SARAWAK OIL PALMS BERHAD (7949-M)

ANNUAL REPORT 2009

Contents / Kandungan

Financial Statements

90/120 TPH New Lambir Palm Oil Mill

Group Highlights

5 Years Financial Record

	2005 RM '000	2006 RM '000	Group 2007 RM '000	2008 RM '000	2009 RM '000
RESULTS					
Turnover	184,963	221,482	439,482	683,520	533,304
Profit before taxation	31,875	39,558	151,370	208,560	134,659
Profit after taxation	23,087	33,822	117,172	153,886	106,537
Total Shareholders' Fund	248,652	347,359	455,029	736,121	828,777
Total assets	581,862	683,999	902,346	1,263,708	1,413,328
Total borrowing	205,208	210,001	215,089	235,822	275,659
Issued & paid -up capital	94,968	142,452	144,153	427,408	428,526
Dividend (Net of tax)	3,419	2,564	5,200	9,042	9,630
FINANCIAL STATISTICS					
Profit before taxation / turnover (%)	17.2	17.9	34.4	30.5	25.2
Gross Dividend (sen / share)	5.0	2.5	5.0	6.0	3.0
Net Earnings per share of RM 1 each (sen) – Basic	24.3	24.5	76.4	36.2	23.3
Net Earnings per share of RM 1 each (sen) – Diluted	24.3	22.8	67.9	35.9	22.9
Net tangible assets per share of RM 1 each (RM)	2.60	2.45	3.15	1.72	1.93

Corporate Information

DIRECTORS

Datuk Ling Chiong Ho
Group Executive Chairman

Ling Chiong Sing

Ling Lu Kuang

Tang Tiong Ing

Hasbi Bin Suhaili

Kameri Bin Affandi

Gerald Rentap Jabu

Fong Tshu Kwong

Dr. Lai Yew Hock, Dominic

Wong Ngie Yong

AUDIT/NOMINATION COMMITTEE

Fong Tshu Kwong
Chairman
Independent Non-Executive

Tang Tiong Ing
Non-Executive

Dr. Lai Yew Hock, Dominic
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
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
Room 300-303, 3rd Floor
Wisma Bukit Mata Kuching
Jalan Tunku Abdul Rahman
93100 Kuching, Sarawak, Malaysia

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
AmBank (M) 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

DATUK LING CHIONG HO

A Malaysian citizen, aged 58, was appointed as Director on 16 June 1995. In 1999, he was appointed as the Group's Chairman and was subsequently appointed 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.

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, ship building, property development, infrastructure projects, oil palm, public transports, hypermarket and hotel business.

Datuk Ling is the brother of Ling Chiong Sing, a Director of SOPB. 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 54, 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 brother of 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 33, 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, ship building, property development, infrastructure projects, oil palm, public transports, hypermarket and hotel business.

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

TANG TIONG ING

A Malaysian citizen, aged 52, 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 SUHAILI

A Malaysian citizen, aged 47, 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 Legal Secretarial 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 40, 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 51, 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.

FONG TSHU KWONG

A Malaysian citizen, aged 52, 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/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

WONG NGIE YONG

A Malaysian citizen, aged 59, 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/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

KAMERI BIN AFFANDI

A Malaysian citizen, aged 50, 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.

Business Review

Cash Payment to the Participants of Ulu Undop NCR Project

> "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 2009."

REVIEW OF RESULTS

As the world goes through one of the worst financial crisis it has ever seen and experienced in 2008, as predicted last year, 2009 was an extremely challenging one for the world as a whole. Although the global financial crisis appears to be improving through Governments rescue and stimulus packages worldwide, the effects of high unemployment and low demand are still felt by us. Therefore, the possibility of down turn in commodity prices still exists.

SOPB Group was not spared from the effects of the financial crisis. Our Group reported a fall of 16.96% dropped in turnover from a record breaking of RM683.52 million to RM567.61 million for financial year 2009. Accordingly, the Group's operating profit ("EBIT") also dropped by 35.86% from RM208.56 million to RM133.78 million.

