interest are subjected to appropriate approval processes.

OTHER KEY COMPONENTS OF INTERNAL CONTROL SYSTEM (CONT'D)

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 operational 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.

Given an effective monitoring on a constantly strong internal control system of the Group, there was no material losses incurred during the period under review.

Audit Committee Report

| | |
|---|--|
| MEMBERS REPORT | <p>Fong Tshu Kwong @ Fong Tshun Kwong CA(M) – Chairman Independent Non-Executive Director</p> <p>Dr Lai Yew Hock Independent Non- Executive Director</p> <p>Tang Tiong Ing CA(M) Non-Executive Director</p> <p>Wong Ngie Yong (Appointed on 25/2/2011) Independent Non- Executive Director</p> |
| TERMS OF REFERENCE | <p>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:</p> |
| COMPOSITION OF THE COMMITTEE | <ul style="list-style-type: none">- 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. |
| DUTIES AND RESPONSIBILITIES | <p>The Committee shall:</p> <ul style="list-style-type: none">- Provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities relating to the 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 Requirement. |
| AUTHORITY | <ul style="list-style-type: none">- 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 | <p>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.</p> |

Audit Committee Report (Cont'd)

| RELATED PARTY TRANSACTION | <p>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.</p> | | | | | | | | | | |
|---|--|--|--------------------------|-------------------|--|-------------------------|-----|-----------------|-----|-----------------------|-----|
| EXTERNAL AUDIT | <ul style="list-style-type: none"> - 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 | <ul style="list-style-type: none"> - 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. | | | | | | | | | | |
| MEETINGS | <p>During the financial year ended 31 December 2010, four (4) Committee meetings were held. A record of the attendance to these meetings is as follows:</p> <table border="1" data-bbox="478 1205 1340 1366"> <thead> <tr> <th></th> <th>No. of Meetings Attended</th> </tr> </thead> <tbody> <tr> <td>Fong Tshu Kwong @</td> <td></td> </tr> <tr> <td>Fong Tshun Kwong, CA(M)</td> <td>4/4</td> </tr> <tr> <td>Dr Lai Yew Hock</td> <td>4/4</td> </tr> <tr> <td>Tang Tiong Ing, CA(M)</td> <td>4/4</td> </tr> </tbody> </table> <p>The Committee also met with the external auditors once in the financial year without the presence of the Management.</p> | | No. of Meetings Attended | Fong Tshu Kwong @ | | Fong Tshun Kwong, CA(M) | 4/4 | Dr Lai Yew Hock | 4/4 | Tang Tiong Ing, CA(M) | 4/4 |
| | No. of Meetings Attended | | | | | | | | | | |
| Fong Tshu Kwong @ | | | | | | | | | | | |
| Fong Tshun Kwong, CA(M) | 4/4 | | | | | | | | | | |
| Dr Lai Yew Hock | 4/4 | | | | | | | | | | |
| Tang Tiong Ing, CA(M) | 4/4 | | | | | | | | | | |
| INTERNAL AUDIT FUNCTION ACTIVITIES | <p>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.</p> <p>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.</p> <p>During the year, the IA carried out a total of eleven (11) audits and reviews covering the Group's operations.</p> | | | | | | | | | | |

Audit Committee Report (Cont'd)

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 revision 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.



Laporan Jawatankuasa Audit (Cont'd)

| | |
|-------------------------------------|--|
| LAPORAN AHLI | Fong Tshu Kwong @ Fong Tshun Kwong CA(M) – Pengerusi Pengarah Bebas Bukan-Eksekutif |
| | Dr Lai Yew Hock Pengarah Bebas Bukan-Eksekutif |
| | Tang Tiong Ing CA(M) Pengarah Bukan-Eksekutif |
| | Wong Ngie Yong (Dilantik pada 25/2/2011) Pengarah Bebas Bukan-Eksekutif |
| TERMA-TERMA RUJUKAN | Jawatankuasa Audit Kumpulan (“Jawatankuasa”) telah ditubuhkan pada 1992 sebagai Jawatankuasa untuk Lembaga Pengarah, dengan terma – terma rujukan seperti disebutkan di bawah : |
| KEANGGOTAAN JAWATANKUASA | <ul style="list-style-type: none">- Jawatankuasa ini hendaklah dianggotai oleh tidak kurang daripada tiga orang ahli.- Semua ahli Jawatankuasa hendaklah terdiri daripada Pengarah Bukan-Eksekutif, dengan majoriti daripada mereka Pengarah Bebas.- Semua ahli Jawatankuasa hendaklah berilmu pengetahuan dalam urusan kewangan dengan sekurang-kurangnya seorang daripada mereka merupakan ahli Institut Akauntan Malaysia (“MIA”)- Mana-mana Pengarah gantian tidak boleh dilantik sebagai ahli Jawatankuasa;- Pengerusi yang akan dipilih oleh ahli-ahli Jawatankuasa hendaklah terdiri daripada Pengarah Bebas Bukan-Eksekutif. |
| TUGAS DAN TANGGUNGJAWAB | Jawatankuasa hendaklah: <ul style="list-style-type: none">- Memberi bantuan kepada Lembaga Pengarah dalam memenuhi tanggungjawab fidusiar berkaitan amalan-amalam 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 bagi memastikan wujudnya 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 ke 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 | <ul style="list-style-type: none">- Jawatankuasa ini diberi kuasa dan hak untuk 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. |

Laporan Jawatankuasa Audit (Sambungan)

| | <ul style="list-style-type: none"> - Jawatankuasa harus mempunyai sumber yang diperlukan untuk menjalankan tugas. Jawatankuasa juga boleh meminta nasihat perundangan atau lain-lain nasihat bebas daripada luar yang difikirkan perlu dengan tanggungan Kumpulan. | | | | | | | | | | |
|---|---|--|--------------------|-------------------|-----|-------------------------|--|-----------------|-----|-----------------------|-----|
| PROSEDUR KEWANGAN DAN LAPORAN KEWANGAN | <p>Menyemak laporan suku tahunan dan penyata kewangan akhir tahun, sebelum diluluskan oleh Lembaga, bagi memastikan ia mematuhi polisi perakaunan, standard perakaunan serta syarat dan keperluan penutupan akaun.</p> | | | | | | | | | | |
| TRANSAKSI PIHAK BERKENAAN | <p>Memantau sebarang transaksi dengan pihak berkaitan serta situasi percanggahan kepentingan yang mungkin wujud di dalam Kumpulan, termasuk sebarang transaksi, prosedur atau akibat perlakuan yang boleh menimbulkan persoalan terhadap integriti pengurusan.</p> | | | | | | | | | | |
| AUDIT LUAR | <ul style="list-style-type: none"> - Menilai semula bersama juruaudit luar, skop dan pelan audit. - Menilai kebebasan dan objektif juruaudit luar serta khidmat yang diberi, termasuk khidmat bukan-audit dan yuran profesional, bagi memastikan wujud keseimbangan yang munasabah antara objektif dan nilai untuk wang. - Menilai laporan audit luaran serta menafsir penemuan dan cadangan untuk tindakan yang perlu diambil. - Menilai perlantikan dan mutu kerja juruaudit luar, yuran audit dan sebarang perkara berkaitan perletakan jawatan atau pemecatan sebelum membuat syor kepada Lembaga. | | | | | | | | | | |
| AUDIT DALAMAN | <ul style="list-style-type: none"> - Menilai semula dan meluluskan pelan tahunan audit dalaman. - Menilai kecukupan skop audit dalaman, fungsi dan sumber-sumber audit dalaman supaya ia mempunyai kuasa yang diperlukan untuk melaksanakan tugas. - Menilai semula keputusan-keputusan audit dalaman dan memastikan tindakan yang sesuai telah diambil oleh pihak pengurusan berkaitan cadangan-cadangan yang dibuat oleh audit dalaman. - Menilai semula mutu kerja audit bagi memastikan mereka mempunyai kebebasan dalam melaksanakan tugas. - Meluluskan sebarang perlantikan atau menamatkan fungsi mana-mana kakitangan kanan audit dalaman. - Menilai semula pergerakan kakitangan audit dalaman dan memberi peluang kepada kakitangan audit dalaman yang akan berhenti untuk mengemukakan sebab – sebab perberhentian. | | | | | | | | | | |
| MESYUARAT | <p>Bagi tahun kewangan berakhir pada 31 Disember 2010, empat (4) mesyuarat Jawatankuasa telah diadakan. Rekod kehadiran ahli pada mesyuarat tersebut adalah seperti berikut:</p> <table border="1" data-bbox="435 1568 1436 1747"> <thead> <tr> <th></th> <th>Bilangan kehadiran</th> </tr> </thead> <tbody> <tr> <td>Fong Tshu Kwong @</td> <td>4/4</td> </tr> <tr> <td>Fong Tshun Kwong, CA(M)</td> <td></td> </tr> <tr> <td>Dr Lai Yew Hock</td> <td>4/4</td> </tr> <tr> <td>Tang Tiong Ing, CA(M)</td> <td>4/4</td> </tr> </tbody> </table> <p>Jawatankuasa juga telah bertemu dengan juruaudit luar sekali sepanjang tahun kewangan tanpa kehadiran pihak Pengurusan.</p> | | Bilangan kehadiran | Fong Tshu Kwong @ | 4/4 | Fong Tshun Kwong, CA(M) | | Dr Lai Yew Hock | 4/4 | Tang Tiong Ing, CA(M) | 4/4 |
| | Bilangan kehadiran | | | | | | | | | | |
| Fong Tshu Kwong @ | 4/4 | | | | | | | | | | |
| Fong Tshun Kwong, CA(M) | | | | | | | | | | | |
| Dr Lai Yew Hock | 4/4 | | | | | | | | | | |
| Tang Tiong Ing, CA(M) | 4/4 | | | | | | | | | | |
| FUNGSI AUDIT DALAM | <p>Kumpulan mempunyai fungsi Audit Dalaman ("IA") untuk melakukan penilaian semula secara kerap dan sistematik terhadap sistem kawalan dalaman bagi memberi jaminan munasabah bahawa sistem seperti itu boleh terus beroperasi secara memuaskan dan efisien. IA akan lapor terus kepada Jawatankuasa dengan laporan bebas dan objektif tentang keadaan kawalan dalaman pelbagai unit operasi di dalam Kumpulan. Sebagai tambahan, IA juga menjalankan siasatan dan penilaian khas atas arahan Pengurusan.</p> | | | | | | | | | | |

Laporan Jawatankuasa Audit (Sambungan)

AKTIVITI-AKTIVITI

IA juga menghadiri mesyuarat suku tahunan Jawatankuasa untuk membentangkan penemuan-penemuan audit dan membuat cadangan bersesuaian berhubung perkara-perkara untuk tindakan Jawatankuasa.

Sepanjang tempoh tahun kewangan, IA telah menjalankan sebelas (11) audit dan penilaian merangkumi operasi Kumpulan.

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

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

- Menilai semula 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;
 - Memenuhi standard perakaunan;
 - Pemberitahuan dan lain-lain peraturan perundangan.
- Menilai semula transaksi pihak berkaitan yang terlibat dengan Kumpulan.
- Menilai semula skop kerja juruaudit luar dan pelan audit tahun semasa sebelum kerja audit dimulakan.
- Menilai semula laporan tahunan dan penyata kewangan Kumpulan 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 Kumpulan.
- Mengambil kira perantukan juruaudit luar dan permintaan mereka untuk semakan semula yuran audit.
- Menilai semula program dan pelan IA bagi tahun kewangan di bawah kajian dan penilaian tahunan mutu kerja audit dalaman.
- Menilai semula laporan IA, yang memberi penekanan isu-isu audit, syor dan maklum balas pengurusan. Memberi penilaian kerja ke atas tindakan dan langkah-langkah penambahbaikan yang diambil oleh pihak Pengurusan dalam menyelesaikan isu-isu audit yang dilapor dan disyor sebagai langkah-langkah penambahbaikan seterusnya.

