

**SARAWAK OIL PALMS BERHAD**

(Incorporated in Malaysia – 7949-M)

**INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position****As at 30 September 2012**

	Note	30 September 2012 RM'000	31 December 2011 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	A1	687,910	602,248
Plantation development expenditure	A1	551,609	514,837
Land held for property development		18,098	8,352
Prepaid lease payments	A1	260,809	250,600
Investment in associate		7,650	-
Other receivables		-	32
Intangible assets		5,182	5,182
Deferred tax assets		13,039	4,485
		<u>1,544,297</u>	<u>1,385,736</u>
<b>Current Assets</b>			
Inventories		214,696	91,249
Trade and other receivables		52,059	60,527
Cash and bank balances		577,939	510,774
		<u>844,694</u>	<u>662,550</u>
<b>TOTAL ASSETS</b>		<u>2,388,991</u>	<u>2,048,286</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		436,510	434,477
Share premium		7,208	5,813
Other reserve		4,289	2,698
Hedging reserve		(629)	(860)
Retained earnings		893,604	775,487
		<u>1,340,982</u>	<u>1,217,615</u>
<b>Non-controlling interest</b>		<u>133,598</u>	<u>122,942</u>
<b>Total equity</b>		<u>1,474,580</u>	<u>1,340,557</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		124,961	121,026
Borrowings	B8	437,507	355,163
Derivative Financial Instruments	B9	1,086	1,006
		<u>563,554</u>	<u>477,195</u>
<b>Current liabilities</b>			
Borrowings	B8	143,842	63,620
Trade and other payables		206,021	150,935
Current tax payable		789	15,221
Derivative Financial Instruments	B9	205	758
		<u>350,857</u>	<u>230,534</u>
<b>Total liabilities</b>		<u>914,411</u>	<u>707,729</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,388,991</u>	<u>2,048,286</u>
Net assets per share (RM)		3.07	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 Comprehensive Income  
For the Nine-Months Period Ended 30 September 2012**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		9 months ended	
		2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>					
Revenue		420,780	326,055	931,165	852,724
Operating expenses		(358,758)	(222,435)	(736,557)	(555,573)
Other operating income		3,262	3,482	10,775	9,258
Administrative expenses		(1,032)	(1,731)	(6,903)	(3,143)
Finance costs		(3,134)	(1,938)	(6,683)	(5,121)
<b>Profit before tax</b>		<u>61,118</u>	<u>103,433</u>	<u>191,797</u>	<u>298,145</u>
Taxation	B6	(13,920)	(21,514)	(46,788)	(77,459)
<b>Profit for the period</b>		<u>47,198</u>	<u>81,919</u>	<u>145,009</u>	<u>220,686</u>
<b>Other comprehensive income:</b>					
Net changes in fair value of derivatives	B9	153	(8)	355	1,055
<b>Other comprehensive income for the period, net of tax</b>		<u>153</u>	<u>(8)</u>	<u>355</u>	<u>1,055</u>
<b>Total comprehensive income for the period</b>		<u>47,351</u>	<u>81,911</u>	<u>145,364</u>	<u>221,741</u>
<b>Profit attributable to:</b>					
Owners of the parent		42,878	74,789	134,477	200,043
Non-controlling interest		4,320	7,130	10,532	20,643
		<u>47,198</u>	<u>81,919</u>	<u>145,009</u>	<u>220,686</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		42,977	74,783	134,708	220,728
Non-controlling interest		4,374	7,128	10,656	21,013
		<u>47,351</u>	<u>81,911</u>	<u>145,364</u>	<u>221,741</u>
<b>Earning per share attributable to Equity holders of the parent (Sen):</b>					
Basic	B12	9.82	17.24	30.86	46.26
Diluted	B12	9.66	16.96	30.33	45.51