The Group registered net earnings of RM105.54 million, a drop of 31.42% compared to financial year200 8.The Earnings Per Share of the Group was 23.11 sen.

DIVIDEND

In line with our Group's long term objective to sustain growth by substantially reinvesting its profits, the Board proposes a first and final dividend of 3% less tax at 25% per ordinary share amounting to RM9,641,846 for the Financial Year ended 31 December 2009.

REVIEW OF OPERATIONS

The weak global economy had caused the prices of Crude Palm Oil ("CPO") to fall significantly from the high last year. CPO prices were very volatile during the financial year with prices ranging from a low of RM1,400 to RM2,800 per tonne.

During the financial year, the Group experienced low production cycle as well as extreme wet weather conditions in the first quarter followed by extreme dry weather in the third quarter in Sarawak. Although the Group experienced this phenomenon, the impact was partly cushioned by the young age palms.

Accordingly, the fresh fruit bunches ("FFB") production of the Group dropped slightly from 663,509 tonnes achieved last financial year to 649,855 tonnes. Group FFB yield per hectare declined by 8.0% to 21.25 tonnes and was further diluted by the low yields of new matured areas. On the positive side, the oil extraction rate of the Group increased by 3.2% to 21.57%. This provided support for the Group oil per hectare of 4.58 tonnes which otherwise would have been lower.

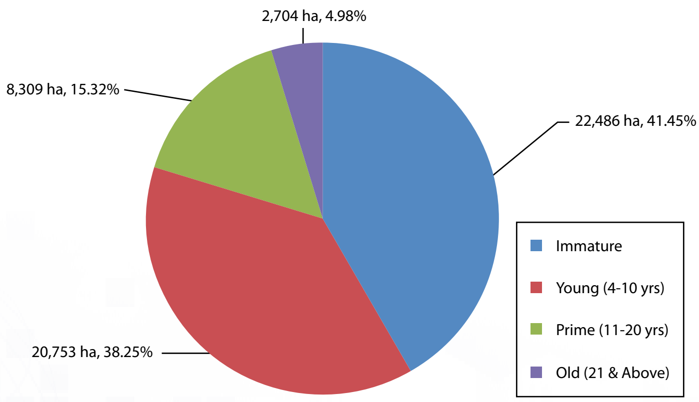
In the financial year under review, additional 9,747 hectares were planted with oil palms thus further increased the total area planted with oil palms to 54,252 hectares. The age profile of oil palms of the Group is as follows;

Age profile for oil palms as at December 2009

Palms Age (Yrs)	Area (Ha)	Percentage
Immature	22,486	41.45%
Young (4-10 yrs)	20,753	38.25%
Prime (11-20 yrs)	8,309	15.32%
Old (21 & above)	2,704	4.98%
Total	54,252	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 the young palms increasing their yields.

AGE PROFILE FOR OIL PALMS AS AT 31 DECEMBER 2009



REVIEW OF OPERATIONS (CONT'D)

As mentioned in the last financial report, the Company had commissioned its 60 tonnes Palm Oil Mill at Belaga, Sarawak in the third quarter of 2009. In addition, the company had started the construction of its fifth Palm Oil Mill of 60 tonnes per hour at Kemena, Bintulu in 2010 and is expected to be operational by end 2011.

During the year, the Group entered into joint venture with Shin Yang Holding Sdn Bhd to develop an area of 3,380 hectares. This has further increased the land bank of the Group to 72,653 hectares.

Presentation of Long Service Award


Annual Dinner 2009

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 through external training programme.

UPDATES ON CORPORATE DEVELOPMENT

During the year under review, the followings are the corporate developments undertaken by the Group:

- In March 2009, Balingian Palm Oil Mill was accredited with Food Safety Management System Standard: ISO 22000:2005.
- In August 2009, the Company completed the acquisition of entire issued share capital of SOP Properties Sdn Bhd (formerly known as Indaharvest Sdn Bhd) which owned 11.454 hectares of land in Miri for property development. The acquisition opened an opportunity for the Company of venturing into property development industry.
- In September 2009, the Company entered into a joint venture agreement with Shin Yang Holding Sdn Bhd to develop an area of about 3,380 hectares, situated at Bintulu Division, Sarawak, into oil palms plantation.
- In September 2009, the Company via a subsidiary, SOP Industries Sdn Bhd ,acquired a piece of 28.3 hectares industrial land situated at Bintulu Division, Sarawak, for its palm oil downstream activities.