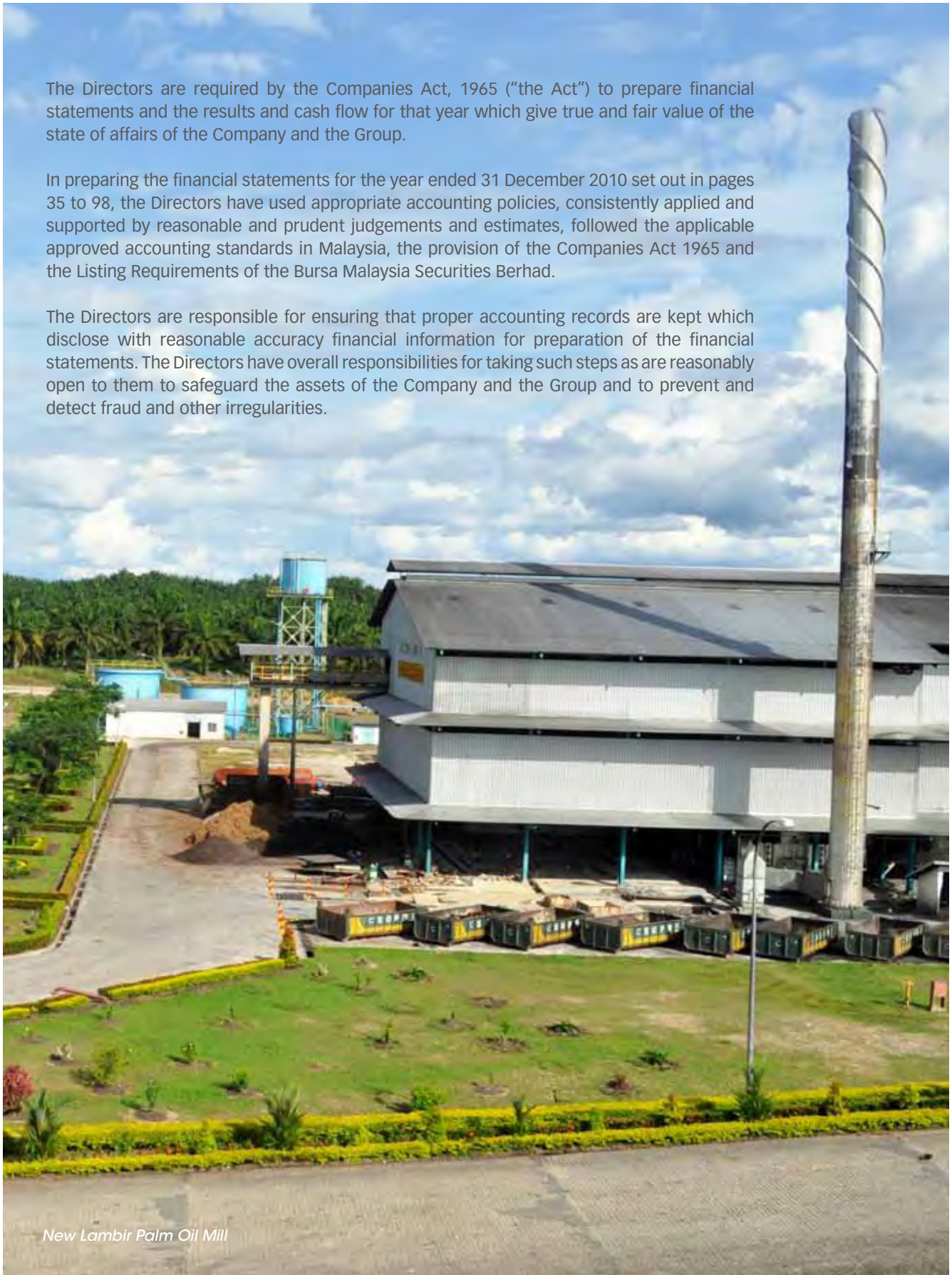


Statement on Directors' Responsibility

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 2010 set out in pages 35 to 98, 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 the Group and to prevent and detect fraud and other irregularities.



New Lambir Palm Oil Mill

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 2010 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 | 49,650 |
| KPMG | 36,350 |
| | <u>86,000</u> |

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 2010 except for the followings:

3. Recurrent Related Party Transactions of a Revenue or Trading nature ("RRPT")

The RRPTs entered into by the Group during the financial year ended 31 December 2010 were as follows:

| Name of Transacting Party | Nature of Transaction | Related Party # | Year 2010 Actual (RM '000) |
|---------------------------|--|----------------------------------|----------------------------|
| 1. The Group | 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 (1) | 5,180 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 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 (1) | 1,072 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 3. The Group | Purchase of gravel from Hollystone Quarry Sdn Bhd ("HQ") | Tan Sri Datuk Ling Chiong Ho (1) | 7,456 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 4. The Group | Provision of maintenance services and supply of lubricants, spare parts and tyres for the tractors and machinery by Dai Leng Trading Sdn Bhd ("DLT") | Tan Sri Datuk Ling Chiong Ho (1) | 1,797 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 5. The Group | Land Transportation Services from Melinau Transport Sdn Bhd ("MTSB") | Tan Sri Datuk Ling Chiong Ho (1) | 2,723 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 6. The Group | Purchase of tractors and machinery from Dai Lieng Trading Sdn Bhd and Dai Lieng Machinery Sdn Bhd ("DLT") | Tan Sri Datuk Ling Chiong Ho (1) | 2,005 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 7. The Group | Purchase of sawn timber from Shin Yang Sawmill Sdn Bhd ("SYSM") | Tan Sri Datuk Ling Chiong Ho (1) | 634 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 8. The Group | Purchase of oil filter for the tractors from Scott & English Trading (Sarawak) Sdn Bhd ("SETSB") | Tan Sri Datuk Ling Chiong Ho (1) | 47 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 9. The Company | Purchase of fresh fruit bunches from Shin Yang Forestry Sdn Bhd ("SYFSB") | Tan Sri Datuk Ling Chiong Ho (1) | 42,022 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 10. The Group | Purchase of plastic bags from Kian Hang Plastic Sdn Bhd ("KHPSB") | Tan Sri Datuk Ling Chiong Ho (1) | 361 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 11. The Group | Purchase of sawn timber from Menawan Wood Sdn Bhd ("MWSB") | Tan Sri Datuk Ling Chiong Ho (1) | 181 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 12. The Group | Purchase of motor vehicles from Boulevard Jaya Sdn Bhd ("BJSB") | Tan Sri Datuk Ling Chiong Ho (1) | 1,162 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |

- Note # (1) Tan Sri Datuk Ling Chiong Ho is the Group Executive Chairman and major shareholder of SOPB and is also the Director of SY Trading, SYFSB, SYSM, SYHSB, LMSB and MWSB. He has substantial direct interest in SY Services, SYHSB, SY Trading, HQ, SYSM, LMSB, SYFSB, KHPSB, MTSB, MBTCSB, BJSB, MWSB and PSB.
(2) Ling Chiong Sing is the Non-Executive Director of SOPB and is also the Director of DLT, DLM, SY Services, MTSB, KHPSB, LMSB, HQ, SYFSB, SY Trading, SYSM, SYHSB, MBTCSB, BJSB, and MWSB. He has substantial direct/indirect interest in DLT, DLM, SY Services, MTSB, KHPSB, LMSB, HQ, SYFSB, SY Trading, SYSM, SYHSB, MBTCSB, PSB, BJSB and MWSB.
(3) Ling Lu Kuang is the Non-Executive Director of SOPB, who is a deemed person connected to Tan Sri Datuk Ling Chiong Ho and also authorized representative of Shin Yang Group.



Manuring in progress.



Financial Statements

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Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the cultivation of oil palms and the operations of palm oil mills. There have been no significant changes in the nature of the principal activities during the financial year.

The principal activities of the subsidiaries are set out in Note 18 to the financial statements.

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

RESULTS

| | Group RM'000 | Company RM'000 |
|-------------------------|-------------------------|---------------------------|
| Profit net of tax | 164,282 | 93,248 |
| Profit attributable to: | | |
| Owners of the Company | 151,514 | 93,248 |
| Minority interests | 12,768 | - |
| | 164,282 | 93,248 |

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 2009 was as follows:

| | RM'000 |
|---|---------------|
| In respect of the financial year ended 31 December 2009 as reported in the Directors' report of that year | |
| First and final dividend of 3.0% less 25% tax on 429,293,023 ordinary shares, paid on 22 July 2010 | 9,659 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2010, of 4% less 25% taxation on 431,086,091 ordinary shares, amounting to a dividend payable of RM12,932,583 (3.00 sen net per 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 2011.

Directors' Report (Cont'd)

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 | |
| Kameri Bin Affandi | <i>(resigned effective 01 April 2011)</i> |
| Kamri Bin Ramlee | <i>(appointed effective 01 April 2011)</i> |

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 33 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 1.1.2010 | Acquired | Sold | At 31.12.2010 |
| The Company | | | | |
| Direct interest | | | | |
| Tan Sri Datuk Ling Chiong Ho | 30,993,608 | - | - | 30,993,608 |
| Tang Tiong Ing | 174,880 | - | - | 174,880 |
| Fong Tshu Kwong | 59,000 | - | - | 59,000 |
| Dr. Lai Yew Hock | 39,400 | - | - | 39,400 |
| Wong Ngie Yong | 20,000 | - | - | 20,000 |
| 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.

Directors' Report (Cont'd)

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM428,526,000 to RM431,086,000 by way of:

- (i) the issuance of 1,568,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM1.40 per ordinary share.
- (ii) the issuance of 992,000 ordinary shares of RM1.00 each for cash pursuant to the exercise of warrants at an average exercise price of RM1.00 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 34 to the financial statements.

During the financial year:

The Company granted 2,192,500 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 2010 are as follows:

| Expiry date | Weighted average exercise price RM | Number of options |
|---------------|---------------------------------------|-------------------|
| 12 March 2017 | 1.56 | 11,638,100 |

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 adequate provision for doubtful debts had been made; 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.

Directors' Report (Cont'd)

OTHER STATUTORY INFORMATION (Cont'd)

- b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; 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.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 18 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 2011.

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 43 to 98 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 41 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 2011.

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 43 to 98 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 2011

Wong Hee Kwong

Before me,

LIM SWEE HUAT
Commissioner For Oath (NO. Q095)

Lot 1269, 2nd floor
Jalan Kwang Tung
P O Box 173
98000 Miri, Sarawak

Independent Auditors' Report

To The Members Of Sarawak Oil Palms Berhad

We have audited the financial statements of Sarawak Oil Palms Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flow 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 43 to 98.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its 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 18 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.

Independent Auditors' Report (Cont'd)

To The Members Of Sarawak Oil Palms Berhad

- (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 41 on page 98 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

Miri, Malaysia

Date: 26 April 2011

Yong Nyet Yun

2708/04/12 (J)

Chartered Accountant

Income Statements

For The Year Ended 31 December 2010

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Revenue | 4 | 728,158 | 533,304 | 729,580 | 531,975 |
| Cost of sales | 5 | (460,424) | (360,471) | (573,927) | (414,890) |
| Gross profit | | 267,734 | 172,833 | 155,653 | 117,085 |
| Other items of income | | | | | |
| Interest income | 6 | 6,867 | 5,505 | 9,675 | 6,419 |
| Dividend income | 7 | - | 1 | 6,060 | 3,521 |
| Other income | 8 | 3,910 | 2,833 | 2,077 | 5,166 |
| Other items of expense | | | | | |
| Selling and marketing expenses | | (47,395) | (35,466) | (47,395) | (35,466) |
| Administrative expenses | | (4,316) | (3,837) | (1,465) | (1,785) |
| Finance costs | 9 | (4,464) | (6,035) | (945) | (1,803) |
| Other expense | | (201) | (1,175) | (201) | (491) |
| Profit before tax | 10 | 222,135 | 134,659 | 123,459 | 92,646 |
| Income tax expense | 13 | (57,853) | (28,122) | (30,211) | (15,829) |
| Profit net of tax | | 164,282 | 106,537 | 93,248 | 76,817 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 151,514 | 99,869 | 93,248 | 76,817 |
| Minority interests | | 12,768 | 6,668 | - | - |
| | | 164,282 | 106,537 | 93,248 | 76,817 |
| Earnings per share attributable to owners of the Company (sen per share) | | | | | |
| Basic | 14 | 35.3 | 23.3 | | |
| Diluted | 14 | 34.6 | 22.9 | | |

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

Statements of Comprehensive Income

For The Year Ended 31 December 2010

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Profit net of tax | | 164,282 | 106,537 | 93,248 | 76,817 |
| Other comprehensive income | | | | | |
| Fair value adjustment on cash flow hedge | | 1,121 | - | - | - |
| Income tax relating to components of other comprehensive income | 13 | (280) | - | - | - |
| Other comprehensive income for the year, net of tax | | 841 | - | - | - |
| Total comprehensive income for the year | | 165,123 | 106,537 | 93,248 | 76,817 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 152,061 | 99,869 | 93,248 | 76,817 |
| Minority interests | | 13,062 | 6,668 | - | - |
| | | 165,123 | 106,537 | 93,248 | 76,817 |

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

Statements of Financial Position

For The Year Ended 31 December 2010

| | Note | Group | | Company | |
|------------------------------------|------|------------------|------------------|----------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 15 | 468,402 | 419,376 | 183,538 | 187,115 |
| Plantation development expenditure | 16 | 450,088 | 382,592 | 30,645 | 32,635 |
| Land use rights | 17 | 258,990 | 209,129 | 28,185 | 20,615 |
| Investment in subsidiaries | 18 | - | - | 205,016 | 186,892 |
| Other investments | 19 | - | 45 | 31,000 | 20,000 |
| Other receivables | 22 | 32 | 4,225 | - | 18,100 |
| Intangible asset | 23 | 5,182 | 2,222 | - | - |
| Deferred tax assets | 27 | 1,481 | 143 | - | - |
| | | 1,184,175 | 1,017,732 | 478,384 | 465,357 |
| Current assets | | | | | |
| Inventories | 21 | 63,452 | 50,686 | 46,535 | 28,243 |
| Trade and other receivables | 22 | 45,857 | 18,818 | 163,731 | 83,899 |
| Prepaid operating expenses | | 2,436 | 1,236 | 613 | 390 |
| Tax recoverable | | 47 | 4,437 | - | 4,414 |
| Cash and bank balances | 24 | 368,694 | 320,419 | 261,940 | 256,814 |
| | | 480,486 | 395,596 | 472,819 | 373,760 |
| Total assets | | 1,664,661 | 1,413,328 | 951,203 | 839,117 |
| Equity and liabilities | | | | | |
| Current liabilities | | | | | |
| Loans and borrowings | 25 | 52,935 | 64,514 | 17,419 | 28,768 |
| Trade and other payables | 26 | 128,193 | 96,000 | 66,145 | 38,926 |
| Income tax payable | | 15,459 | 2,564 | 12,069 | 706 |
| Derivatives | 20 | 1,144 | - | - | - |
| | | 197,731 | 163,078 | 95,633 | 68,400 |
| Net current assets | | 282,755 | 232,518 | 377,186 | 305,360 |