(The Condensed Consolidated Income Statements 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 Nine-Months Period Ended 30 September 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
<b>Total comprehensive income</b>	145,364	134,708	-	-	-	231	134,477	10,656
<b>Transactions with owners</b>								
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	3,428	3,428	2,033	1,395	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	1,591	1,591	-	-	1,591	-	-	-
Dividends on ordinary shares	(16,360)	(16,360)	-	-	-	-	(16,360)	-
At 30 September 2012	<u>1,474,580</u>	<u>1,340,982</u>	<u>436,510</u>	<u>7,208</u>	<u>4,289</u>	<u>(629)</u>	<u>893,604</u>	<u>133,598</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 conjunctions 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 Cash Flow Statement  
For the Nine-Months Period Ended 30 September 2012**

	Note	30 September 2012 RM'000	30 September 2011 RM'000
<b>Operating activities</b>			
Profit before tax		191,797	298,145
Adjustments for non-cash flow:			
Depreciation and amortisation of property, plant and equipment		45,286	42,981
Employee expenses under ESOS		1,590	1,292
Gain/ (Loss) on disposal of property, plant and equipment		(858)	63
Property, plant and equipment written off		169	-
Inventory written off		16	-
Interest income		(9,482)	(7,907)
Interest expenses		6,683	5,121
Operating cash flows before changes in working capital		235,201	339,695
Increase in inventories		(122,714)	(33,721)
Decrease in trade and other receivables		20,759	24,992
Increase/ (Decrease) in trade and other payables		51,353	(53,992)
Cash flows from operations		184,599	276,974
Tax paid		(74,058)	(48,268)
<b>Net cash flows generated from operating activities</b>		<b>110,541</b>	<b>228,706</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(128,288)	(115,179)
Additions of plantation development expenditure		(38,207)	(47,503)
Addition in prepaid land lease payment		-	(3,031)
Investment in associate		(7,650)	-
Proceeds from disposal of property, plant and equipment		1,918	2,688
Interest received		9,482	7,907
<b>Net cash flows used in investing activities</b>		<b>(162,745)</b>	<b>(155,118)</b>
<b>Financing activities</b>			
Net changes in revolving credits and trade finance credit		(2,000)	(13,000)
Proceeds from term loans		72,136	93,200
Proceeds from issuance of share capital		3,428	4,148
Proceeds from banker acceptance		102,617	(4,065)
Dividend paid to non-controlling interest		(16,660)	(13,004)
Repayment of hire purchase		(9,658)	(8,529)
Repayment of term loans		(14,716)	(13,616)
Interest paid		(15,778)	(11,195)
<b>Net cash flows from financing activities</b>		<b>119,369</b>	<b>33,939</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>67,165</b>	<b>107,527</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>510,774</b>	<b>368,694</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>		<b>577,939</b>	<b>476,221</b>

**SARAWAK OIL PALMS BERHAD**

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**Condensed Consolidated Cash Flow Statement (Cont'd)  
For the Nine-Months Period Ended 30 September 2012**

	Note	30 September 2012 RM'000	30 September 2011 RM'000
Cash and cash equivalents at the end of the financial period comprised the following:			
Wholesale money market deposits		18,100	63,500
Fixed deposits with licensed banks		347,839	357,372
Cash on hand and at bank		212,000	55,349
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Cash and bank balances		577,939	476,221
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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)

## **SARAWAK OIL PALMS BERHAD**

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### **Explanatory Notes To The Interim Report – 30 September 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 two year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for financial year beginning on or after 1 January 2014.

**Explanatory Notes To The Interim Report – 30 September 2012****A1. Accounting policies (Cont'd)**

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 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. 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 2014.

**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 reaches its peak at the second half of the year.

**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 242,700 shares exercised under the Employees' Share Options Scheme.

**A7. Dividends paid**

In respect for financial period ended 30 September 2012, the Company has paid RM16,360,032 on 23<sup>rd</sup> July 2012 being first and final dividend of 5% less 25% tax declared for the financial year ended 31 December 2011 and duly approved during Annual General Meeting held on 25 June 2012.

**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.

## SARAWAK OIL PALMS BERHAD

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### Explanatory Notes To The Interim Report – 30 September 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.

During the quarter, the Company has purchased two dormant companies, SOP Agro Sdn Bhd (formerly known as Sinar Impiana Sdn Bhd) and Wawasan Asia Maju Sdn Bhd, with a paid-up share capital of RM2 each.