Board of Directors and the Management

PROSPECT

Our Group will continue to invest wholly in the expansion of oil palms area, construction of palm oil mills and business related to oil palm.

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.

Amidst the signs of recovery of the world economy, and with the present palm commodity prices, we are cautiously optimistic that the earnings and profits will be better in 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.

Datuk Ling Chiong Ho
Group Executive Chairman

"Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan Kumpulan Sarawak Oil Palms Berhad ("Kumpulan") bagi tahun kewangan berakhir 31 Disember 2009."

ULASAN KEPUTUSAN

Ketika dunia melalui krisis kewangan terburuk pernah dialami dan dirasai pada tahun 2008, seperti diramal tahun lalu, 2009 merupakan tahun yang amat mencabar. Walaupun krisis kewangan global kelihatan semakin pulih dengan bantuan dan pakej-pakej rangsangan kerajaan-kerajaan di dunia, kadar pengangguran yang tinggi dan permintaan yang rendah, telah meninggalkan kesan yang masih dirasai sehingga kini. Justeru itu, kemungkinan berlaku penurunan semula harga komoditi tidak boleh ditolak terus.

Kumpulan SOPB turut tidak terlepas daripada kesan krisis kewangan ini. Kumpulan melaporkan pengurangan jumlah dagangan sebanyak 16.96 % daripada RM683.52 juta kepada RM567.61 juta bagi tahun kewangan 2009. Begitu juga, keuntungan operasi Kumpulan ("EBIT") turut jatuh sebanyak 35.86 % daripada RM208.56 juta kepada RM133.78 juta.

Kumpulan telah mencatat pendapatan bersih sebanyak RM105.54 juta, jatuh sebanyak 31.42 % berbanding tahun kewangan 2008. Perolehan Kumpulan bagi setiap saham ialah sebanyak 23.11 sen.

DIVIDEN

Selari dengan objektif jangka panjang Kumpulan untuk mengekalkan pertumbuhan melalui melaburkan semula sebahagian besar keuntungannya, pihak Lembaga mencadangkan dividen pertama dan akhir sebanyak 3% ditolak cukai sebanyak 25% sesaham biasa berjumlah RM9, 641, 846 bagi tahun kewangan berakhir 31 Disember 2009.

ULASAN OPERASI

Kedaan ekonomi global yang lembab telah menyebabkan harga Minyak Sawit Mentah ("CPO") jatuh mendadak daripada paras harga yang tinggi pada tahun sebelumnya. Harga CPO sangat tidak stabil tahun kewangan semasa dengan harga berada di julat serendah RM1400 kepada RM2,800 setan metrik.

Dalam tempoh tahun kewangan itu juga, Kumpulan mengalami kitaran pengeluaran rendah di samping kedaan cuaca lembap yang melampau sepanjang tempoh suku pertama diikuti cuaca kering yang melampau pada suku ketiga di Sarawak. Walaupun Kumpulan mengalami fenomena sebegini, impaknya dapat diimbangi oleh hasil daripada pokok sawit baru.

Justeru, hasil pengeluaran tandan buah segar ("FFB") Kumpulan, jatuh daripada 663,509 tan metrik berbanding 649,855 tan metrik pada tahun kewangan sebelumnya. Pengeluaran sehektar FFB Kumpulan juga berkurangan sebanyak 8.0 peratus kepada 21.25 tan metrik dan penurunan ini juga disebabkan oleh hasil yang rendah daripada pengeluaran di kawasan baru matang. Di sebelah positif, kadar ekstraksi minyak di peringkat Kumpulan meningkat sebanyak 3.2 % kepada 21.57%. Ini memberi sokongan kepada pengeluaran minyak sehektar kepada 4.58 tan metrik bagi Kumpulan. Tanpa faktor ini, pengeluaran minyak sehektar tentu berkurangan.