Statements of Financial Position (Cont'd)

For The Year Ended 31 December 2010

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Non-current liabilities | | | | | |
| Loans and borrowings | 25 | 252,512 | 226,977 | 9,896 | 12,898 |
| Other payables | 26 | 1,300 | 733 | - | - |
| Derivatives | 20 | 1,864 | - | - | - |
| Deferred tax liabilities | 27 | 114,786 | 99,022 | 28,545 | 29,269 |
| | | 370,462 | 326,732 | 38,441 | 42,167 |
| Total liabilities | | 568,193 | 489,810 | 134,074 | 110,567 |
| Net assets | | 1,096,468 | 923,518 | 817,129 | 728,550 |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 28 | 431,086 | 428,526 | 431,086 | 428,526 |
| Share premium | 28 | 2,790 | 1,046 | 2,790 | 1,046 |
| Employee share option reserve | 29 | 2,571 | 1,885 | 2,571 | 1,885 |
| Hedge reserve | 30 | (1,466) | - | - | - |
| Retained earnings | 31 | 539,175 | 397,320 | 380,682 | 297,093 |
| | | 974,156 | 828,777 | 817,129 | 728,550 |
| Minority interests | | 122,312 | 94,741 | - | - |
| Total equity | | 1,096,468 | 923,518 | 817,129 | 728,550 |
| Total equity and liabilities | | 1,664,661 | 1,413,328 | 951,203 | 839,117 |

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

Statement of Changes in Equity

For The Year Ended 31 December 2010

| 2010 Group | Equity, total RM'000 | Equity attributable to owners of the parent, total RM'000 | Attributable to Equity Holders of the Company | | | Distributable | | | Minority interests RM'000 |
|--|----------------------------|---|---|----------------------------|--|----------------------------|--------------------------------|-------------------|---------------------------------|
| | | | Share capital RM'000 | Share premium RM'000 | Employee share option reserve RM'000 | Hedge reserve RM'000 | Retained earnings RM'000 | | |
| Opening balance at 1 January 2010 | 923,518 (3,097) | 828,777 (2,013) | 428,526 - | 1,046 - | 1,885 - | - (2,013) | 397,320 - | 94,741 (1,084) | |
| Effects of adopting FRS 139 | | | | | | | | | |
| | 920,421 | 826,764 | 428,526 | 1,046 | 1,885 | (2,013) | 397,320 | 93,657 | |
| Total comprehensive income | 165,123 | 152,061 | - | - | - | 547 | 151,514 | 13,062 | |
| Transactions with owners | | | | | | | | | |
| Dividend paid to minority interest | (1,518) | - | - | - | - | - | - | (1,518) | |
| Dividends on ordinary shares | (9,659) | (9,659) | - | - | - | - | (9,659) | - | |
| Increase in shares by subsidiaries | 5,036 | - | - | - | - | - | - | 5,036 | |
| Issuance of ordinary shares: | | | | | | | | | |
| Pursuant to exercise of ESOS | 2,203 | 2,203 | 1,568 | 635 | - | - | - | - | |
| Pursuant to exercise of warrants | 992 | 992 | 992 | - | - | - | - | - | |
| Share option granted under ESOS: | | | | | | | | | |
| Recognised in profit or loss | 1,795 | 1,795 | - | - | 1,795 | - | - | - | |
| Exercise of ESOS | - | - | - | 1,109 | (1,109) | - | - | - | |
| Acquisition of subsidiaries | 12,075 | - | - | - | - | - | - | 12,075 | |
| Closing balance at 31 December 2010 | 1,096,468 | 974,156 | 431,086 | 2,790 | 2,571 | (1,466) | 539,175 | 122,312 | |

Statement of Changes in Equity (Cont'd)

For The Year Ended 31 December 2010

| 2009 Group | Note | Equity attributable to owners of the parent, total RM'000 | | Attributable to Equity Holders of the Company | | | | | Minority interests RM'000 |
|--|------|---|---|---|----------------------|--------------------------------------|----------------------|--------------------------|---------------------------|
| | | Equity, total RM'000 | Equity attributable to owners of the parent, 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 | |
| Opening balance at 1 January 2009 | | 817,467 | 736,121 | 427,408 | 382 | 1,187 | - | 307,144 | 81,346 |
| Total comprehensive income | | 106,537 | 99,869 | - | - | - | - | 99,869 | 6,668 |
| Transactions with owners | | (882) | - | - | - | - | - | - | (882) |
| Dividend paid to minority interest | | (9,630) | (9,630) | - | - | - | - | (9,630) | - |
| Dividends on ordinary shares | | 914 | 914 | 718 | 196 | - | - | - | - |
| Issuance of ordinary shares: | | 400 | 400 | 400 | - | - | - | - | - |
| Pursuant to exercise of ESOS | | 1,166 | 1,166 | - | - | 1,166 | - | - | - |
| Pursuant to exercise of warrants | | - | - | - | 468 | (468) | - | - | - |
| Share option granted under ESOS:- | | - | - | - | - | - | - | - | - |
| Recognised in profit or loss | | - | (63) | - | - | - | - | (63) | 63 |
| Exercise of ESOS | | 7,546 | - | - | - | - | - | - | 7,546 |
| Dilution arising from issuance of shares by a subsidiary | | - | - | - | - | - | - | - | - |
| Acquisition of subsidiaries | | - | - | - | - | - | - | - | - |
| Closing balance at 31 December 2009 | | 923,518 | 828,777 | 428,526 | 1,046 | 1,885 | - | 397,320 | 94,741 |

Statement of Changes in Equity (Cont'd)

For The Year Ended 31 December 2010

| 2010 Company | Note | ← Non distributable | | | → Distributable | |
|--|------|----------------------------|----------------------------|----------------------------|--|--------------------------------|
| | | Equity, total RM'000 | Share capital RM'000 | Share premium RM'000 | Employee share option reserve RM'000 | Retained earnings RM'000 |
| Opening balance at 1 January 2010 | | 728,550 | 428,526 | 1,046 | 1,885 | 297,093 |
| Total comprehensive income | | 93,248 | - | - | - | 93,248 |
| Transactions with owners | | | | | | |
| Dividends on ordinary shares | | (9,659) | - | - | - | (9,659) |
| Issuance of ordinary shares: | | | | | | |
| Pursuant to exercise of ESOS | | 2,203 | 1,568 | 635 | - | - |
| Pursuant to exercise of warrants | | 992 | 992 | - | - | - |
| Share option granted under ESOS: | | | | | | |
| Recognised in profit or loss | | 1,178 | - | - | 1,178 | - |
| Charged to subsidiaries | | 617 | - | - | 617 | - |
| Exercise of ESOS | | - | - | 1,109 | (1,109) | - |
| Closing balance at 31 December 2010 | | 817,129 | 431,086 | 2,790 | 2,571 | 380,682 |
| 2009 | | | | | | |
| Opening balance at 1 January 2009 | | 658,883 | 427,408 | 382 | 1,187 | 229,906 |
| Total comprehensive income | | 76,817 | - | - | - | 76,817 |
| Transactions with owners | | | | | | |
| Dividends on ordinary shares | | (9,630) | - | - | - | (9,630) |
| Issuance of ordinary shares: | | | | | | |
| Pursuant to exercise of ESOS | | 914 | 718 | 196 | - | - |
| Pursuant to exercise of warrants | | 400 | 400 | - | - | - |
| Share option granted under ESOS: | | | | | | |
| Recognised in profit or loss | | 793 | - | - | 793 | - |
| Charged to subsidiaries | | 373 | - | - | 373 | - |
| Exercise of ESOS | | - | - | 468 | (468) | - |
| Closing balance at 31 December 2009 | | 728,550 | 428,526 | 1,046 | 1,885 | 297,093 |

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

Statements of Cash Flows (Cont'd)

For The Year Ended 31 December 2010

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Operating activities | | | | | |
| Profit before tax | | 222,135 | 134,659 | 123,459 | 92,646 |
| <u>Adjustments for:</u> | | | | | |
| Excess of the Group's interest in the net fair value of the identifiable assets and liabilities and contingent liabilities over the cost of acquisition of a subsidiary | 8 | - | (250) | - | - |
| Amortisation of land use rights | 10 | 1,835 | 1,744 | 317 | 317 |
| Amortisation of plantation development expenditures | 10 | 13,886 | 11,208 | 3,118 | 3,117 |
| Depreciation of property, plant and equipment | 10 | 35,920 | 30,544 | 26,503 | 23,197 |
| Dividend income | 7 | - | (1) | (6,060) | (3,521) |
| Share options granted under ESOS | 29 | 1,795 | 1,166 | 1,795 | 793 |
| Gain on disposal of property, plant and equipment | 8 | (257) | (257) | (161) | (3,395) |
| Gain on disposal of investment securities | 8 | (23) | - | - | - |
| Interest income | 6 | (6,867) | (5,505) | (9,675) | (6,419) |
| Interest expense | 9 | 4,464 | 6,035 | 945 | 1,803 |
| Inventories written off | 10 | 3 | 155 | - | 82 |
| Loss on disposal of property, plant and equipment | 10 | 173 | 31 | - | - |
| Unrealised gain on foreign exchange | 8 | (330) | - | (330) | - |
| Impairment loss on other receivables | 10 | 69 | 132 | - | 117 |
| Property, plant and equipment written off | 10 | 201 | 374 | 201 | 374 |
| Total adjustments | | 50,869 | 45,376 | 16,653 | 16,465 |
| Operating cash flows before working capital | | 273,004 | 180,035 | 140,112 | 109,111 |
| <u>Changes in working capitals</u> | | | | | |
| (Increase)/ Decrease in inventories | | (10,467) | 15,592 | (18,292) | (2,831) |
| (Increase)/Decrease in trade and other receivables | | (11,481) | (3,025) | (15,917) | 769 |
| Increase in other current assets | | (1,200) | - | (223) | - |
| Increase in trade and other payables | | 1,995 | 1,055 | 14,717 | 1,282 |
| Net movement in subsidiaries balances | | - | - | (32,981) | 41,779 |
| Total changes in working capital | | (21,153) | 13,622 | (52,696) | 40,999 |
| Cash generated from operating activities | | 251,851 | 193,657 | 87,416 | 150,110 |
| Interest received | | 30 | - | - | - |
| Interest paid | | (10,442) | (10,022) | - | - |
| Income tax paid | | (37,602) | (15,838) | (22,500) | (13,222) |
| Income tax refunded | | 7,346 | - | 7,340 | - |
| Net cash flows from operating activities | | 211,183 | 167,797 | 72,256 | 136,888 |

Statements of Cash Flows (Cont'd)

For The Year Ended 31 December 2010

| | Note | Group | | Company | |
|--|------|------------------|------------------|-----------------|-----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Investing activities | | | | | |
| Dividend received | | - | 1 | 6,060 | 3,521 |
| Interest received | | 6,837 | 5,505 | 9,675 | 6,419 |
| Purchase of property, plant and equipment | | (76,250) | (79,513) | (16,695) | (34,128) |
| Increase in plantation development expenditures | | (62,400) | (66,735) | (1,106) | (15) |
| Additions to land use rights | | (30,963) | (862) | (7,887) | - |
| Proceeds from disposal of property, plant and equipment | | 3,084 | 1,139 | 1,243 | 7,137 |
| Proceeds from disposal of investment securities | | 68 | - | - | - |
| Acquisition of preference shares in a subsidiary | | - | - | (11,000) | (20,000) |
| Acquisition of subsidiaries – net of cash | | 317 | (3,655) | (9,320) | (18,482) |
| Acquisition of additional shares in investment in subsidiaries | | - | (65) | (8,804) | (26,733) |
| Net cash flows used in investing activities | | (159,307) | (144,185) | (37,834) | (82,281) |
| Financing activities | | | | | |
| Repayment of loans and borrowings | | (39,605) | (36,163) | (22,355) | (20,038) |
| Repayment of obligations under finance leases | | (10,940) | (10,879) | (7,532) | (7,704) |
| Proceeds from exercise of ESOS | | 2,203 | 914 | 2,203 | 914 |
| Proceeds from issuance of ordinary share | | 5,036 | - | - | - |
| Proceeds from exercise of warrants | | 992 | 400 | 992 | 400 |
| Proceeds from loans and borrowings | | 52,800 | 76,000 | 8,000 | - |
| Dividends paid | | (9,659) | (9,630) | (9,659) | (9,630) |
| Dividend paid to minority interest | | (1,518) | (882) | - | - |
| Interests paid | | (2,910) | (2,085) | (945) | (1,803) |
| Net cash flows (used in)/from financing activities | | (3,601) | 17,675 | (29,296) | (37,861) |
| Net increase in cash and cash equivalents | | 48,275 | 41,287 | 5,126 | 16,746 |
| Cash and cash equivalents at 1 January | | 320,419 | 279,132 | 256,814 | 240,068 |
| Cash and cash equivalents at 31 December | 24 | 368,694 | 320,419 | 261,940 | 256,814 |

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

Notes to the Financial Statements

31 December 2010

1. CORPORATE INFORMATION

The Company is a 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 18 to the financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and 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 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- FRS 8: Operating Segments
- FRS 101: Presentation of Financial Statements (Revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- TR i-3: Presentation of Financial Statements of Islamic Financial Institutions

Notes to the Financial Statements (Cont'd)

31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Changes in accounting policies (Cont'd)

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

FRS 7 Financial Instruments: Disclosures

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

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

FRS 101 Presentation of Financial Statements (Revised)

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

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

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

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

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets and financial liabilities. The Group and the Company has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Impairment of trade receivables

Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. There were no material effects arising from the change in accounting policy.