#### A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 30 September 2012 except the corporate guarantee favouring the banks for the banking facilities given to the subsidiary companies as follows:-

	<b>Value of Guarantee</b>	<b>Balance Unutilized 30 September 2012</b>
Subsidiary # 1	RM 10.0 million	RM 3.0 million
Subsidiary # 2	RM 54.0 million	RM47.1 million
Subsidiary # 3	RM210.0 million	RM39.5 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 30 September 2012 is as follows:-

	<b>30 September 2012 RM'000</b>
Property, plant and equipment	
Authorised but not contracted	93,249
Contracted but not provided in the financial statements	135,131
	<u>228,380</u>
Plantation Development Expenditure	
Authorised but not contracted	17,163
Contracted but not provided in the financial statements	14,398
	<u>31,561</u>



## SARAWAK OIL PALMS BERHAD

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### Explanatory Notes To The Interim Report – 30 September 2012

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

##### **B1. Review of Performance**

###### **Current Quarter (“Q3FY2012”) vs corresponding quarter last year (“Q3FY2011”)**

For Q3FY2012 under review, the Group achieved total revenue of RM420.8 million compared with RM326.1 million achieved during Q3FY2011.

The profit before taxation eased to RM61.1 million, which was 40.9 % lower than RM103.4 million reported in Q3FY2011. The lower profit was mainly attributed to the softening of the Crude Palm Oil (“CPO”) and Palm Kernel (“PK”) realized price and lower Fresh Fruit Bunch (“FFB”) yield per hectare across the group due to lower cropping cycle after the bumper crop in 2011.

The average CPO price realized for Q3FY2012 was RM2,669/mt against RM3,006/mt for Q3FY2011. Total FFB production of the Group for Q3FY2012 surpassed Q3FY2011 due mainly to increase of area under harvesting.

###### **Current Year To Date vs Preceding Year to Date**

The Group posted total revenue of RM931.2 million for nine months ended 30 September 2012 (“Todate 3QFY2012”) compared with RM852.7 million reported in the corresponding period last year (“Todate 3QFY2011”).

The profit before tax for the same period, however, dropped to RM191.8 million or 35.6% against RM298.1 million achieved in the corresponding period 2011. The average selling price of CPO and PK eased to RM2,869 (Todate 3QFY2011: RM3,177) and RM1,600 (Todate 3QFY2011: RM2,263) respectively in tandem with the softening of palm prices.

##### **B2. Variation of Results to Preceding quarter**

###### **3rd Quarter FY2012 (“Q3FY2012”) vs 2nd Quarter FY2012 (“Q2FY2012”)**

The Group posted total revenue of RM420.8 million for Q3FY2012 compared with RM281.6 million reported in Q2FY2012.

The profit before taxation of RM61.1 million was 16.8% down from RM73.4 million reported for Q2FY2012. The comparison of average CPO and PK prices realized between Q3FY2012 and Q2FY2012 were as follows:-

	<b>Q3FY2012</b>	<b>Q2FY 2012</b>
Crude Palm Oil (RM/mt delivered basis)	2,669	3,125
Palm Kernel (RM/mt delivered basis)	1,412	1,740

##### **B3. Current year prospect**

The performance of the Group is very much tied to development in world edible oil market, bio-diesel market, fossil oil market, movement of Ringgit Malaysia, world economic situation and their corresponding effect on CPO prices.

Given the sluggish palm product prices and uncertainties in the global economy, the group will expect stiff challenges going forward. Nevertheless, the group opines that the forthcoming palm oil export duty restructuring recently announced by Malaysia Government and resilient oil demand in emerging market would ease the situation. Premised on the prevailing palm commodity price movement and barring any unforeseen circumstances, the group is expected to achieve lower profit than that of the previous financial year in tandem with its peers within the same industry.

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**Explanatory Notes To The Interim Report – 30 September 2012****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.

