

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position**As at 31 December 2011**

	Note	31 December 2011 RM'000	31 December 2010 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	1,118,598	918,490
Prepaid lease payments	A1	254,689	255,867
Land held for property development		3,068	3,123
Other receivables		32	32
Intangible assets		5,182	5,182
Deferred tax assets		5,262	1,481
		<u>1,386,831</u>	<u>1,184,175</u>
Current Assets			
Inventories		91,248	63,452
Trade and other receivables		65,585	48,340
Cash and bank balances		508,369	368,694
		<u>665,202</u>	<u>480,486</u>
TOTAL ASSETS		<u>2,052,033</u>	<u>1,664,661</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		434,477	431,086
Share premium		5,863	2,790
Other reserve		2,645	2,571
Hedging reserve		(860)	(1,466)
Retained earnings		769,118	539,175
		<u>1,211,243</u>	<u>974,156</u>
Minority Interest		129,669	122,312
Total equity		<u>1,340,912</u>	<u>1,096,468</u>
Non-current liabilities			
Deferred tax liabilities		119,747	114,786
Borrowings	B8	359,267	252,512
Derivative Financial Instruments	B9	1,006	1,864
Other deferred liabilities		672	1,300
		<u>480,692</u>	<u>370,462</u>
Current liabilities			
Borrowings	B8	59,417	52,935
Trade and other payables		153,382	128,193
Current tax payable		16,572	15,459
Dividend payable		300	-
Derivative Financial Instruments	B9	758	1,144
		<u>230,429</u>	<u>197,731</u>
Total liabilities		<u>711,121</u>	<u>568,193</u>
TOTAL EQUITY AND LIABILITIES		<u>2,052,033</u>	<u>1,664,661</u>
Net assets per share (RM)		2.79	2.26

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this report)

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

**Condensed Consolidated Statement of Comprehensive Income
For the Twelve-Months Period Ended 31 December 2011**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		12 months ended	
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Continuing Operations					
Revenue		313,568	212,590	1,166,292	728,158
Sarawak sales tax		(12,552)	(11,241)	(51,184)	(33,776)
Cost of sales		(229,027)	(125,532)	(735,172)	(462,721)
Gross profit		71,989	75,817	379,936	231,661
Other income		3,033	23	12,291	10,777
Administrative expenses		(3,599)	(1,880)	(7,159)	(4,517)
Distribution costs		(5,926)	(3,763)	(16,722)	(11,322)
Finance costs		(866)	(687)	(5,987)	(4,464)
Profit before tax		64,631	69,510	362,359	222,135
Taxation	B6	(17,617)	(17,286)	(95,076)	(57,853)
Profit for the period		<u>47,014</u>	<u>52,224</u>	<u>267,283</u>	<u>164,282</u>
Other comprehensive income:					
Net changes in fair value of derivatives	B9	(540)	1,018	932	841
Other comprehensive income for the period, net of tax		<u>(540)</u>	<u>1,018</u>	<u>932</u>	<u>841</u>
Total comprehensive income for the period		<u>46,474</u>	<u>53,242</u>	<u>268,215</u>	<u>165,123</u>
Profit attributable to:					
Owners of the parent		43,322	48,743	242,948	151,514
Minority interest		3,692	3,481	24,335	12,768
		<u>47,014</u>	<u>52,224</u>	<u>267,283</u>	<u>164,282</u>
Total comprehensive income attributable to:					
Owners of the parent		42,825	49,467	243,553	152,061
Minority interest		3,649	3,775	24,662	13,062
		<u>46,474</u>	<u>53,242</u>	<u>268,215</u>	<u>165,123</u>
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B12	9.98	10.43	56.06	35.30
Diluted	B12	9.79	10.63	54.97	34.60

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this report)

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Statement of Changes in Equity For the Twelve-Months Period Ended 31 December 2011