Notes to the Financial Statements (Cont'd)

31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Changes in accounting policies (Cont'd)

- Financial guarantee contracts

During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to subsidiaries. Prior to 1 January 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 January 2010.

- Inter-company loans

During the current and prior years, the Company granted loans and advances to its subsidiaries. Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the loans or advances are recorded initially at a fair value. The difference between the fair value and cost of the loan or advance is recognised as an additional investment in the subsidiary. Subsequent to initial recognition, the loans and advances are measured at amortised cost. There were no material effects arising from the change in accounting policy.

2.3 Standards issued but not yet effective

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

Effective for financial periods beginning on or after 1 March 2010

- Amendments to FRS 132: Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127: Consolidated and Separate Financial Statements
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 30 August 2010

- Amendment to IC Interpretation 15: Agreements for the Construction of Real Estate

Effective for financial periods beginning on or after 1 January 2011

- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1: Additional Exemptions for First-time Adopters
- Amendments to FRS 2: Group Cash-settled Share-Based Payment Transactions
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to FRS 'Improvements to FRS (2010)'
- IC Interpretation 4: Determining Whether An Arrangement Contains a Lease
- IC Interpretation 18: Transfers of Assets from Customers
- TR i-4: Shariah Compliant Sale Contracts

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

Effective for financial periods beginning on or after 1 January 2012

- FRS 124: Related Party Disclosures
- IC Interpretation 15: Agreements for the Construction of Real Estate

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

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

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

2.4 Basis of consolidation

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

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.9. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

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.

Notes to the Financial Statements (Cont'd)

31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 Transactions with minority interests

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

2.6 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiaries 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 rate of exchange ruling at the reporting date.

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

2.7 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:

| | |
|--------------------------------------|-------------------------------------|
| Buildings | 5 years to 20 years |
| Infrastructures | over the remaining leasehold period |
| Furniture and office equipment | 5 years to 10 years |
| Motor vehicles | 4 years to 5 years |
| Plant, machinery and field equipment | 4 years to 10 years |

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 planting 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.

2.9 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.

Certain land use rights 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.

Notes to the Financial Statements (Cont'd)

31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

2.12 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 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.

2.14 Inventories

Processed inventories comprising 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.

Store and spares are valued at the lower of cost of purchase, determined on the weighted average cost basis, and net realisable value.

Net realisable value represents the estimated selling price less all estimated costs to completion and estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.15 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.

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.

Notes to the Financial Statements (Cont'd)

31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.16 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.

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.

2.17 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.17 Financial liabilities (Cont'd)

(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.

2.18 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.

2.19 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.

2.20 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.

Notes to the Financial Statements (Cont'd)

31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.20 Employee benefits (Cont'd)

(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.

2.21 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.

2.22 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.23 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.

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.

Notes to the Financial Statements (Cont'd)

31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.24 Share capital and share issuance expenses

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

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

2.25 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future 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.

2.26 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 Company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.26 Derivative financial instruments and hedge accounting (Cont'd)

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.

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 20 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.

Useful lives of plant and equipment and plantation development expenditure

The cost of 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 20 years for 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 and the Company'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 1.16% (2009: 1.61%) and 1.21% (2009: 1.44%) variance in the Group's and the Company's profit for the year.

Notes to the Financial Statements (Cont'd)

31 December 2010

4. REVENUE

| | Group | | Company | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Sale of goods | 727,855 | 524,015 | 721,373 | 523,029 |
| Rendering of services | 303 | 9,289 | 8,207 | 8,946 |
| | <u>728,158</u> | <u>533,304</u> | <u>729,580</u> | <u>531,975</u> |

5. COST OF SALES

| | | | | |
|---------------------------|----------------|----------------|----------------|----------------|
| Cost of inventories sold | 460,424 | 360,471 | 565,146 | 406,286 |
| Cost of services rendered | - | - | 8,781 | 8,604 |
| | <u>460,424</u> | <u>360,471</u> | <u>573,927</u> | <u>414,890</u> |

6. INTEREST INCOME

| | | | | |
|------------------------|--------------|--------------|--------------|--------------|
| Interest income from: | | | | |
| - short term deposit | 6,867 | 5,505 | 5,805 | 4,831 |
| - subsidiaries | - | - | 3,874 | 1,595 |
| - loan and receivables | - | - | (4) | (7) |
| | <u>6,867</u> | <u>5,505</u> | <u>9,675</u> | <u>6,419</u> |

7. DIVIDEND INCOME

| | | | | |
|-------------------------------|----------|----------|--------------|--------------|
| Dividend income from: | | | | |
| - subsidiaries | - | - | 6,060 | 3,521 |
| - investment in quoted shares | - | 1 | - | - |
| | <u>-</u> | <u>1</u> | <u>6,060</u> | <u>3,521</u> |

8. OTHER INCOME

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Gain on disposal of property, plant and equipment | 257 | 257 | 161 | 3,395 |
| Hiring charges for motor vehicles | 157 | 579 | 550 | 579 |
| Rental income | 100 | 81 | 70 | 52 |
| Excess of fair value of assets and liabilities over purchase consideration for subsidiaries acquired | - | 250 | - | - |
| Miscellaneous | 3,043 | 1,666 | 966 | 1,140 |
| Unrealised gain on foreign exchange | 330 | - | 330 | - |
| Gain on disposal of investment securities | 23 | - | - | - |
| | <u>3,910</u> | <u>2,833</u> | <u>2,077</u> | <u>5,166</u> |

Notes to the Financial Statements (Cont'd)

31 December 2010

9. FINANCE COSTS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Interest expenses on: | | | | |
| - Bank loans | 11,926 | 10,684 | 916 | 1,721 |
| - Overdraft | 2 | - | 2 | - |
| - Obligations under finance leases | 310 | 296 | 27 | 82 |
| - Interest rate swap | 1,025 | 1,121 | - | - |
| - Others | 90 | - | - | - |
| | 13,353 | 12,101 | 945 | 1,803 |
| Less: Amount capitalised in: | | | | |
| - plantation development expenditure (Note 16) | (8,819) | (6,066) | - | - |
| - property, plant and equipment (Note 15) | (70) | - | - | - |
| Total finance costs | 4,464 | 6,035 | 945 | 1,803 |

10. PROFIT BEFORE TAX

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

| | | | | |
|---|--------|--------|--------|--------|
| Employee benefits expenses (Note 11) | 68,759 | 60,186 | 34,291 | 30,737 |
| Non-executive directors' remuneration (Note 12) | 513 | 515 | 282 | 289 |
| Auditors' remuneration | | | | |
| - current year | 140 | 122 | 45 | 45 |
| - overprovision in previous year | 1 | (2) | - | - |
| Depreciation (Note 15) | 35,920 | 30,544 | 26,503 | 23,197 |
| Amortisation of land use rights (Note 17) | 1,835 | 1,744 | 317 | 317 |
| Amortisation of plantation development expenditure (Note 16) | 13,886 | 11,208 | 3,118 | 3,117 |
| Rental of premises | 219 | - | 120 | - |
| Loss on disposal of property, plant and equipment | 173 | 31 | - | - |
| Inventories written off | 3 | 155 | - | 82 |
| Property, plant and equipment written off | 201 | 374 | 201 | 374 |
| Impairment loss on other receivables | 69 | 132 | - | 117 |

Notes to the Financial Statements (Cont'd)

31 December 2010

11. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Salaries and wages | 79,510 | 66,383 | 30,764 | 27,584 |
| Social security contributions | 471 | 556 | 308 | 271 |
| Share options granted under ESOS | 1,809 | 1,138 | 1,178 | 793 |
| Contributions to defined contribution plan | 3,372 | 3,718 | 2,041 | 2,089 |
| | 85,162 | 71,795 | 34,291 | 30,737 |
| Less: Amount capitalised in plantation development expenditure | (16,403) | (11,609) | - | - |
| | 68,759 | 60,186 | 34,291 | 30,737 |

Included in employee benefits expense of the Group and of the Company are the Executive Director's remuneration amounting to RM1,224,000 (2009: RM1,175,000) and RM1,224,000 (2009: RM1,175,000) 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 | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Short-term employee benefits | 4,225 | 3,246 | 1,652 | 1,270 |
| Post-employment benefits: | | | | |
| Defined contribution plan | 488 | 390 | 192 | 152 |
| Share-based payment | 435 | 425 | 170 | 167 |
| | 5,148 | 4,061 | 2,014 | 1,589 |

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 and Company | |
|----------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 January | 4,506 | 4,516 |
| Granted | 61 | 119 |
| Exercised | (437) | (129) |
| Forfeited | (295) | - |
| Expired | - | - |
| At 31 December | 3,835 | 4,506 |

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 34).

Notes to the Financial Statements (Cont'd)

31 December 2010

12. DIRECTORS' REMUNERATION

Included in employee benefits expense of the Company is the executive and non-executive directors' remuneration as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Executive: | | | | |
| Fees | 33 | 33 | 33 | 33 |
| Other emoluments | 1,191 | 1,142 | 1,191 | 1,142 |
| Total executive directors' remuneration | 1,224 | 1,175 | 1,224 | 1,175 |
| Non-executive: | | | | |
| Fees (Note 10) | 513 | 515 | 282 | 289 |
| Total non-executive directors' remuneration | 513 | 515 | 282 | 289 |
| Total directors' remuneration | 1,737 | 1,690 | 1,506 | 1,464 |

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 | |
|--|---------------------|------|
| | 2010 | 2009 |
| Executive Director: RM1,000,001 - RM1,300,000 | 1 | 1 |
| Non-Executive Directors: Below RM50,000 | 9 | 9 |

13. INCOME TAX EXPENSE

Major components of income tax expense

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Statement of comprehensive income: | | | | |
| Current income tax: | | | | |
| - Malaysian income tax | 47,788 | 18,401 | 31,157 | 13,370 |
| - Overprovision in previous years | (247) | (1,216) | (222) | (1,215) |
| | 47,541 | 17,185 | 30,935 | 12,155 |

Notes to the Financial Statements (Cont'd)

31 December 2010

13. INCOME TAX EXPENSE (Cont'd)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Deferred income tax (Note 27): | | | | |
| Origination and reversal of temporary differences | 9,744 | 10,639 | (1,092) | 2,427 |
| Underprovision of deferred tax in previous years | 568 | 298 | 368 | 1,247 |
| | 10,312 | 10,937 | (724) | 3,674 |
| Income tax expensed recognised in profit and loss | 57,853 | 28,122 | 30,211 | 15,829 |

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 are as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Accounting profit before tax | 222,135 | 134,659 | 123,459 | 92,646 |
| Tax at Malaysian statutory tax rate of 25% (2009: 25%) | 55,534 | 33,665 | 30,865 | 23,162 |
| Adjustments: | | | | |
| Non-deductible expenses | 2,651 | 2,225 | 876 | 651 |
| Income not subject to tax | (492) | (678) | (1,551) | (2,008) |
| Effect of tax incentives | - | (5,111) | - | (5,111) |
| Overprovision of income tax in respect of previous years | (247) | (1,216) | (222) | (1,215) |
| Deferred tax assets not recognised | - | 1 | - | - |
| Deferred tax liability not recognised | - | (2) | - | - |
| Underprovision of deferred tax in previous years | 568 | 298 | 368 | 1,247 |
| Others | (161) | (1,060) | (125) | (897) |
| Income tax expense recognised in profit or loss | 57,853 | 28,122 | 30,211 | 15,829 |
| Deferred tax relating to other comprehensive income: | | | | |
| Fair value adjustment on cash flow hedge | 280 | - | - | - |

14. EARNINGS PER SHARE

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.