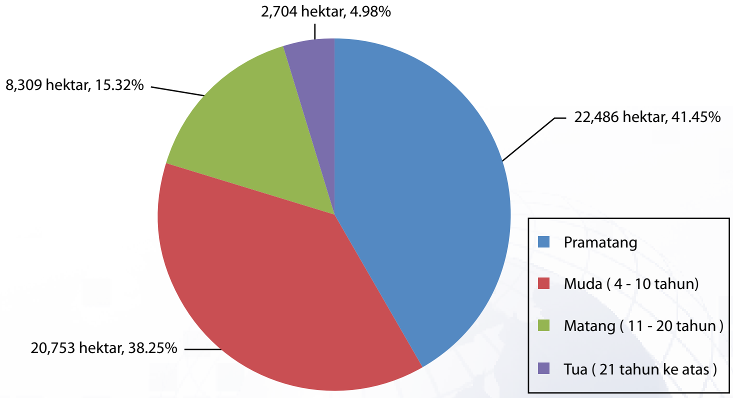
Sepanjang tempoh tahun kewangan semasa, sebanyak 9,747 hektar kawasan kelapa sawit tambahan telah ditanam sekali gus meningkatkan keluasan kawasan tanaman kelapa sawit kepada 54,252 hektar. Profil umur kelapa sawit Kumpulan adalah seperti berikut:

Profil Usia pokok sawit Kumpulan sehingga Disember 2009

Usia Sawit	Kawasan (Ha)	Peratus
Belum matang	22,486	41.45%
Muda (4-10thn)	20,753	38.25%
Matang (11-20thn)	8,309	15.32%
Tua (21 ke atas)	2,704	4.98%
Jumlah	54,252	100.00%

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

PROFIL USIA POKOK SAWIT SEHINGGA 31 DISEMBER 2009



Seperti disebutkan dalam laporan kewangan lalu, Syarikat telah memulakan operasi kilang Minyak Sawit 60 tan di Belaga, Sarawak pada suku ketiga 2009. Selain itu, syarikat juga telah memulakan pembinaan Kilang Minyak Sawit kelimanya dengan keupayaan 60 tan metrik sejam di Kemena, Bintulu pada tahun 2010 dan dijangka memulakan operasi menjelang penghujung 2011.

Pada tahun yang sama, Kumpulan mengadakan usahasama dengan Shin Yang Holding Sdn. Bhd. untuk memajukan sebuah kawasan seluas 3,380 hektar. Ini seterusnya meningkatkan jumlah keluasan tanah Kumpulan kepada 72,653 hektar.

Tinbarap New Planting

SUMBER MANUSIA

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

PEMBANGUNAN KORPORAT TERKINI

Sepanjang tempoh tahun kewangan semasa, berikut adalah pembangunan-pembangunan yang telah dijalankan oleh Kumpulan:

- Pada Mac 2009, Kilang Minyak Sawit Balingian diiktiraf Standard Sistem Pengurusan Keselamatan Makanan: ISO 22000: 2005.
- Pada Ogos 2009, Syarikat melengkapkan pengambilalihan keseluruhan modal saham terbitan SOP Properties Sdn Bhd (Sebelumnya dikenali sebagai Indaharvest Sdn Bhd) yang memiliki 11.454 hektar tanah di Miri untuk pembangunan hartanah. Pembelian itu membuka peluang kepada syarikat menceburi industri pembangunan hartanah.
- Pada September 2009, Syarikat memasuki perjanjian usaha sama dengan Shin Yang Holding Sdn. Bhd. bagi memajukan sebuah kawasan seluas 3,380 hektar di Bahagian Bintulu, Sarawak menjadi kawasan perladangan sawit.
- Pada September 2009, Syarikat melalui sebuah anak syarikatnya, SOP Industries Sdn. Bhd. telah membeli sekeping tanah perindustrian seluas 28.3 hektar di Bahagian Bintulu, Sarawak untuk aktiviti hiliran minyak sawitnya.