	← Attributable to Equity Holders of the Parent →							
	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Share premium RM'000	Non-Distributable Employee share option reserve RM'000	Hedge reserve RM'000	Distributable Retained earnings RM'000	Minority interest RM'000
At 1 January 2011	1,096,468	974,156	431,086	2,790	2,571	(1,466)	539,175	122,312
Total comprehensive income	268,215	243,553	-	-	-	606	242,947	24,662
Transactions with owners								
Dividend on ordinary shares	(13,004)	(13,004)	-	-	-	-	(13,004)	-
Dividend paid to minority interest	(13,455)	-	-	-	-	-	-	(13,455)
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	3,473	3,473	2,049	1,424	-	-	-	-
Pursuant to exercise of warrant	1,342	1,342	1,342	-	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	1,723	1,723	-	-	1,723	-	-	-
Exercise of ESOS	-	-	-	1,649	(1,649)	-	-	-
Acquisition of shares from a subsidiary	(3,850)	-	-	-	-	-	-	(3,850)
At 31 December 2011	<u>1,340,912</u>	<u>1,211,243</u>	<u>434,477</u>	<u>5,863</u>	<u>2,645</u>	<u>(860)</u>	<u>769,118</u>	<u>129,669</u>
At 1 January 2010	923,518	828,777	428,526	1,046	1,885	-	397,320	94,741
Effects of adopting FRS 139	(3,097)	(2,013)	-	-	-	(2,013)	-	(1,084)
	<u>920,421</u>	<u>826,764</u>	<u>428,526</u>	<u>1,046</u>	<u>1,885</u>	<u>(2,013)</u>	<u>397,320</u>	<u>93,657</u>
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 warrant	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 subsidiary	12,075	-	-	-	-	-	-	12,075
At 31 December 2010	<u>1,096,468</u>	<u>974,156</u>	<u>431,086</u>	<u>2,790</u>	<u>2,571</u>	<u>(1,466)</u>	<u>539,175</u>	<u>122,312</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunctions with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this report)

SARAWAK OIL PALMS BERHAD
(Incorporated in Malaysia – 7949-M)
Condensed Consolidated Cash Flow Statement
For the Twelve-Months Period Ended 31 December 2011

	Note	31 December 2011 RM'000	31 December 2010 RM'000
Operating Activities			
Profit before tax		362,359	222,135
Adjustments for:			
Depreciation and amortisation		60,038	51,641
Other non-cash items		(3,254)	(772)
Operating profit before working capital changes		419,143	273,004
Net changes in working capital		(5,321)	(21,153)
Cash generated from operations		413,822	251,851
Tax paid		(93,439)	(37,602)
Tax refund		339	7,346
Net cash from operating activities		<u>320,722</u>	<u>221,595</u>
Investing Activities			
Acquisition of property, plant and equipment		(254,708)	(138,650)
Acquisition of subsidiary – net of cash		-	317
Additions of prepaid lease payment		(3,191)	(30,963)
Proceeds from disposal of property, plant and equipment		2,792	3,084
Interest received		10,896	6,867
Gain on foreign exchange		-	-
Proceeds from disposal of held for trading investment		-	68
Net cash used in investing activities		<u>(244,211)</u>	<u>(159,277)</u>
Financing Activities			
Net changes in revolving credits and trade finance credit		7,000	(5,000)
Proceeds from term loans		122,270	43,800
Proceeds from issuance of share capital		4,813	8,231
Repayment of hire purchase		(11,326)	(10,940)
Repayment of term loans		(18,621)	(25,605)
Interest paid		(14,513)	(13,352)
Dividend paid		(13,004)	(9,659)
Dividend paid to minority interest		(13,455)	(1,518)
Net cash generated from/(used in) financing activities		<u>63,164</u>	<u>(14,043)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		139,675	48,275
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		368,694	320,419
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		<u>508,369</u>	<u>368,694</u>

SARAWAK OIL PALMS BERHAD

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Condensed Consolidated Cash Flow Statement**For the Twelve-Months Period Ended 31 December 2011**

	Note	31 December 2011 RM'000	31 December 2010 RM'000
Cash and cash equivalents at the end of the financial Year comprised the following:			
Wholesale money market deposits		60,000	24,700
Fixed deposits with licensed banks		352,185	301,339
Cash on hand and at bank		96,184	42,655
<hr/>			
Cash and bank balances		508,369	368,694
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(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this report)

SARAWAK OIL PALMS BERHAD

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Explanatory Notes To The Interim Report – 31 December 2011

A. FRS (Financial Reporting Standards) 134 – Paragraph 16

A1. Accounting policies

The interim financial statements have been prepared under the historical cost convention except for the revaluation of leasehold land.

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of FRS 134 – Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the last audited financial statements for the financial year ended 31 December 2010.

The Company has applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board effective for annual periods beginning on 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: Borrowings Costs

Amendments to FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

FRS 139: Financial Instruments: Recognition and Measurement

Amendment 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: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

TR i-3: Presentation of Financial Statements of Islamic Financial Institutions

A2. Disclosure of audit report qualification and status of matters raised

There were no qualifications in the audit report on the preceding annual financial statements.

A3. Seasonality or cyclicity of interim operations

The Group's performance is subjected to the cropping pattern which normally picks up during 2nd quarter, reaches its peak during 3rd quarter and decrease thereafter.