Notes to the Financial Statements (Cont'd)

31 December 2010

14. EARNINGS PER SHARE (Cont'd)

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

| | Group | |
|---|---------------|---------------|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share | 151,514 | 99,869 |
| | 2010 | 2009 |
| | '000 | '000 |
| Weighted average number of ordinary shares of basic earnings per share computation | 429,466 | 427,922 |
| Effect of dilution | | |
| - share options | 7,362 | 6,128 |
| - warrants | 1,178 | 1,660 |
| Weighted average number of ordinary shares for diluted earnings per share computation | 438,006 | 435,710 |

15. PROPERTY, PLANT AND EQUIPMENT

| Group | Buildings and infra-structure * | Furniture and office equipment | Motor vehicles | Plant, machinery and field equipment | Total |
|---|--|---------------------------------------|-----------------------|---|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost: | | | | | |
| At 1 January 2009 | 230,202 | 7,219 | 36,660 | 169,471 | 443,552 |
| Additions | 30,441 | 1,224 | 7,565 | 8,931 | 48,161 |
| Disposals | (223) | (41) | (1,161) | (726) | (2,151) |
| Written off | (328) | (30) | (285) | (1,215) | (1,858) |
| Transferred from capital work-in-progress | 28,276 | - | - | 29,674 | 57,950 |
| At 31 December 2009 and 1 January 2010 | 288,368 | 8,372 | 42,779 | 206,135 | 545,654 |
| Acquisition of subsidiaries | 3,311 | 111 | 146 | 1,097 | 4,665 |
| Additions | 25,357 | 2,359 | 9,985 | 9,491 | 47,192 |
| Disposals | (248) | (42) | (2,815) | (1,834) | (4,939) |
| Written off | (493) | (13) | (353) | (1,148) | (2,007) |
| Transferred from capital work-in-progress | 17,239 | - | - | 4,629 | 21,868 |
| At 31 December 2010 | 333,534 | 10,787 | 49,742 | 218,370 | 612,433 |

Notes to the Financial Statements (Cont'd)

31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| Group | Buildings and infrastructure * RM'000 | Furniture and office equipment RM'000 | Motor vehicles RM'000 | Plant, machinery and field equipment RM'000 | Total RM'000 |
|--|--|--|--------------------------|--|-----------------|
| Accumulated depreciation: | | | | | |
| At 1 January 2009 | 42,870 | 3,784 | 18,955 | 56,565 | 122,174 |
| Charge for the year | 9,236 | 688 | 6,498 | 19,343 | 35,765 |
| Disposals | (218) | (17) | (231) | (772) | (1,238) |
| Written off | (299) | (29) | (194) | (1,180) | (1,702) |
| Reclassification | - | - | 9 | (9) | - |
| At 31 December 2009 and 1 January 2010 | 51,589 | 4,426 | 25,037 | 73,947 | 154,999 |
| Acquisition of subsidiaries | 33 | 7 | 27 | 95 | 162 |
| Charge for the year | 10,699 | 1,047 | 7,015 | 22,239 | 41,000 |
| Disposals | (185) | (24) | (1,326) | (1,109) | (2,644) |
| Written off | (409) | (12) | (353) | (1,032) | (1,806) |
| Reclassification | - | - | 1 | (1) | - |
| At 31 December 2010 | 61,727 | 5,444 | 30,401 | 94,139 | 191,711 |
| Net carrying amount: | | | | | |
| At 31 December 2009 | 236,779 | 3,946 | 17,742 | 132,188 | 390,655 |
| Capital work-in-progress | | | | | |
| At 1 January 2009 | | | | | 44,681 |
| Add: Additions | | | | | 41,990 |
| Less: Transferred to property, plant and equipment | | | | | (57,950) |
| At 31 December 2009 | | | | | 28,721 |
| At 31 December 2010 | 271,807 | 5,343 | 19,341 | 124,231 | 420,722 |
| Capital work-in-progress | | | | | |
| At 1 January 2010 | | | | | 28,721 |
| Acquisition of subsidiaries | | | | | 877 |
| Add: Additions | | | | | 40,655 |
| Less: Disposals | | | | | (705) |
| Less: Transferred to property, plant and equipment | | | | | (21,868) |
| At 31 December 2010 | | | | | 47,680 |
| | | | | | 468,402 |

Notes to the Financial Statements (Cont'd)

31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

*Buildings and Infrastructures of the Group

| | Buildings RM'000 | Infrastructures RM'000 | Total RM'000 |
|---|-----------------------------|-----------------------------------|-------------------------|
| Cost: | | | |
| At 1 January 2009 | 92,652 | 137,550 | 230,202 |
| Additions | 307 | 30,134 | 30,441 |
| Disposals | (223) | - | (223) |
| Written off | (328) | - | (328) |
| Transferred from capital work-in-progress | 23,338 | 4,938 | 28,276 |
| At 31 December 2009 and 1 January 2010 | 115,746 | 172,622 | 288,368 |
| Acquisition of subsidiaries | - | 3,311 | 3,311 |
| Additions | 310 | 25,047 | 25,357 |
| Disposals | (248) | - | (248) |
| Written off | (493) | - | (493) |
| Transferred from capital work-in-progress | 10,131 | 7,108 | 17,239 |
| At 31 December 2010 | 125,446 | 208,088 | 333,534 |
| Accumulated depreciation: | | | |
| At 1 January 2009 | 33,483 | 9,387 | 42,870 |
| Charge for the year | 6,684 | 2,552 | 9,236 |
| Disposals | (218) | - | (218) |
| Written off | (299) | - | (299) |
| Reclassification | (22) | 22 | - |
| At 31 December 2009 and 1 January 2010 | 39,628 | 11,961 | 51,589 |
| Acquisition of subsidiaries | - | 33 | 33 |
| Charge for the year | 7,779 | 2,920 | 10,699 |
| Disposals | (185) | - | (185) |
| Written off | (409) | - | (409) |
| At 31 December 2010 | 46,813 | 14,914 | 61,727 |
| Net carrying amount: | | | |
| At 31 December 2009 | 76,118 | 160,661 | 236,779 |
| At 31 December 2010 | 78,633 | 193,174 | 271,807 |

Notes to the Financial Statements (Cont'd)

31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| Company | Buildings RM'000 | Furniture and Office Equipment RM'000 | Motor Vehicles RM'000 | Machinery and Field Equipment RM'000 | Total RM'000 |
|--|---------------------|--|-----------------------------|---|-----------------|
| Cost: | | | | | |
| At 1 January 2009 | 67,639 | 4,639 | 32,197 | 130,967 | 235,442 |
| Transferred from capital work-in-progress | 18,794 | - | - | 29,252 | 48,046 |
| Additions | 289 | 662 | 5,422 | 4,256 | 10,629 |
| Disposals | (40) | (8) | (7,294) | (2,109) | (9,451) |
| Written off | (156) | (52) | (285) | (1,216) | (1,709) |
| At 31 December 2009 and 1 January 2010 | 86,526 | 5,241 | 30,040 | 161,150 | 282,957 |
| Transferred from capital work-in-progress | 3,969 | - | - | 2,403 | 6,372 |
| Additions | 299 | 2,006 | 6,806 | 4,023 | 13,134 |
| Disposals | - | (10) | (790) | (466) | (1,266) |
| Written off | (493) | (13) | (353) | (1,148) | (2,007) |
| At 31 December 2010 | 90,301 | 7,224 | 35,703 | 165,962 | 299,190 |
| Accumulated depreciation: | | | | | |
| At 1 January 2009 | 25,445 | 2,997 | 16,538 | 39,914 | 84,894 |
| Charge for the year | 3,621 | 385 | 4,666 | 14,525 | 23,197 |
| Disposals | (34) | (3) | (4,470) | (1,202) | (5,709) |
| Written off | (131) | (50) | (194) | (1,180) | (1,555) |
| At 31 December 2009 and 1 January 2010 | 28,901 | 3,329 | 16,540 | 52,057 | 100,827 |
| Charge for the year | 4,354 | 701 | 4,913 | 16,557 | 26,525 |
| Disposals | - | (3) | (513) | (373) | (889) |
| Written off | (409) | (12) | (353) | (1,032) | (1,806) |
| At 31 December 2010 | 32,846 | 4,015 | 20,587 | 67,209 | 124,657 |
| Net carrying amount | | | | | |
| At 31 December 2009 | 57,625 | 1,912 | 13,500 | 109,093 | 182,130 |
| Capital work-in-progress At 1 January 2009 | | | | | 23,689 |
| Add: Additions | | | | | 29,342 |
| Less: Transferred to property, plant and equipment | | | | | (48,046) |
| At 31 December 2009 | | | | | 4,985 |
| | | | | | 187,115 |

Notes to the Financial Statements (Cont'd)

31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| Company | Buildings RM'000 | Furniture and Office Equipment RM'000 | Motor Vehicles RM'000 | Machinery and Field Equipment RM'000 | Total RM'000 |
|--|---------------------|--|-----------------------------|---|-----------------|
| Net carrying amount | | | | | |
| At 31 December 2010 | 57,455 | 3,209 | 15,116 | 98,753 | 174,533 |
| Capital work-in-progress 1 January 2010 | | | | | 4,985 |
| Add: Additions | | | | | 11,097 |
| Less: Disposal | | | | | (705) |
| Less: Transferred to property, plant and equipment | | | | | (6,372) |
| At 31 December 2010 | | | | | 9,005 |
| | | | | | 183,538 |

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 RM11,527,000 (2009: RM10,638,000) and RM7,536,000 (2009: RM5,843,000) respectively by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM76,320,000 (2009: RM79,513,000) and RM16,695,000 (2009: RM34,128,000) respectively.

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

| | Group | | Company | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Plant and machinery | 18,201 | 17,678 | 11,165 | 10,430 |
| Motor vehicles | 10,402 | 8,189 | 8,923 | 6,434 |
| | 28,603 | 25,867 | 20,088 | 16,864 |

Leased assets are pledged as security for the related finance lease liabilities (Note 25).

b) Additions to property, plant and equipment include:

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Loan interests capitalised (Note 9) | 70 | - | - | - |

Notes to the Financial Statements (Cont'd)

31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Income statement (Note 10) | 35,920 | 30,544 | 26,503 | 23,197 |
| Plantation development expenditure (Note 16) | 5,080 | 5,221 | 22 | - |
| | 41,000 | 35,765 | 26,525 | 23,197 |

16. PLANTATION DEVELOPMENT EXPENDITURE

Cost:

| | | | | |
|---------------------------------------|---------|---------|--------|--------|
| At 1 January | 470,438 | 392,302 | 78,248 | 78,705 |
| Acquisition of subsidiaries (Note 18) | 3,915 | - | - | - |
| Additions | 77,467 | 78,608 | 1,128 | 15 |
| Written off | - | (472) | - | (472) |
| At 31 December | 551,820 | 470,438 | 79,376 | 78,248 |

Accumulated amortisation:

| | | | | |
|-------------------------------------|---------|--------|--------|--------|
| At 1 January | 87,846 | 76,890 | 45,613 | 42,748 |
| Amortisation for the year (Note 10) | 13,886 | 11,208 | 3,118 | 3,117 |
| Written-off | - | (252) | - | (252) |
| At 31 December | 101,732 | 87,846 | 48,731 | 45,613 |

Net carrying amount

| | | | | |
|--|---------|---------|--------|--------|
| | 450,088 | 382,592 | 30,645 | 32,635 |
|--|---------|---------|--------|--------|

Additions to plantation development expenditure include:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Amortisation of land use rights (Note 17) | 1,168 | 586 | - | - |
| Depreciation of property, plant and equipment (Note 15) | 5,080 | 5,221 | 22 | - |
| Loan interests capitalised (Note 9) | 8,819 | 6,066 | - | - |

Notes to the Financial Statements (Cont'd)

31 December 2010

17. LAND USE RIGHTS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cost: | | | | |
| At 1 January | 227,026 | 199,349 | 26,643 | 26,643 |
| Acquisition of subsidiaries (Note 18) | 21,970 | 26,815 | - | - |
| Additions | 30,963 | 862 | 7,887 | - |
| Disposals | (69) | - | - | - |
| At 31 December | 279,890 | 227,026 | 34,530 | 26,643 |
| Accumulated amortisation: | | | | |
| At 1 January | 17,897 | 15,567 | 6,028 | 5,711 |
| Amortisation for the year | 3,003 | 2,330 | 317 | 317 |
| Recognised in income statement (Note 10) | 1,835 | 1,744 | 317 | 317 |
| Capitalised in plantation development expenditure (Note 16) | 1,168 | 586 | - | - |
| At 31 December | 20,900 | 17,897 | 6,345 | 6,028 |
| Net carrying amount | 258,990 | 209,129 | 28,185 | 20,615 |
| Amount to be amortised: | | | | |
| - Not later than one year | 3,003 | 2,330 | 317 | 317 |
| - Later than one year but not later than five years | 12,013 | 9,320 | 1,268 | 1,268 |
| - Later than five years | 243,974 | 197,479 | 26,600 | 19,030 |
| | 258,990 | 209,129 | 28,185 | 20,615 |

- a) The net carrying amount of leasehold land pledged for loan and borrowings as referred to in Note 25 are as follows:

| | Group | | Company | |
|----------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Leasehold land | 45,140 | 34,697 | 9,220 | 9,343 |

- b) The issuance of land title to the subsidiaries by relevant government authorities is in progress.