PROSPEK

Kumpulan kami akan terus memberi tumpuan kepada pelaburan bagi memperluaskan kawasan ladang sawit, pembinaan kilang-kilang minyak sawit dan kegiatan berkaitan minyak sawit.

Cabaran yang perlu dihadapi adalah untuk terus memperbaiki kecekapan dan produktiviti. Kumpulan akan terus berusaha untuk mencapai dan merealisasikan sepenuhnya potensi sumber-sumber yang ada.

Walaupun ekonomi dunia sudah menampakkan tanda-tanda pemulihan, dan dengan harga komoditi sawit semasa, kami berasa optimistik sambil berhati-hati bahawa perolehan dan keuntungan akan meningkat pada tahun kewangan akan datang.

SOP Job Fair

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.

Datuk Ling Chiong Ho
Pengerusi Eksekutif Kumpulan

Corporate Social Responsibility

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

The Group continues to provide service to the smallholders in the vicinity of the Group Palm Oil Mills in the context of the Memorandum Of Understanding signed with Malaysian Palm Oil Board ["MPOB"] and Pertubuhan Peladang Kawasan Subis ["PPK Subis"] signed in 2004. The Group has also worked hand- in- hand with MPOB, PPK Subis and AgroBank 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) land owners, has embarked on NCR land development into oil palm plantation that will elevate the living standard of NCR land owners.

Consultation with NCR Land Owners at Ulu Undop Project, Sri Aman

In the area of promoting education, the Group has launched "Student Adoption Program" for participating NCR land owners community so as to provide assistance towards their children education. The Group also supported school located within the estate including the provision of basic facilities and amenities. For employees, Excellent Education Awards were granted to their children who excelled in primary and secondary schools public examinations as an incentive for them to excel further.

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

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 2009, 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 9.

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 24 to 26 of the Annual Report.

Nomination Committee (SC) (Established in 2001)

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

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

The Committee meets when necessary. For the financial year ended 31 December 2009, the Committee held one meeting.

Remuneration Committee (SC) (Established in 2003)

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

Fong Tshu Kwong @ Fong Tshun Kwong	-	Chairman, Independent Non-Executive Director
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 2009, the Committee held one meeting.

DIRECTORS' REMUNERATION

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

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

The aggregate and range of the Directors' remuneration for the Group for the financial year ended 31 December 2009 are as follows: -

	Directors	
Aggregate of remuneration	**Executive RM000**	**Non-Executive RM000**
Fees	33	415
Salaries	720	
Bonus	300	
EPF	122	
Total	1,175	415

Number Of Directors		
Range of remuneration	**Executive**	**Non- Executive**
0 to RM50,000		9
RM50,001 to RM100,000		
RM1,150,000 to RM1,200,000	1	

There are no contracts of service between any Directors and the Group other than the Group Executive Chairman, 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 are subject to retirement by rotation at each Annual General Meeting. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. These provide an opportunity for the shareholders to renew their mandates. The election of each Director is voted on separately. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act 1965.

SUPPLY OF INFORMATION TO BOARD MEMBERS

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

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

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

RELATIONS WITH SHAREOLDERS 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 CEO and Group Financial Controller, who have regular dialogue with institutional investors and deliver presentation to analyst periodically.

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

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

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

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

FINANCIAL REPORTING

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

INTERNAL CONTROLS

The Statement on Internal Control is set out on page 22 to 23 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 24 to 26 of the Annual Report.

Statement on Internal Control

The Board is pleased to provide statement on 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 the Annual Report is inconsistent with their understanding of the process the Board of Directors has adopted in the review of the adequacy and integrity of internal control of the Group.