**B5. Profit before tax**

	Individual quarter 3 months ended 30 September		Cumulative quarter 9 months ended 30 September	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):-				
Depreciation and amortization	15,201	17,888	45,286	42,981
Property, plant and equipment written off (Gain)/loss on disposal of property, plant and equipment	136	169	169	-
Interest income	(2,493)	443	(858)	63
Interest expenses	(3,288)	(2,974)	(9,482)	(7,907)
Inventory written off	3,134	1,938	6,683	5,121
Loss on derivatives	-	15	16	-
	153	(8)	355	1,055
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**B6. Taxation**

Current tax expenses	17,669	35,588	49,312	74,235
Deferred tax	(4,370)	(14,074)	(3,145)	2,505
Under provision in prior years	621	-	621	719
	<u>13,920</u>	<u>21,514</u>	<u>46,788</u>	<u>77,459</u>
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	51	(3)	118	351
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </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 are plantable. A joint venture company ("JVC") named as SOP Pelita Sg Arang Plantation Sdn Bhd has been incorporated on 25<sup>th</sup> October 2011.

Meanwhile, PHSB is conducting landbank creation on the ground. The Company will not proceed with the development, unless and until sufficient land bank is made available.

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**Explanatory Notes To The Interim Report – 30 September 2012****B7. Status of corporate proposal announced (Cont'd)**

- (B) Proposed acquisition of the remaining stake in SOP Plantations (Beluru) Sdn Bhd (“SOP Beluru”) and SOP Plantations (Kemena) Sdn Bhd (“SOP Kemena”) from Shin Yang Holding Sdn Bhd (“SYHSB”)

On 10 September 2012, the Company entered into Share Sale Agreements (“SSA”) with SYHSB for the proposed acquisition of the remaining 40% equity interest in SOP Beluru for a total cash consideration of RM122.40 million and remaining 35% equity interest in SOP Kemena for a total cash consideration RM120.10 million.

Of the aforesaid, the Company has paid deposit of RM19.40 million into a joint escrow fixed deposit account and RM4.85 million to Messrs. Reddi & Co as stakeholder pursuant to the SSA.

The Circular to Shareholders in respect of the proposed acquisition was submitted to Bursa Malaysia Securities Berhad on 9 November 2012 and is currently pending clearance as well as shareholders’ approval.

**B8. Borrowing and debt securities**

	<b>30 September 2012</b>
	<b>RM'000</b>
Current	
Secured	134,725
Unsecured	9,117
Non-current	
Secured	423,491
Unsecured	14,016
<b>Total</b>	<b>581,349</b>

The above borrowings are denominated in Ringgit Malaysia.

**B9. Derivatives financial instruments**

- (a) The outstanding commodity contracts as at 30 September 2012 are as follows:-

	<b>Contract/Notional Value (Million)</b>					<b>Fair Value</b>			
	<b>Net long/(short)</b>					<b>Net gain / (loss) (RM'million)</b>			
	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	0.76	-	-	0.76	*	-	-	*

\* Negligible

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.

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**Explanatory Notes To The Interim Report – 30 September 2012****B9. Derivatives financial instruments (Cont'd)**

- (b) The outstanding interest rate swap (IRS) contracts as at 30 September 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	(205)	(832)	(254)	(1,291)

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**

- (a) On 30th September 2010, SOP Plantations (Borneo) Sdn Bhd, a subsidiary of the Company had been served with a Writ of Summons (“**the Writ**”) in the High Court of Sabah and Sarawak at Bintulu under Suit No.21-06-2010(BTU) (“**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 Douglas Ding Jangan and 4 others, suing on behalf of themselves and also as representatives of all the residents of Uma Long Bangan claiming a declaration that they have acquired and/or created NCR over all that parcel of land described as Lot 10 Punan Land district and other related reliefs.

SOP Plantations (Borneo) Sdn Bhd has filed its Statement of Defence dated 15<sup>th</sup> October 2010 and amended Statement of Defence dated 3 January 2012 (pursuant to Court Order granted on 9<sup>th</sup> December 2011).