Notes to the Financial Statements (Cont'd)

31 December 2010

18. INVESTMENT IN SUBSIDIARIES

| | Company | |
|-------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Unquoted shares at cost | 205,016 | 186,892 |

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 | |
|--|--------------------------|--|-----------|
| | | 2010 % | 2009 % |
| 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 Plantation (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 | - |
| SOP Resources Sdn. Bhd. | Supplies of goods | 100 | 100 |
| SOP System Sdn. Bhd. | Rendering of IT services | 100 | 100 |
| SOP Industries Sdn. Bhd. | Investment holding | 65 | 65 |
| SOP Properties Sdn. Bhd. | Investment holding | 100 | 100 |
| Suria Megajaya Sdn. Bhd | Inactive | 100 | - |
| Held through a subsidiary-SOP Industries Sdn. Bhd.: | | | |
| SOP Green Energy Sdn. Bhd. | Inactive | 100 | 100 |
| SOP Edible Oils Sdn. Bhd. | Refining of palms oil | 100 | 100 |

Notes to the Financial Statements (Cont'd)

31 December 2010

18. INVESTMENT IN SUBSIDIARIES (Cont'd)

| Name of subsidiaries | Principal activities | Proportion of Ownership Interest | |
|--|--|----------------------------------|-----------|
| | | 2010 % | 2009 % |
| Held through a subsidiary-SOP Plantations (Beluru) Sdn. Bhd.: | | | |
| Setia Wiramaju Sdn. Bhd. | Management and maintenance of road and barge | 51.82 | - |

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

Acquisition of subsidiaries

SOP Industries Sdn. Bhd

On 25 September 2009, the Company acquired 65% equity interest or 650,000 ordinary shares in SOP Industries Sdn. Bhd. for a cash consideration of RM14,826,500.

SOP Properties Sdn. Bhd.

On 6 August 2009, the Company acquired 100% equity interest in SOP Properties Sdn. Bhd. for a cash consideration of RM3,756,750.

SOP Plantations (Sabaju) Sdn. Bhd.

On 2 August 2010, the Company acquired 60% equity interest or 4,127,428 ordinary shares in SOP Plantations (Sabaju) Sdn. Bhd. for a cash consideration of RM21,000,000.

Suria Megajaya Sdn. Bhd.

On 18 February 2010, the Company acquired 100% equity interest in Suria Megajaya Sdn. Bhd. for a cash consideration of RM2.

Setia Wiramaju Sdn. Bhd.

On 3 May 2010, SOP Plantations (Beluru) Sdn. Bhd., the subsidiary, acquired 51.82% equity interest in Setia Wiramaju Sdn. Bhd. for a cash consideration of RM51,820.

The acquisitions of SOP Plantations (Sabaju) Sdn Bhd., Suria Megajaya Sdn. Bhd. and Setia Wiramaju Sdn. Bhd. in 2010 and SOP Industries Sdn. Bhd and SOP Properties Sdn. Bhd. in 2009 have contributed the following results to the Group:

Notes to the Financial Statements (Cont'd)

31 December 2010

18. INVESTMENT IN SUBSIDIARIES (Cont'd)

Acquisition of subsidiaries (Cont'd)

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

| | Fair value 2010 RM'000 | Carrying 2010 RM'000 | Amount 2009 RM'000 |
|-------------------------------------|---------------------------------------|-------------------------------------|-----------------------------------|
| Land use rights | 21,970 | 2,506 | 26,815 |
| Property, plant and equipment | 5,380 | 5,380 | - |
| Plantation development expenditures | 3,915 | 3,915 | - |
| Inventories | 2,370 | 2,370 | - |
| Trade and ther receivables | 11,694 | 11,694 | 748 |
| Other current assets | 17 | 17 | - |
| Cash and bank balances | 9,689 | 9,689 | 14,827 |
| | 55,035 | 35,571 | 42,390 |
| Loans and borrowings | (281) | (281) | - |
| Trade and other payables | (19,721) | (19,721) | (13,208) |
| Deferred tax liabilities | (4,866) | - | (3,533) |
| | (24,868) | (20,002) | (16,741) |
| Net identifiable assets | 30,167 | 15,569 | 25,649 |

Total cost of business combination

| | 2010 RM'000 | 2009 RM'000 |
|---|------------------------|------------------------|
| The total cost of the business acquisition is as follows: | | |
| Cash paid | 9,372 | 18,482 |
| Accrual of investment cost in subsidiaries | 11,680 | - |
| | 21,052 | 18,482 |

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

| | | |
|--|--------------|--------------|
| Total cost of the business combination | 21,052 | 18,482 |
| Less: Accrual of investment cost in subsidiaries | (11,680) | - |
| | 9,372 | 18,482 |
| Less: Cash and cash equivalents of subsidiary acquired | (9,689) | (14,827) |
| Net cash outflow on acquisition | (317) | 3,655 |

Notes to the Financial Statements (Cont'd)

31 December 2010

18. INVESTMENT IN SUBSIDIARIES (Cont'd)

Acquisition of subsidiaries (Cont'd)

Goodwill arising on acquisition

| | 2010 RM'000 | 2009 RM'000 |
|--|----------------|----------------|
| Fair value of net identifiable assets | 30,167 | 25,649 |
| Less: Minority interest | (12,075) | (7,613) |
| Group's interest in fair value of net identifiable assets | 18,092 | 18,036 |
| Goodwill on acquisition (Note 23) | 2,960 | 696 |
| Excess of fair value of assets and liabilities over purchase consideration for subsidiaries acquired | - | (250) |
| Cost of business combination | 21,052 | 18,482 |

19. OTHER INVESTMENTS

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Investment in preference shares | - | - | 31,000 | 20,000 |
| Shares quoted in Malaysia, at cost | - | 45 | - | - |
| Market value of quoted shares | - | 39 | - | - |

20. HEDGE ACTIVITIES AND DERIVATIVES

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.

At 31 December 2010, the Group did not hold any forward currency or commodity futures contracts.

Cash flow hedges

At 31 December 2010, the Group had an interest rate swap agreement in place with a notional amount of RM41,000,000 (2009: Nil) whereby the Group pays a fixed rate of interest of 5.08% per annum and receives a variable rate equal to MYR-KLIBOR-BNM on the notional amount. The interest rate swap is being used to hedge the exposure to changes in the floating interest rate of its secured loan amounting to RM80,000,000 (2009: Nil). The management considers the interest rate swap as an effective hedging instrument as the secured loan and the swap have identical critical terms.

A net unrealised loss of RM3,008,000, a related deferred tax asset of RM752,000 was included in equity.

Notes to the Financial Statements (Cont'd)

31 December 2010

20. HEDGE ACTIVITIES AND DERIVATIVES (Cont'd)

Cash flow hedges (Cont'd)

The amount retained in equity at 31 December 2010 is expected to mature and affect the income statement during the next 3 financial years of RM1,144,000, RM1,120,000 and RM743,000.

The related financial liabilities are analysed as follows:

| | Notional Amount RM'000 | 2010 Fair Value RM'000 | 2009 Fair Value RM'000 |
|------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Cash flow hedges | 41,000 | 3,008 | - |
| Analysed as: | | | |
| Current | | 1,144 | - |
| Non-current | | 1,864 | - |
| | | 3,008 | - |

21. INVENTORIES

| | Group | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cost: | | | | |
| Processed inventories (crude palm oil and palm kernel) | 37,269 | 19,823 | 37,269 | 19,823 |
| Stores and spares | 21,237 | 28,316 | 8,746 | 8,395 |
| Nursery inventories | 4,870 | 2,547 | 444 | 25 |
| Crushed stone | 76 | - | 76 | - |
| | 63,452 | 50,686 | 46,535 | 28,243 |

22. TRADE AND OTHER RECEIVABLES

Current:

Trade receivables

| | | | | |
|---------------|--------|-------|--------|-------|
| Third parties | 25,040 | 8,540 | 24,302 | 8,444 |
|---------------|--------|-------|--------|-------|

Other receivables

| | | | | |
|------------------------------|--------|--------|---------|--------|
| Sundry receivables | 18,093 | 9,493 | 4,445 | 5,991 |
| Amount due from subsidiaries | - | - | 132,450 | 68,865 |
| Refundable deposits | 2,724 | 785 | 2,534 | 599 |
| | 20,817 | 10,278 | 139,429 | 75,455 |
| | 45,857 | 18,818 | 163,731 | 83,899 |

Notes to the Financial Statements (Cont'd)

31 December 2010

22. TRADE AND OTHER RECEIVABLES (Cont'd)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Non-current: | | | | |
| Other receivables | | | | |
| Amount due from subsidiaries | - | - | - | 18,100 |
| Deposits | - | 4,193 | - | - |
| Sundry receivables | 32 | 32 | - | - |
| | 32 | 4,225 | - | 18,100 |
| Total trade and other receivables (current and non-current) | 45,889 | 23,043 | 163,731 | 101,999 |
| Add: Cash and bank balances (Note 24) | 368,694 | 320,419 | 261,940 | 256,814 |
| Total loans and receivables | 414,583 | 343,462 | 425,671 | 358,813 |

a) Trade receivables

The Group and the Company trade receivables are non-interest bearing and are generally on 30 days (2009: 30 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Neither past due nor impaired | 25,012 | 8,510 | 24,302 | 8,444 |
| 1 to 30 days past due not impaired | 6 | 7 | - | - |
| 31 to 60 days past due not impaired | 3 | 5 | - | - |
| 61 to 90 days past due not impaired | 5 | 5 | - | - |
| 91 to 120 days past due not impaired | 3 | 4 | - | - |
| More than 121 days past due not impaired | 11 | 9 | - | - |
| | 28 | 30 | - | - |
| | 25,040 | 8,540 | 24,302 | 8,444 |

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 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 has trade receivables amounting to RM28,000 (2009: RM30,000) that are past due at the reporting date but not impaired.

Notes to the Financial Statements (Cont'd)

31 December 2010

22. TRADE AND OTHER RECEIVABLES (Cont'd)

(b) Amounts due from subsidiaries

Included in the amounts due from subsidiaries are RM104,266,000 (2009: RM35,290,000), being advances which bears interest of COF + 1.1% (2009: COF + 1.1%) per annum.

The amounts due from subsidiaries are unsecured and are repayable on demand.

(c) Sundry receivables

Included in sundry receivables of the Group is an amount of RM48,000 (2009: RM58,000) due to companies in which certain Directors have substantial financial interests.

In 2009, included in sundry receivables were unsecured amounts of RM57,000 and RM29,000 due from staff of the Group and of the Company respectively. These amounts bore interest at 7.2% per annum and were repayable in accordance with agreed repayment schedules.

23. INTANGIBLE ASSET

| | Group | |
|---------------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Goodwill | | |
| Cost: | | |
| At 1 January | 2,222 | 1,526 |
| Acquisition of subsidiaries (Note 18) | 2,960 | 696 |
| At 31 December | 5,182 | 2,222 |

24. CASH AND BANK BALANCES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cash at banks and on hand | 42,655 | 36,002 | 13,837 | 25,476 |
| Short term deposits with licensed banks | 326,039 | 284,417 | 248,103 | 231,338 |
| Cash and bank balances | 368,694 | 320,419 | 261,940 | 256,814 |

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

| | Group | | Company | |
|------------------------------|-------------|-------------|-------------|-------------|
| | 2010 % | 2009 % | 2010 % | 2009 % |
| Deposits with licensed banks | 1.95 - 2.95 | 1.15 - 2.30 | 1.95 - 2.95 | 1.15 - 2.25 |

Notes to the Financial Statements (Cont'd)

31 December 2010

24. CASH AND BANK BALANCES (Cont'd)

The maturities of deposits as at the end of the financial year were as follows:

| | Group | | Company | |
|------------------------------|--------------|--------------|--------------|--------------|
| | 2010 Days | 2009 Days | 2010 Days | 2009 Days |
| Deposits with licensed banks | 3 - 92 | 1 - 92 | 5 - 92 | 4 - 92 |

25. LOANS AND BORROWINGS

| | Maturity | Group | | Company | |
|--|-------------|----------------|----------------|----------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Current | | | | | |
| Secured: | | | | | |
| Obligations under finance leases (Note 32(b)) | 2011 | 8,647 | 8,909 | 5,631 | 6,413 |
| Revolving credits | 2011 | 17,000 | 16,000 | - | - |
| Term loans | 2011 | 15,500 | 22,000 | - | 4,750 |
| | | 41,147 | 46,909 | 5,631 | 11,163 |
| Unsecured: | | | | | |
| Revolving credits | 2011 | 8,000 | 14,000 | 8,000 | 14,000 |
| Term loans | 2011 | 3,788 | 3,605 | 3,788 | 3,605 |
| | | 11,788 | 17,605 | 11,788 | 17,605 |
| | | 52,935 | 64,514 | 17,419 | 28,768 |
| Non-current | | | | | |
| Secured: | | | | | |
| Obligations under finance leases (Note 32(b)) | 2012 - 2013 | 7,946 | 6,923 | 4,813 | 4,027 |
| Term loans | 2012 - 2018 | 239,483 | 211,183 | - | - |
| | | 247,429 | 218,106 | 4,813 | 4,027 |
| Unsecured: | | | | | |
| Term loans | 2013 | 5,083 | 8,871 | 5,083 | 8,871 |
| | | 252,512 | 226,977 | 9,896 | 12,898 |
| Total loans and borrowings | | 305,447 | 291,491 | 27,315 | 41,666 |

Notes to the Financial Statements (Cont'd)

31 December 2010

25. LOANS AND BORROWINGS (Cont'd)

The remaining maturities of the loans and borrowings as at 31 December 2010 are as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| On demand or within one year | 52,935 | 64,514 | 17,419 | 28,768 |
| More than 1 year and less than 2 years | 27,434 | 22,337 | 7,216 | 7,075 |
| More than 2 years and less than 5 years | 135,390 | 133,140 | 2,680 | 5,823 |
| 5 years or more | 89,688 | 71,500 | - | - |
| | 305,447 | 291,491 | 27,315 | 41,666 |

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 15). The discount rates implicit in the leases range from 4.51% - 6.14% p.a. (2009: 4.51% - 6.02% p.a.).