BOARD RESPONSIBILITY

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

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

KEY COMPONENTS OF INTERNAL CONTROL ENVIRONMENT

Risk management Framework

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

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

The on-going process is monitored by the Group Risk Management Committee, which consists of Group Chief Executive Officer ("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:

Board Meetings

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

Organizational structure with formally defined responsibility lines and delegation of authority

There is in place an organizational structure with formally defined responsibility lines and authorities to facilitate quick response to changes in the evolving business environment and accountability for operation performance. Capital and non-capital expenditures and acquisition and disposal of investment interest are 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 operating performance. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

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

Operational policies and procedures

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

Group Internal Control

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

STRENGTH IN INTERNAL CONTROL

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

MEMBERS REPORT	**Fong Tshu Kwong, CA(M) – Chairman** Independent Non-Executive Director **Dr Lai Yew Hock, Dominic** Independent Non- Executive Director **Tang Tiong Ing CA(M)** Non-Executive Director
TERMS OF REFERENCE	The Group Audit Committee ("Committee") was established in 1992 to serve as a Committee of the Board of Directors, with the terms of reference as set out below:
COMPOSITION OF THE COMMITTEE	- The Committee shall comprise not less than three members; - All members of the Committee must be non-executive directors, with a majority of them being independent directors; - All members of the Committee should be financially literacy 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	The Committee shall: - 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	- The Committee is authorized to seek any information it requires from employees, who are required to co-operate with any request made by Committee. - The Committee shall have full and unlimited access to any information pertaining to the Group as well as direct communication to the internal and external auditors and with senior management of the Group. - The committee shall have the resources that are required to perform its duties. The committee can obtain at the expense of the Group, outside legal or other independent professional advice it considers necessary.
FINANCIAL PROCEDURES AND FINANCIAL REPORTING	Review the quarterly results and the year end financial statements, prior to the approval by the Board, ensure compliance with appropriate accounting policies, accounting standards and disclosure requirements.

RELATED PARTY TRANSACTION	Monitor any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises question on management integrity.
EXTERNAL AUDIT	- Review with the external auditors, the audit scope and plan. - Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money. - Review the external audit reports and to evaluate their findings and recommendations for actions to be taken. - Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendation to the Board.
INTERNAL AUDIT	- Review and approve the yearly internal audit plan. - Review the adequacy of the internal audit scope, functions and resources of the internal audit and that it has the necessary authority to carry out its work. - Review the results of the internal audit and ensure that appropriate action is taken by the management on the recommendations of the internal audits. - Review the performance of the internal audit to ensure that they are able to exercise independence in discharging their duties. - Approve any appointment or termination of the senior staff members of the internal audit function. - Review movement of the internal audit staff members and provide opportunity for resigning staff member to submit reasons for resigning.
MEETINGS	During the financial year ended 31 December 2009, four (4) Committee meetings were held. A record of the attendance to these meetings is as follows:

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

The Committee also met with the external auditors once in the financial year without the presence of the Management.

INTERNAL AUDIT FUNCTION

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

The IA attends the Committee meeting quarterly to present the internal audit findings and makes appropriate recommendations on areas of concern for the Committee's deliberation.

During the year, the IA carried out a total of eleven (11) audits and reviews covering the Group's operations.

