

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position**As at 31 March 2012**

	Note	31 March 2012 RM'000	31 December 2011 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	618,875	602,248
Plantation development expenditure	A1	528,288	514,837
Land held for property development		8,352	8,352
Prepaid lease payments	A1	249,623	250,600
Other receivables		-	32
Intangible assets		5,182	5,182
Deferred tax assets		4,424	4,485
		<u>1,414,744</u>	<u>1,385,736</u>
Current Assets			
Inventories		129,322	91,249
Trade and other receivables		34,030	60,527
Cash and bank balances		479,950	510,774
		<u>643,302</u>	<u>662,550</u>
TOTAL ASSETS		<u>2,058,046</u>	<u>2,048,286</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		435,524	434,477
Share premium		6,409	5,813
Other reserve		3,096	2,698
Hedging reserve		(831)	(860)
Retained earnings		815,196	775,487
		<u>1,259,394</u>	<u>1,217,615</u>
Non-controlling interest		<u>126,196</u>	<u>122,942</u>
Total equity		<u>1,385,590</u>	<u>1,340,557</u>
Non-current liabilities			
Deferred tax liabilities		120,931	121,026
Borrowings	B8	382,375	355,163
Derivative Financial Instruments	B9	1,088	1,006
		<u>504,394</u>	<u>477,195</u>
Current liabilities			
Borrowings	B8	55,063	63,620
Trade and other payables		109,351	150,935
Current tax payable		3,032	15,221
Derivative Financial Instruments	B9	616	758
		<u>168,062</u>	<u>230,534</u>
Total liabilities		<u>672,456</u>	<u>707,729</u>
TOTAL EQUITY AND LIABILITIES		<u>2,058,046</u>	<u>2,048,286</u>
Net assets per share (RM)		2.89	2.80

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 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 Three-Months Period Ended 31 March 2012**

	← Attributable to Equity Holders of the Parent →							
	←	←	Non-Distributable			→ Distributable		
	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	Minority interest RM'000
At 1 January 2012	1,340,557	1,217,615	434,477	5,813	2,698	(860)	775,487	122,942
Total comprehensive income	42,992	39,738	-	-	-	29	39,709	3,254
Transactions with owners								
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	1,643	1,643	1,047	596	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	398	398	-	-	398	-	-	-
At 31 March 2012	<u>1,385,590</u>	<u>1,259,394</u>	<u>435,524</u>	<u>6,409</u>	<u>3,096</u>	<u>(831)</u>	<u>815,196</u>	<u>126,196</u>
At 1 January 2011	1,096,468	974,156	431,086	2,790	2,571	(1,466)	539,175	122,312
Total comprehensive income	267,134	242,789	-	-	-	606	242,183	24,345
Transactions with owners								
Dilution arising from issuance of shares by								
Subsidiaries	-	7,134	-	-	-	-	7,134	(7,134)
Dividend on ordinary shares	(13,005)	(13,005)	-	-	-	-	(13,005)	-
Dividend paid to non-controlling interest	(13,455)	-	-	-	-	-	-	(13,455)
Acquisition of shares on non-controlling interests	(3,850)	-	-	-	-	-	-	(3,850)
Issuance of redeemable preference shares to								
Non-controlling interests	724	-	-	-	-	-	-	724
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	3,477	3,477	2,050	1,427	-	-	-	-
Pursuant to exercise of warrant	1,341	1,341	1,341	-	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	1,723	1,723	-	-	1,723	-	-	-
Exercise of ESOS	-	-	-	1,596	(1,596)	-	-	-
At 31 December 2011	<u>1,340,557</u>	<u>1,217,615</u>	<u>434,477</u>	<u>5,813</u>	<u>2,698</u>	<u>(860)</u>	<u>775,487</u>	<u>122,942</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to this report)

SARAWAK OIL PALMS BERHAD

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**Condensed Consolidated Cash Flow Statement
For the Three-Months Period Ended 31 March 2012**

Note	31 March 2012 RM,000	31 March 2011 RM'000
Operating activities		
Profit before tax	57,310	81,554
Adjustments for non-cash flow:		
Depreciation and amortisation of property, plant and equipment	14,966	13,425
Employee expenses under ESOS	398	386
Gain on disposal of property, plant and equipment	-	(1,356)
Property, plant and equipment written off	2	-
Interest income	(3,042)	(2,388)
Interest expenses	1,761	1,582
Operating profit before working capital changes	71,395	93,203
Increase in inventories	(38,074)	(1,781)
Decrease in trade and other receivables	32,090	40,439
Decrease in trade and other payables	(44,071)	(41,430)
Cash generated from operations	21,340	90,431
Tax paid	(29,429)	(14,894)
Net cash flows from operating activities	(8,089)	75,537
Investing activities		
Acquisition of property, plant and equipment	(37,811)	(35,293)
Proceeds from disposal of property, plant and equipment	-	20
Interest received	3,042	2,388
Net cash used in investing activities	(34,769)	(32,885)
Financing activities		
Net changes in revolving credits and trade finance credit	(2,000)	(13,000)
Proceeds from term loans	25,000	10,000
Proceeds from issuance of share capital	1,643	2,102
Dividend paid to non-controlling interest	(300)	-
Repayment of hire purchase	(3,738)	(3,948)
Repayment of term loans	(4,894)	(4,306)
Interest paid	(3,677)	(3,094)
Net cash from/(used in) financing activities	12,034	(12,246)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(30,824)	30,406
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	510,774	368,694
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	479,950	399,100
Cash and cash equivalents at the end of the financial period comprised the following:		
Wholesale money market deposits	44,100	18,600
Fixed deposits with licensed banks	371,191	324,272
Cash on hand and at bank	64,659	56,228
Cash and bank balances	479,950	399,100