A4. Unusual items affecting assets, liabilities, equity, net income, or cash flow

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual in nature, size, or incidence during the interim period under review.

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Explanatory Notes To The Interim Report – 31 December 2011

A5. Material changes in estimates

There were no changes in estimates of amounts reported in prior interim periods or changes in estimates of amounts reported in prior financial years, which have a material effect in the current interim period.

A6. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the current financial year other than the listing and quotation of 4,999,350 shares exercised under the Employees' Share Options Scheme.

A7. Dividends paid

The Company has paid the final dividend of 4% less 25% tax, amounting to RM13,004,501 in respect of the financial ended 31 December 2010 on 22 July 2011.

A8. Segment Information

No segment analysis is prepared as the Company is primarily engaged in the oil palm industry in Malaysia.

A9. Valuation of property, plant and equipment

There were no amendments in the valuations of property, plant and equipment brought forward from previous annual financial statements.

A10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiary companies and long-term investments, restructurings, and discontinued operations for the current interim period except as disclosed in Note B7.

A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 31 December 2011 except the corporate guarantee favouring the bank for the banking facilities given to the subsidiary companies as follows:-

	Value of Guarantee	Balance Unutilized 31 December 2011
Subsidiary # 1	RM10.0 million	-
Subsidiary # 2	RM54.0 million	RM44.9 million

A13. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment and for plantation development expenditure not provided for in the financial statements as at 31 December 2011 is as follows:-

	31 December 2011 RM'000
Property, plant and equipment	
Authorised but not contracted	113,058
Contracted but not provided in the financial statements	112,191
	<u>225,249</u>
Plantation Development Expenditure	
Authorised but not contracted	28,241
Contracted but not provided in the financial statements	5,487
	<u>33,728</u>

SARAWAK OIL PALMS BERHAD

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Explanatory Notes To The Interim Report – 31 December 2011

B. BMSB Listing Requirements (Part A of Appendix 9B)

B1. Review of Performance

4th Quarter FY2011 vs 4th Quarter FY2010

For the quarter under review, the Group registered a total revenue of RM313.6 million as compared to RM212.6 million as reported in the corresponding period in year 2010. This represents an increase of RM101.0 million in revenue mainly due to a higher volume of crude palm oil (CPO) and palm kernel (PK) produced and sold, and also revenue contribution from trading activities. During the quarter under review, CPO and PK prices realized were lower than those in the corresponding period in year 2010.

The Group registered a profit before tax of RM64.6 million compared with RM69.5 million reported in the corresponding period in year 2010 due mainly to the lower CPO and PK prices realized.

Twelve months ended FY2011 vs Twelve months ended FY2010

The Group registered a significant increase in revenue, from RM728.2 million for year ended 31 December 2010 to RM1,166.3 million for year ended 31 December 2011. The increase of RM438.1 million in revenue was mainly attributed to favorable CPO and PK prices realized as well as production and sales volume during the year.

In line with the increase in total revenue, the Group registered a profit before tax for the year ended 31 December 2011 of RM362.4 million. This represents an increase of 63.2% or RM140.3 million compared to RM222.1 million achieved in 2010.

B2. Variation of Results to Preceding quarter

4th Quarter FY2011 vs 3rd Quarter FY2011

For the reporting quarter, the Group registered a revenue of RM273.10 million generated from plantation and milling activities compared to RM317.65 million achieved during the preceding quarter. The Group also registered a lower profit before tax of RM64.6 million as compared to RM103.8 million achieved in the previous quarter due to lower CPO and PK prices realized as follows, coupled with decrease in CPO and PK production and sales volume.

	4QFY 2011	3QFY 2011
Crude Palm Oil (RM/mt ex-mill)	2,943	3,166
Palm Kernel (RM/mt ex-mill)	1,646	2,034

B3. Current year prospect

The performance of the Group is largely dependent on developments in the world edible oil market, bio-diesel market, fossil oil market, movement of Ringgit Malaysia, world economic situation and their corresponding effect on CPO prices.