Pusaka KTS Forests Plantation Sdn Bhd, being the Fourth (4<sup>th</sup>) Defendant, has subsequently filed an application to the High Court dated 21<sup>st</sup> September 2012, alleging that there is an overlapping claim by the plaintiffs in this present matter and the other claimants in Suit no. BTU-21-4/2-2012 (TR Nyipa Anak Tingang vs Pusaka KTS Forest Plantation Sdn Bhd & OtherS) and the Fourth (4<sup>th</sup>) Defendant seeks to apply for a joint trial for these two (2) matters, which is contested by the plaintiffs and the said application is adjourned to 30th November 2012 for hearing by the High Court pending exchange of affidavits between the parties and SOP Plantations (Borneo) Sdn Bhd has informed the High Court that it has no objection to the said application.

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#### **B10. Changes in material litigation (Cont'd)**

- (b) On 27th April 2012, SOP Kemena, a subsidiary of the Company had been served with the Writ in the High Court of Sabah and Sarawak at Kuching under Suit No.KCH-21-5/4-2012 (“**Adang’s Suit**”) wherein SOP Kemena 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 Adang Anak Jirau and 2 others (Representing themselves and 23 other landowners, occupiers and/or proprietors of NCR land from Rh. Jabu Anak Encharang, Sg. Sebajo, Labang, Bintulu) claiming that they are the owner of 16 plots of native titled land which are identified by the plaintiffs and lands and surveys to be Lots 239, 240, 241, 242, 243, 244, 245, 262, 263, 264, 265, 266, 267, 268, 269 and 290 Lavang Land District within all that parcel of lands described as Lot 2, Block 14 of Lavang Land District and Lot 68 Block 3 Pandan Land District and the total area of the 16 plots of land and NCR land claimed by the plaintiffs is approximately 653.4 hectares or 1,614.5 acres and that SOP Kemena has used, planted and/or trespass into the plaintiffs’ lands without consent.

SOP Kemena has filed its Statement of Defence dated 25<sup>th</sup> July 2012.

The parties are still in the process of negotiation for a settlement.

- (c) On 18 May 2012, SOP Beluru, a subsidiary of the Company, had been served with the Writ of Summons in the High Court of Sabah and Sarawak at Miri under Suit No.MYY-21-6/5-2012 (“**Fauzi’s Suit**”) wherein SOP Beluru was named as the Fifth (5th) Defendant along with other defendants which include the Superintendent of Lands and Surveys Miri Division, Director of Land and Surveys Sarawak, Government of the State of Sarawak, Woodijaya Sdn Bhd. The Fauzi’s Suit was instituted by Fauzi Bin Haji Hosen and others, suing on behalf of 6 Kampung and 2 longhouses in Baram, Marudi (Kampung Dagang, Kampung Narum, Kampung Baru, Kampung Pemindahan, Kampung Padang Kerbau, Kampung Lubok Nibong, Rumah Vincent Anak Kiu and Rumah Chabop Anak Diau) claiming NCR over the Provisional Lease, Lot 1207 Block 0 Puyut Land District and other related reliefs.

On 27 September 2012, SOP Beluru’s application under Order 14A of the Rules of High Court to strike out plaintiffs’ claim has been allowed. However, the plaintiffs have filed an appeal to the Court of Appeal and no date has been fixed by the Court of Appeal for the hearing of this matter.

#### **B11. Dividends**

No interim dividend has been declared for the financial period ended 30 September 2012 (30 September 2011: Nil).

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**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 RM42.88 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 436,428,593.

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	42,878	74,789	134,477	200,043
	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	436,429	433,778	435,790	432,389
	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	Sen	Sen	Sen	Sen
Basic earning per share	9.82	17.24	30.86	46.26

*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 RM42.88 million and on the diluted weighted average number of ordinary shares of RM1 each in issue during the period of 444,045,657.

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	42,878	74,789	134,477	200,043
	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	444,046	440,912	443,407	439,523
	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	Sen	Sen	Sen	Sen
Diluted earning per share	9.66	16.96	30.33	45.51

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**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 27<sup>th</sup> November 2012.

*By Order of the Board*

Eric Kiu Kwong Seng

Company Secretary

Miri

27<sup>th</sup> November 2012