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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 2011 and the accompanying explanatory notes attached to this report)

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Explanatory Notes To The Interim Report – 31 March 2012

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 2011.

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 2011:-

Amendments to FRS 132: Classification of Rights issues

FRS 1: First-time Adoption of Financial Reporting Standards

FRS 3: Business Combinations

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

Amendment to IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 12: Service Concession Agreements

IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17: Distributions of Non-cash Assets to Owners

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

Malaysian Financial Reporting Standards (MFRS Framework)

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

The MFRS Framework is to be applied by all Entities other than Private Entities for financial year beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture (herein called ‘Transitioning Entities’)

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for financial year beginning on or after 1 January 2013.

Explanatory Notes To The Interim Report – 31 March 2012

A1. Accounting policies (Continued)

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS framework in its first MFRS financial statements for the financial year ended 31 December 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. Majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and Relevant Accounting Standards under the new MFRS Framework. Accordingly, the consolidated financial performance and financial position disclosed in these financial statements for the financial year ended 31 December 2011 could be different if prepared under the new MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ended 31 December 2013.

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.

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 quarter other than the listing and quotation of 2,048,700 shares exercised under the Employees' Share Options Scheme.

A7. Dividends paid

There were no dividend paid during the interim period under review.

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.

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Explanatory Notes To The Interim Report – 31 March 2012**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 March 2012 except the corporate guarantee favouring the banks for the banking facilities given to the subsidiary companies as follows:-

	Value of Guarantee	Balance Unutilized 31 March 2012
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 March 2012 is as follows:-

	31 March 2012 RM'000
Property, plant and equipment	
Authorised but not contracted	126,562
Contracted but not provided in the financial statements	138,047
	<u>264,609</u>
Plantation Development Expenditure	
Authorised but not contracted	41,960
Contracted but not provided in the financial statements	30,162
	<u>72,122</u>

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Explanatory Notes To The Interim Report – 31 March 2012

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

B1. Review of Performance

1st Quarter FY2012 (“Q1FY2012”) vs 1st Quarter FY2011 (“Q1FY2011”)

The Group registered a total revenue of RM228.8 million for Q1FY2012 compared with RM238.5 million reported in Q1FY2011. The revenue from trading activities contributed RM34.6 million to the total revenue in Q1FY2012.

The group reported a profit before taxation of RM57.3 million, which is 29.8% lower than the profit of RM81.6 million reported for Q1FY2011. The lower profit reported is due to lower volume of CPO sold coupled with lower average CPO and PK prices realized compared to Q1FY2011. The average CPO price realized for Q1FY2012 was RM3,238/mt as compared to RM3,639/mt for Q1FY2011, whilst FFB production of the Group for Q1FY2012 was 163,654 mt as compared to 159,654 mt for Q1FY2011.

B2. Variation of Results to Preceding quarter

1st Quarter 2012 (“Q1FY2012”) vs 4th Quarter FY2011 (“Q4FY2011”)

The Group registered a total revenue of RM228.8 million for Q1FY2012 compared with RM313.6 million reported in Q4FY2011. The revenue from trading activities contributed RM40.5 million to the total revenue in Q4FY2011.

The group reported a profit before taxation of RM57.3 million, which is 11.3% lower than the profit of RM64.6 million reported for Q4FY2011. The lower profit reported is due to lower volume of CPO sold compared to Q4FY2011, whilst FFB production of the Group dropped sequentially from 219,110 mt to 163,654 mt. The average CPO and PK prices realized are as follows:-

	Q1FY 2012	Q4FY 2011
Crude Palm Oil (RM/mt ex-mill)	3,238	2,943
Palm Kernel (RM/mt ex-mill)	1,852	1,646

During the Q1FY2012, the stock balance of palm products further increase from 27,249 mt to 38,194 mt due mainly to the slow uptake by local refinery in Bintulu.

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. In addition, the cost of production of the Group is expected to increase in year 2012 due mainly to the revision of salary and wages.