Revolving credits

Revolving credits bear interest from COF + 0.75% to COF + 1% p.a (2009: COF + 0.75% to COF + 1%) and 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 term loans are as follows:

| | Group | |
|------------------|-------------|-------------|
| | 2010 % | 2009 % |
| Fixed rates | 4.95 – 5.83 | 3.70 – 6.75 |
| Floating rates | | |
| - RM loan at COF | 0.75 – 1.00 | 0.75 – 1.00 |

26. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Current | | | | |
| Trade payables | | | | |
| Third parties | 49,038 | 53,287 | 20,345 | 11,655 |
| Amount due to subsidiaries | - | - | 19,636 | 7,144 |
| | 49,038 | 53,287 | 39,981 | 18,799 |

Notes to the Financial Statements (Cont'd)

31 December 2010

26. TRADE AND OTHER PAYABLES (Cont'd)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Other payables | | | | |
| Retention sums payable to contractors | 2,502 | 3,420 | 2,106 | 3,109 |
| Staff remuneration payable | 2,472 | 3,310 | 2,472 | 3,310 |
| Deposits | 17 | 28 | 16 | 16 |
| Land premium payable | 664 | 664 | - | - |
| Other payable and accrued operating expenses | 73,500 | 35,291 | 21,258 | 13,392 |
| Amount due to subsidiaries | - | - | 312 | 300 |
| | 79,155 | 42,713 | 26,164 | 20,127 |
| | 128,193 | 96,000 | 66,145 | 38,926 |
| Non-current | | | | |
| Land premium payable | 1,300 | 733 | - | - |
| Total trade and other payables | 129,493 | 96,733 | 66,145 | 38,926 |
| Add: Loans and borrowings (Note 25) | 305,447 | 291,491 | 27,315 | 41,666 |
| Total financial liabilities carried at amortised cost | 434,940 | 388,224 | 93,460 | 80,592 |

Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2009: 30 to 60 days) terms.

Included in trade payables of the Group and of the Company are amounts of RM3,018,000 (2009: RM12,899,000) and RM356,000 (2009: RM1,729,000) respectively due to companies in which certain Directors have substantial financial interests.

Other payables

These amounts are non-interest bearing.

Included in sundry payables of the Group and of the Company are amounts of RM6,698,000 (2009: RM4,276,000) and RM16,000 (2009: RM12,000) respectively due to companies in which certain Directors have substantial financial interests.

Notes to the Financial Statements (Cont'd)

31 December 2010

27. DEFERRED TAX

| Group | As at 1 January 2009 | Recognised in profit or loss RM'000 | Acquisition of subsidiaries RM'000 | As at 31 December 2009 RM'000 | Effect arising from adoption of FRS 139 RM'000 | Recognised in profit or loss RM'000 | Recognised in other comprehensive income RM'000 | Acquisition of subsidiaries RM'000 | As at 31 December 2010 RM'000 |
|--|----------------------|-------------------------------------|------------------------------------|-------------------------------|--|-------------------------------------|---|------------------------------------|-------------------------------|
| Deferred tax liabilities: | | | | | | | | | |
| Property, plant and equipment | 137,169 | 26,481 | 3,533 | 167,183 | - | 28,691 | - | 4,866 | 200,740 |
| Deferred tax assets: | | | | | | | | | |
| Unutilised tax losses | (17,171) | 81 | - | (17,090) | - | (83) | - | - | (17,173) |
| Unabsorbed capital allowance and agriculture allowance | (35,589) | (15,625) | - | (51,214) | - | (18,296) | - | - | (69,510) |
| Fair value adjustment on cash flow hedge | - | - | - | - | (1,032) | - | 280 | - | (752) |
| | (52,760) | (15,544) | - | (68,304) | (1,032) | (18,379) | 280 | - | (87,435) |
| | 84,409 | 10,937 | 3,533 | 98,879 | (1,032) | 10,312 | 280 | 4,866 | 113,305 |

Notes to the Financial Statements (Cont'd)

31 December 2010

27. DEFERRED TAX (Cont'd)

| | As at 1 January 2009 RM'000 | Recognised in profit or loss RM'000 | As at 31 December 2009 RM'000 | Recognised in profit or loss RM'000 | As at 31 December 2010 RM'000 |
|----------------------------------|--------------------------------------|--|--|--|--|
| Company | | | | | |
| Deferred tax liabilities: | | | | | |
| Property, plant and equipment | 25,595 | 3,674 | 29,269 | (724) | 28,545 |

| | Group | | Company | |
|--|----------------|---------------|----------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | (1,481) | (143) | - | - |
| Deferred tax liabilities | 114,786 | 99,022 | 28,545 | 29,269 |
| | <u>113,305</u> | <u>98,879</u> | <u>28,545</u> | <u>29,269</u> |

During the year, the Group has:

| | Group | |
|----------------------------------|----------------|----------------|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Unutilised tax losses | 68,614 | 69,947 |
| Unabsorbed capital allowances | 40,955 | 30,576 |
| Unabsorbed agriculture allowance | 237,165 | 177,573 |
| | <u>346,734</u> | <u>278,096</u> |

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.

Notes to the Financial Statements (Cont'd)

31 December 2010

28. 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 | Share Premium RM'000 | Total Share Capital and Share Premium RM'000 |
| At 1 January 2009 | 427,408 | 427,408 | 382 | 427,790 |
| Ordinary shares issued during the year: | | | | |
| Pursuant to exercise of ESOS | 718 | 718 | 196 | 914 |
| Pursuant to exercise of warrants | 400 | 400 | - | 400 |
| Transfer from employee share option reserve arising from exercise of ESOS | - | - | 468 | 468 |
| As at 31 December 2009 and 1 January 2010 | 428,526 | 428,526 | 1,046 | 429,572 |
| Ordinary shares issued during the year: | | | | |
| Pursuant to exercise of ESOS | 1,568 | 1,568 | 635 | 2,203 |
| Pursuant to exercise of warrants | 992 | 992 | - | 992 |
| Transfer from employee share option reserve arising from exercise of ESOS | - | - | 1,109 | 1,109 |
| At 31 December 2010 | 431,086 | 431,086 | 2,790 | 433,876 |

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|---------------------------------|---------------------------------------|-----------|-------------|-------------|
| | 2010 '000 | 2009 '000 | 2010 RM'000 | 2009 RM'000 |
| Authorised share capital | | | | |
| At 1 January and at 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.

29. EMPLOYEE SHARE OPTION RESERVE

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| At 1 January | 1,885 | 1,187 | 1,885 | 1,187 |
| Share options granted under ESOS | | | | |
| Recognised in profit or loss | 1,795 | 1,166 | 1,178 | 793 |
| Charged to subsidiaries | - | - | 617 | 373 |
| Transfer to Share Premium arising from exercise of ESOS | (1,109) | (468) | (1,109) | (468) |
| At 31 December | 2,571 | 1,885 | 2,571 | 1,885 |

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.

Notes to the Financial Statements (Cont'd)

31 December 2010

30. HEDGE RESERVE

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| At 1 January | - | - | - | - |
| Effect of adopting FRS139 | (2,013) | - | - | - |
| | (2,013) | - | - | - |
| Fair value adjustment on cash flow hedge | 547 | - | - | - |
| At 31 December | (1,466) | - | - | - |

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

31. 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 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2010, the Company has sufficient credit in the tax exempt account and in the 108 balance to pay franked dividends out of its entire retained earnings.

32. COMMITMENTS

a) Capital commitments

Capital expenditure as at the reporting date is as follows:

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Capital expenditure: | | | | |
| Approved and contracted for: | | | | |
| Plantation development expenditure | 46,147 | 33,797 | - | - |
| Property, plant and equipment | 105,496 | 25,821 | 13,783 | 12,381 |
| | 151,643 | 59,618 | 13,783 | 12,381 |
| Approved but not contracted for: | | | | |
| Plantation development expenditure | 188,324 | 225,742 | 4,672 | 26 |
| Property, plant and equipment | 224,923 | 73,403 | 138,662 | 139,373 |
| | 413,247 | 299,145 | 143,334 | 139,399 |
| | 564,890 | 358,763 | 157,117 | 151,780 |

Notes to the Financial Statements (Cont'd)

31 December 2010

32. COMMITMENTS (Cont'd)

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 | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Future minimum lease payments | | | | |
| Not later than 1 year | 9,313 | 9,508 | 6,045 | 6,805 |
| Later than 1 year and not later than 2 years | 6,020 | 5,241 | 3,411 | 3,400 |
| Later than 2 years and not later than 5 years | 2,241 | 1,941 | 1,611 | 750 |
| Total future minimum lease payments | 17,574 | 16,690 | 11,067 | 10,955 |
| Less: Future finance charges | (981) | (858) | (623) | (515) |
| Present value of finance lease liabilities | 16,591 | 15,832 | 10,444 | 10,440 |
| Present value of payments: | | | | |
| Not later than 1 year | 8,647 | 8,909 | 5,631 | 6,413 |
| Later than 1 year and not later than 2 years | 5,750 | 5,018 | 3,237 | 3,287 |
| Later than 2 years and not later than 5 years | 2,196 | 1,905 | 1,576 | 740 |
| Less: Amount due within 12 months (Note 25) | (8,647) | (8,909) | (5,631) | (6,413) |
| Amount due after 12 months (Note 25) | 7,946 | 6,923 | 4,813 | 4,027 |

33. RELATED PARTY DISCLOSURES

a) Sale and purchase of goods and services

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

| | Company | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Significant transactions with subsidiaries | | |
| Purchase of fresh fruit bunches | 227,023 | 158,357 |
| Purchase of goods | 20,373 | 23,597 |
| Sale of seedlings and consumables | (296) | (329) |
| Construction services | (8,206) | (7,345) |
| Sale of property, plant and equipment | (763) | (6,539) |
| Purchase of property, plant and equipment | 1,091 | 1,373 |
| Interest expenses recharged | (3,539) | (1,651) |
| Management fees | (200) | (200) |
| Other services | (891) | 212 |
| Rental charges | 108 | 108 |

Notes to the Financial Statements (Cont'd)

31 December 2010

33. RELATED PARTY DISCLOSURES (Cont'd)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Transactions with companies owned substantially by Directors Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing | | | | |
| Contract received | (2,491) | - | - | - |
| Contract paid | 39 | - | - | - |
| Purchase of spare parts and consumables | 17,941 | 22,695 | 5,427 | 9,237 |
| Purchase of property, plant and equipment | 3,714 | 2,529 | 2,313 | 1,552 |
| Purchase of fresh fruit bunches | 44,223 | 48,732 | 44,223 | 48,732 |
| Rental of premises | 144 | - | - | - |
| Sales of goods and services | (71) | (760) | - | - |
| Transportation charges | 2,008 | 2,419 | 49 | 43 |
| Transactions with a company owned substantially by a Director, Wong Ngie Yong | | | | |
| Purchase of spare parts and consumables | 474 | 742 | - | 53 |

34. 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.

Notes to the Financial Statements (Cont'd)

31 December 2010

34. EMPLOYEE BENEFITS (Cont'd)

Employee Share Options Scheme ("ESOS") (Cont'd)

- (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:

| | 2010 | 2009 |
|--|-------|--------|
| Fair value of share options at the following grant dates (RM): | | |
| 9 June 2010 | 0.92 | - |
| 12 March 2009 | - | 1.88 |
| Weighted average share price (RM) | 3.07 | 2.01 |
| Weighted average exercise price (RM) | 1.56 | 1.41 |
| Expected volatility (%) | 27.36 | 128.20 |
| Expected life (years) | 7 | 8 |
| Risk free rate (%) | 3.1 | 2.7 |
| 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.

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 | Granted '000 | Movements during the year | | | Outstanding 31 December '000 | Exercisable 31 December '000 |
|--------------|----------------------------------|-----------------|---------------------------|-------------------|-----------------|------------------------------------|------------------------------------|
| | | | Exercised '000 | Forfeited '000 | Expired '000 | | |
| 2010 | | | | | | | |
| 2010 options | - | 2,193 | (68) | (84) | - | 2,041 | 215 |
| 2009 options | 959 | - | (99) | (54) | - | 806 | 156 |
| 2008 options | 1,074 | - | (82) | (108) | - | 884 | 384 |
| 2007 options | 9,613 | - | (1,319) | (386) | - | 7,908 | 2,284 |
| WAEP | 1.41 | 2.22 | 1.40 | 1.65 | - | 1.56 | 1.51 |
| 2009 | | | | | | | |
| 2009 options | - | 1,042 | (30) | (53) | - | 959 | 120 |
| 2008 options | 1,122 | - | - | (48) | - | 1,074 | 777 |
| 2007 options | 10,663 | - | (688) | (362) | - | 9,613 | 635 |
| WAEP | 1.38 | 1.80 | 1.28 | 1.45 | - | 1.41 | 1.95 |

Notes to the Financial Statements (Cont'd)

31 December 2010

34. EMPLOYEE BENEFITS (Cont'd)

Employee Share Options Scheme ("ESOS") (Cont'd)

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

| Grant date | WAEP RM | Exercised Period |
|------------|------------|-----------------------|
| 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 1,568,000 (2009: 718,000) ordinary shares at an average price of RM1.40 (2009: RM1.28) each. The related weighted average share price at the date of exercise was RM1.40 (2009: RM2.47).