B4. Variance of actual profit from forecast profit

The disclosure requirement for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

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Explanatory Notes To The Interim Report – 31 December 2011**B5. Profit before tax**

Profit before tax is arrived at after charging/(crediting):-

	3 months ended 31 December 2011 RM'000	12 months ended 31 December 2011 RM'000
Depreciation and amortization	17,057	60,038
Interest income	(2,989)	(10,896)
Interest expenses	866	5,987
	<u> </u>	<u> </u>

B6. Taxation

	3 months ended 31 December		12 months ended 31 December	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Current tax expenses	19,253	14,270	93,488	47,788
Under / (over) provision in prior years	-	(25)	719	(247)
Deferred tax	(1,636)	3,041	869	10,312
	<u>17,617</u>	<u>17,286</u>	<u>95,076</u>	<u>57,853</u>
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	<u>(40)</u>	<u>280</u>	<u>311</u>	<u>280</u>

The Group's effective tax rate is higher than the prevailing corporate tax rate due to certain non-deductible expenses.

B7. Status of corporate proposal announced

There are no corporate proposals announced but not completed as at the date of issue of this report except for the followings:-

(A) Joint Venture with Pelita Holdings Sdn Bhd ("PHSB) to undertake NCR project

On 25 October 2011, the Company entered into a joint venture agreement with PHSB to develop an area under Native Customary Rights ("NCR") of 1,645 hectares situated at Sungai Arang, Bakong, Baram, Miri Division, of which approximately 987 hectares were plantable. A joint venture company ("JVC") will be incorporated and jointly owned by SOPB and PHSB to undertake the project.

Application to relevant authorities for requisite approval for the project is in process.

(B) Joint Venture with PHSB to undertake property development project

On 25 October 2011, the Company entered into a joint venture agreement with PHSB to undertake Property Development Projects ("Projects") via a joint venture company, Suria Megajaya Sdn Bhd ("SMSB").

SMSB will increase its paid up share capital to RM100,000. SOPB and PHSB respectively will own 65% and 35% shareholdings in SMSB.

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Explanatory Notes To The Interim Report – 31 December 2011**B8. Borrowing and debt securities****31 December 2011**
RM'000

Current		
Secured		49,438
Unsecured		9,979
Non-current		
Secured		358,163
Unsecured		1,104
Total		418,684

The above borrowings are denominated in Ringgit Malaysia.

B9. Derivatives financial instruments

(a) The outstanding commodity contracts as at 31 December 2011 are as follows:-

	Contract/Notional Value (Million)					Fair Value			
	Net long/(short)					Net gain / (loss) (RM'million)			
	Base Currency	<1 year	1 year to 3 years	More than 3 years	Total	<1 year	1 year to 3 years	More than 3 years	Total
Futures	RM	(19.98)	-	-	(19.98)	(1.43)	-	-	(1.43)

The above traded commodity contract were entered into with the objective of managing and hedging the respective exposure of the group plantation to adverse price movement.

(b) The outstanding interest rate swap (IRS) contracts as at 31 December 2011 are as follows:-

	Contract/Notional Value (Million)					Fair Value (RM'000)			
	Base Currency	<1 year	1 year to 3 years	More than 3 years	Total	<1 year	1 year to 3 years	More than 3 years	Total
Interest rate swap	RM	2.0	39.0	25.0	66.00	(758.0)	(665.0)	(341.0)	(1,764.0)

The Group uses IRS to manage part of its exposure to interest rate movements on its bank borrowings by swapping a proportion of its borrowings from floating rates to fixed rates and is designated as cash flow hedges. The fair value of IRS is measured at the present value of future cash flows estimated and discounted based on quoted interest rates. The IRS would reduce the group's cash flow exposure resulting from interest rate fluctuation. It satisfies the criteria for cash flow hedges and accordingly hedge accounting is applied.

B10. Changes in material litigation

There is no material litigation which need to be disclosed for the period under review.

B11. Dividends

The Board of Directors recommended a first and final dividend of 5% less 25% taxation in respect of financial year ended 31 December 2011 (31 December 2010: Nil).

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Explanatory Notes To The Interim Report – 31 December 2011**B12. Earnings per share***Basic earnings per share*

The calculation of basic earnings per share for the quarter is based on the profit attributable to equity holders of the parent of RM43.3 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 434,097,758.

	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	43,322	48,743	242,948	151,514
	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	434,098	430,405	433,380	429,466
	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	Sen	Sen	Sen	Sen
Basic earning per share	9.98	10.43	56.06	35.30

Diluted earnings per share

The diluted earning per share for the quarter is based on the profit attributable to equity holders of the parent of RM43.3 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 442,688,439.

	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	43,322	48,743	242,948	151,514
	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	442,688	438,945	441,971	438,006
	3 months ended		12 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	Sen	Sen	Sen	Sen
Diluted earning per share	9.79	10.63	54.97	34.60

B13. Authorised for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 24th February 2011.

By Order of the Board
Eric Kiu Kwong Seng
Company Secretary
Miri

24th February 2011

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(7949-M)

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