B4. Variance of actual profit from forecast profit

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

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Explanatory Notes To The Interim Report – 31 March 2012**B5. Profit before tax**

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

	3 months ended 31 March 2012 RM'000
Depreciation and amortization	14,966
Property, plant and equipment written off	2
Gain on foreign exchange	(1,298)
Interest income	(3,042)
Interest expenses	1,761
Loss on derivatives	1,909
	<u>14,966</u>

B6. Taxation

	Individual quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current tax expenses	13,778	14,532	13,778	14,532
Deferred tax	586	6,046	586	6,046
	<u>14,364</u>	<u>20,578</u>	<u>14,364</u>	<u>20,578</u>
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	<u>15</u>	<u>306</u>	<u>15</u>	<u>306</u>

The Group's effective tax rate is approximately at the prevailing corporate tax rate of 25%.

B7. Status of corporate proposal announced

There are no corporate proposals announced but not completed as at the date of issuance 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 Danum Shipping Sdn Bhd ("DSSB") via Micaline Sdn Bhd

On 2 April 2012, the Company entered into a Shareholders' and Subscription Agreement with DSSB via a joint venture company, Micaline Sdn Bhd. The joint venture would enable SOPB to participate as a partner in the regional edible oil shipment business and to provide logistical support to SOPB Group palm oil business.

On the even date, 7,650,000 ordinary shares at RM1 each at par was allotted to SOPB representing 45% shareholding in Micaline Sdn Bhd.

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Explanatory Notes To The Interim Report – 31 March 2012**B8. Borrowing and debt securities****31 March 2012
RM'000**

Current	
Secured	42,061
Unsecured	13,002
Non-current	
Secured	381,271
Unsecured	1,104
Total	437,438

The above borrowings are denominated in Ringgit Malaysia.

B9. Derivatives financial instruments

(a) The outstanding commodity contracts as at 31 March 2012 are as follows:-

	Contract/Notional Value (Million) Net long/(short)					Fair Value 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	(28.95)	-	-	(28.95)	(1.78)	-	-	(1.78)

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 March 2012 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	39	25	66	(616)	(834)	(254)	(1,704)

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.

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Explanatory Notes To The Interim Report – 31 March 2012

B10. Changes in material litigation

- a) On 30th September 2010, a subsidiary company had been served with a Writ of Summons (“the Writ”) in the High Court of Sabah and Sarawak at Bintulu (“Douglas Ding Suit”) wherein it was named as the Fifth (5th) defendant along with other defendants which include Government of Sarawak, Director of Forests, Superintendent of Land & Surveys, Kapit and Pusaka KTS Forests Plantation Sdn Bhd. The Douglas Ding suit was instituted by certain natives of Sarawak claiming Native Customary Right (NCR) over all that parcel of land described as Lot 10 Punan Land district.

The Company has filed its Statement of Defence and amended Statement of Defence respectively on 25th October 2010 and 3 January 2012 (pursuant to Court Order dated 9th December 2011).

The said action is pending for hearing currently.

- b) On 27th April 2012, a subsidiary company had been served with a Writ of Summons (“the Writ”) in the High Court of Sabah and Sarawak at Kuching (“Adang’s Suit”) wherein it was named as the Third (3rd) Defendant along with other defendants which include the State Government of Sarawak and Superintendent of Land & Surveys, Bintulu. The Adang’s Suit was instituted by certain natives of Sarawak claiming Native Customary Right (NCR) over all that parcel of lands described as Lot 2, block 14 of Lavang Land District and Lot 68 Block 3 Pandan Land District.

The matter had been fixed for hearing in High Court of Sabah and Sarawak at Kuching on 22 May 2012.

B11. Dividends

No interim dividend has been declared for the financial period ended 31 March 2012 (31 March 2011: Nil).

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Explanatory Notes To The Interim Report – 31 March 2012**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 RM39.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 434,884,181.

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2012 RM'000	31.3.2011 RM'000	31.3.2012 RM'000	31.3.2011 RM'000
Profit attributable to ordinary equity holders of the parent	39,709	55,410	39,709	55,410
	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2012 '000	31.3.2011 '000	31.3.2012 '000	31.3.2011 '000
Weighted average number of Ordinary shares in issue	434,884	432,468	434,884	432,468
	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2012 Sen	31.3.2011 Sen	31.3.2012 Sen	31.3.2011 Sen
Basic earning per share	9.13	12.84	9.13	12.84

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 RM39.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 442,221,782.

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2012 RM'000	31.3.2011 RM'000	31.3.2012 RM'000	31.3.2011 RM'000
Profit attributable to ordinary equity holders of the parent	39,709	55,410	39,709	55,410
	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2012 '000	31.3.2011 '000	31.3.2012 '000	31.3.2011 '000
Weighted average number of ordinary shares in issue	442,222	439,095	442,222	439,095
	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2012 Sen	31.3.2011 Sen	31.3.2012 Sen	31.3.2011 Sen
Diluted earning per share	8.98	12.65	8.98	12.65