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

36. 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 Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Notes to the Financial Statements (Cont'd)

31 December 2010

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(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.

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 22.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 22.

(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 within 1 year RM'000 | Between 1 to 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|--|--|--|------------------------------------|-------------------------|
| At 31 December 2010 | | | | |
| Financial liabilities: | | | | |
| Total trade and other payables | 128,193 | - | 1,300 | 129,493 |
| Loans and borrowings | 52,935 | 162,824 | 89,688 | 305,447 |
| Total undiscounted financial liabilities | 181,128 | 162,824 | 90,988 | 434,940 |
| Company | | | | |
| At 31 December 2010 | | | | |
| Financial liabilities: | | | | |
| Total trade and other payables | 66,145 | - | - | 66,145 |
| Loans and borrowings | 17,419 | 9,896 | - | 27,315 |
| Total undiscounted financial liabilities | 83,564 | 9,896 | - | 93,460 |

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to 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 and the Company's profit net of tax would have been RM174,000 and RM8,000 respectively 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.

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, with all other variables held constant, is not material due to the low volume of such transactions.

37. 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 2010 and 31 December 2009.

38. SEGMENT INFORMATION

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

Notes to the Financial Statements (Cont'd)

31 December 2010

39. DIVIDENDS

| | Group/Company | |
|--|----------------------|---------------|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Recognised during the financial year: | | |
| Dividends on ordinary shares: | | |
| Final dividend for 2009: 3% (2008: 3%) less 25% (2008: 25%) tax on 429,293,023 (2008: 428,010,630) ordinary shares | 9,659 | 9,630 |
| 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 2010: 4% (2009: 3%) less 25% (2009: 25%) tax on 431,086,091 (2009: 428,526,498) ordinary shares | 12,933 | 9,642 |

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 26 April 2011.

41. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

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

| | Group | |
|--|---------------|---------------|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Total retained profits of the Company and its subsidiaries | | |
| - Realised | 621,137 | 469,016 |
| - Unrealised | (81,962) | (71,696) |
| Retained profits as per financial statements | 539,175 | 397,320 |

Properties of the Group

As At 31 December 2010

| Location of Property Sarawak | Year of Acquired/ Revaluation | Tenure | Year of Expiry | Size Hectares | Description Net | Book Value As at 31 Dec 2010 (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 | 242,368 | 1 to 40 |
| 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 | | |
| 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 | 48,378 | 1 to 12 |
| Balingian Estate 2, Balingian | 1999 | Leasehold 60 years | 2059 | 2,301 | Oil Palm Estate | | |
| 7. Sengah/Tibus Estate, Miri* | 2003-2004 | Leasehold 60 years | 2063 2064 | 1,499 | Land for Oil Palm Development | 58,218 | 1 to 13 |
| 8. Lamaus Estate, Miri* | 2003-2004 | Leasehold 60 years | 2063- 2064 | 3,818 | Land under Oil Palm Development | | |
| 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 | 63,937 | 1 to 12 |
| 11. Taniku Estate, Miri | 2003 | Leasehold 60 years | 2058 | 4,858 | Oil Palm Estate | 129,026 | 1 to 13 |
| 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 | 31,187 | 1 to 6 |
| 14. Tatau Estate | 2008 | Leasehold 99 years | 2103 | 3,840 | Land under Oil Palm Development | 185,078 | 1 to 5 |
| 15. Sebungan Estate | 2006 | Leasehold 99 years | 2103 | 1,667 | Land under Oil Palm Development | | |
| 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 | 150,485 | 1 to 3 |
| 18. Batu Lintang, Sri Aman | 2008 | NCR Native Land 60 years | NA | 2,000 | Land under Oil Palm Development | 20,255 | 1 to 3 |
| 19. Sabaju Estate | 2010 | Leasehold | - | 3,380 | Land under Oil Palm Development | 19,628 | 1 |
| 20. Refinery & KCP Plant, Bintulu | 2010 | - | - | 28 | Palm Oil Refinery & Palm Kernel Crushing Plant | 39,431 | In progress |

Analysis of Shareholdings

As At 9 May 2011

SHARE CAPITAL

| | |
|-----------------------|--|
| Authorised | : 500,000,000 Ordinary Shares of RM1.00 each |
| Issued and Fully Paid | : 433,163,959 |
| 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 | 175 | 3.65 | 1,694 | 0.00 |
| 100 – 1000 | 846 | 17.63 | 530,975 | 0.12 |
| 1001 – 10,000 | 2,906 | 60.55 | 11,742,611 | 2.71 |
| 10,001 – 100,000 | 777 | 16.19 | 21,709,254 | 5.01 |
| 100,001 to less than 5% of issued shares | 91 | 1.90 | 120,978,281 | 27.93 |
| 5% and above of issued shares | 4 | 0.08 | 278,201,144 | 64.23 |
| TOTAL | 4,799 | 100.00 | 433,163,959 | 100.00 |

Substantial Shareholders

| | No. of Shares Held | % of Issued Capital |
|---------------------------------|--------------------|---------------------|
| 1. Shin Yang Plantation Sdn Bhd | 126,294,214 | 29.15 |
| 2. Pelita Holdings Sdn Bhd | 124,591,852 | 28.76 |
| 3. Tan Sri Datuk Ling Chiong Ho | 30,993,608 | 7.16 |

Directors' Interests In Shares

| Size of Holdings | Direct Interest | | Deemed Interest | |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| | No. of Shares | % of Issued Capital | No. of Shares | % of Issued Capital |
| In the company | | | | |
| Tan Sri Datuk Ling Chiong Ho | 30,993,608 | 7.16 | 126,294,214 | 29.15 |
| Ling Chiong Sing | - | - | 126,294,214 | 29.15 |
| Tang Tiong Ing | 42,880 | Negligible | 132,000 | Negligible |
| Fong Tshu Kwong | 70,000 | Negligible | - | - |
| DR. Lai Yew Hock, Dominic | 39,400 | Negligible | - | - |
| Wong Ngie Yong | - | - | 20,000 | - |

Thirty Largest Shareholders

As At 9 May 2011

| Name | No. of Shares | Shares % |
|--|---------------|----------|
| 1. Pelita Holdings Sdn Bhd | 124,591,852 | 28.76 |
| 2. AMMB Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad For Shin Yang Plantation Sdn Bhd (KCH 001) | 103,064,478 | 23.79 |
| 3. AMMB Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for Ling Chiong Ho (BK (KU) LCH) | 27,315,078 | 6.31 |
| 4. Shin Yang Plantation Sdn Bhd | 23,229,736 | 5.36 |
| 5. UOBM Nominees (Asing) Sdn Bhd Exempt An For Societe Generale Bank & Trust, Singapore Branch (Cust Asset) | 21,435,150 | 4.95 |
| 6. Vision Classic Holdings Limited | 20,080,016 | 4.64 |
| 7. HSBC Nominees (Asing) Sdn Bhd Exempt An For HSBC Private Bank (Suisse) S. A. (SPORE TST AC CL) | 15,764,300 | 3.64 |
| 8. HSBC Nominees (Asing) Sdn Bhd Exempt An For BNP Paribas Wealth Management Singapore Branch (Foreign) | 9,778,400 | 2.26 |
| 9. HSBC Nominees (Asing) Sdn Bhd HSBC Trustee Sg Ltd For Millionasia Properties Limited | 6,878,800 | 1.59 |
| 10. Pekan Megah Sdn Bhd | 5,820,360 | 1.34 |
| 11. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Boards (PHEIM) | 5,422,940 | 1.25 |
| 12. Lembaga Tabung Haji | 4,214,400 | 0.97 |
| 13. Ling Chiong Ho | 3,678,530 | 0.85 |
| 14. Wong Ing Yung | 3,147,600 | 0.73 |
| 15. HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association (Norges BK Lend) | 1,966,000 | 0.45 |
| 16. HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse (SG BR-TST-Asing) | 1,511,700 | 0.35 |
| 17. HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse (HK Br-TST-Asing) | 1,197,500 | 0.28 |
| 18. HLG Nominee (Asing) Sdn Bhd UOB Kay Hian Pte Ltd For Quek Leng Chye | 1,074,240 | 0.25 |
| 19. Wong Yu @ Wong Wing Yu | 1,034,200 | 0.24 |
| 20. Adinamaju Sdn Bhd | 1,024,660 | 0.24 |
| 21. Tay Ah Kou @ Tay Hwa Lang | 600,000 | 0.14 |
| 22. Ling Chiong Pin | 559,500 | 0.13 |
| 23. Neoh Choo Ee & Company, Sdn. Berhad | 530,000 | 0.12 |
| 24. Yong Poh Kon, Tan Sri | 517,000 | 0.12 |
| 25. Inter-Pacific Equity Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd For Tan How Nguang | 496,980 | 0.11 |
| 26. Mayban Nominees (Tempatan) Sdn Bhd Law Kiu Kiong | 469,500 | 0.11 |
| 27. Citigroup Nominees (Asing) Sdn Bhd CBHK PBGSG For Mighty Roots Ltd | 468,000 | 0.11 |
| 28. Affin Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd For Juliana Hutomo | 447,600 | 0.10 |
| 29. Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund | 445,020 | 0.10 |
| 30. Mayban Nominees (Tempatan) Sdn Bhd Capital Dynamics Asset Management Sdn Bhd For Koperasi Jayadiri Malaysia Berhad (CDAM62-250494) | 427,000 | 0.10 |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 43rd Annual General Meeting of the Company will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 27 June 2011 at 10.00 am for the following purposes:-

AGENDA

1. To receive and adopt the annual accounts for the year ended 31st December 2010 and the Reports of the Directors and Auditors thereon.
2. To declare a Final Dividend in respect of the financial year ended 31st December 2010 as recommended by the Directors.
3. To approve payment of Directors' fees in respect of the financial year ended 31st December 2010.
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.

Tan Sri Datuk Ling Chiong Ho
Ling Lu Kuang
Tang Tiong Ing
Kamri Bin Ramlee
Hasbi Bin Suhaili

5. To appoint Messrs. Ernst & Young as the auditors of the Company and to authorise the Board of Directors to fix their remuneration.
6. As Special Business

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution:-

Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature

"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 3 June 2011, 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;

Notice of Annual General Meeting (Cont'd)

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

By Order of the Board

Eric Kiu Kwong Seng

Secretary

Miri

3 June 2011

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/45, 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:

The Ordinary Resolution proposed under item 6, 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 3 June 2011 for more information.

Statement Accompanying Notice

Of The Forty-Third Annual General Meeting of Sarawak Oil Palms Berhad

Directors who are standing for Re-election

Tan Sri Datuk Ling Chiong Ho
Ling Lu Kuang
Tang Tiong Ing
Kamri Bin Ramlee
Hasbi Bin Suhaili

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 8 to 10 of this Annual Report.

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 | 5/5 |
| Ling Chiong Sing | 1/12/2006 | 5/5 |
| Ling Lu Kuang | 27/06/2008 | 5/5 |
| Tang Tiong Ing | 16/06/1995 | 5/5 |
| Hasbi Bin Suhaili | 26/08/2005 | 5/5 |
| Kameri Bin Affandi | 28/11/2008 | 4/5 |
| Gerald Rentap Jabu | 24/05/2000 | 4/5 |
| Fong Tshu Kwong | 22/03/1996 | 5/5 |
| Dr Lai Yew Hock | 24/02/2000 | 3/5 |
| Wong Ngie Yong | 15/06/2001 | 5/5 |

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

Details of the Board of Directors' Meeting held

Five Board Meetings were held during the year.

| Board Meeting | Time | Place |
|------------------|-----------|---|
| 23 February 2010 | 10.00 a.m | Conference Room of SOPB, No. 124-126, Jalan Bendara, Miri, Sarawak |
| 23 April 2010 | 2.00 p.m | Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak |
| 25 June 2010 | 10.30 a.m | Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak. |
| 27 August 2010 | 10.00 a.m | Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak |
| 23 November 2010 | 10.00 a.m | Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak |

Details of persons who are standing for election as Directors

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

Form of Proxy

No of ordinary shares held

SARAWAK OIL PALMS BERHAD

(Company No.7949-M)
(Incorporated in Malaysia)

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-Third Annual General Meeting of the Company to be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 27 June 2011 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:- Tan Sri Datuk Ling Chiong Ho Ling Lu Kuang Tang Tiong Ing Kamri Bin Ramlee Hasbi Bin Suhaili | | |
| 5 | Appointment of Auditors | | |
| 6 | 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 _____ 2011

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 o 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.



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Stamp

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

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