ACTIVITIES

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

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

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


Commissioning of 60TPH Sepakau Palm Oil Mill

Laporan Jawatankuasa Audit

LAPORAN AHLI	**Fong Tshu Kwong, CA(M) – Pengerusi** Pengarah Bebas Bukan-Eksekutif **Dr Lai Yew Hock, Dominic** Pengarah Bebas Bukan-Eksekutif **Tang Tiong Ing CA(M)** Pengarah Bukan-Eksekutif
TERMA-TERMA RUJUKAN	Jawatankuasa Audit Kumpulan ("Jawatankuasa") telah ditubuhkan pada 1992 untuk menganggotai Jawatankuasa Lembaga Pengarah, dengan terma-terma rujukan seperti disebutkan di bawah:
KEANGGOTAAN JAWATANKUASA	- Jawatankuasa ini hendaklah dianggotai oleh tidak kurang daripada tiga orang ahli. - Semua ahli Jawatankuasa hendahlah terdiri daripada Pengarah Bukan-Eksekutif, dengan majoriti daripada mereka Pengarah Bebas. - Semua ahli Jawatankuasa hendaklah cekap dalam urusan kewangan dengan sekurang-kurangnya seorang daripada mereka merupakan ahli Institut Akauntan Malaysia ("MIA") - Mana-mana Pengarah gantian tidak dibolehkan dilantik menganggotai ahli Jawatankuasa; - Pengerusi yang akan dipilih oleh ahli-ahli Jawatankuasa hendaklah terdiri daripada Pengarah Bukan-Eksekutif Bebas.
TUGAS DAN TANGGUNGJAWAB	Jawatankuasa hendaklah: - Memberi bantuan kepada Lembaga Pengarah dalam memenuhi tanggungjawab fiduciary berkaitan amalan-amalam perakaunan korporat dan penyediakan laporan untuk Syarikat dan Kumpulan. - Mengekalkan perhubungan langsung antara Lembaga dengan audit dalaman dan luaran. - Bertindak di atas arahan Lembaga untuk mengarah dan apabila perlu, menyelia mana-mana projek khas atau siasatan yang difikirkan perlu serta menyemaklaporan siasatan berhubung sebarang isu atau perkara penting yang ada kaitan dengan pengurusan Kumpulan. - Menyemak dan memantau bagi memastikan wujud sistem pengurusan risiko yang menyeluruh agar pihak pengurusan dapat mengawasi aset dan operasi Kumpulan. - Menyediakan laporan-laporan apabila keadaan memerlukan, 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 dilapor kepada Lembaga yang masih belum diselesai dengan memuaskan yang boleh mengakibatkan pelanggaran Syarat Penyenaraian Pasaran Utama Bursa Malaysia.
BIDANG KUASA	- Jawatankuasa ini diberi kuasa dan hak mendapatkan sebarang maklumat diperlukannya 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 auditor dalaman dan luaran serta pihak pengurusan kanan Kumpulan. - Jawatankuasa harus mempunyai sumber diperlukan untuk menjalankan tugas. Jawatankuasa juga boleh meminta nasihat perundangan atau lain-lain nasihat bebas daripada luar yang difikirkan perlu dengan tanggungan Kumpulan.
PROSIDUR KEWANGAN DAN LAPORAN KEWANGAN	Menyemak laporan suku tahunan dan penyata kewangan akhir tahun, sebelum diluluskan Lembaga, bagi memastikan ia mematuhi polisi sebenar perakaunan, standard perakaunan serta syarat dan keperluan penutupan akaun.

TRANSAKSI PIHAK BERKENAAN

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

AUDIT LUAR

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

AUDIT DALAMAN

- Menilai semula dan meluluskan pelan tahunan audit dalaman.
- Menilai kecukupan skop audit dalaman, fungsi dan sumber-sumber audit dalaman supaya ia mempunyai kebenaran yang diperlukan untuk melaksanakan tugas.
- Menilai semula keputusan-keputusan audit dalaman dan memastikan tindakan sesuai diambil oleh pengurusan di atas cadangan-cadangan yang dibuat oleh audit dalaman.
- Menilai semula mutu kerja audit bagi memastikan mereka memperoleh kebebasan dalam melaksanakan tugas.
- Meluluskan sebarang perlantikan atau menamatkan fungsi mana-mana kakitangan kanan audit dalaman.
- Menilai semula pergerakan kakitangan audit dalaman dan sebab-sebab pemberhentian yang diberikan oleh kakitangan audit dalaman yang akan berhenti.

MESYUARAT

Bagi tahun kewangan berakhir pada 31 Disember 2009, empat (4) mesyuarat Jawatankuasa telah diadakan. Rekod kehadiran ahli pada mesyuarat tersebut adalah seperti berikut:

	Bilangan Kehadiran
Fong Tshu Kwong, CA(M)	4/4
Dr Lai Yew Hock, Dominic	4/4
Tang Tiong Ing, CA(M)	4/4

Jawatankuasa juga bertemu dengan audit luar sekali sepanjang tahun kewangan tanpa kehadiran pihak Pengurusan.

FUNGSI AUDIT DALAM

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 masih boleh terus beroperasi secara memuaskan dan efisien. Ia akan dilaporkan terus kepada Jawatankuasa dengan laporan bebas dan objektif tentang keadaan kawalan dalaman pelbagai operasi unit-unit di dalam Kumpulan. Sebagai tambahan, IA juga menjalan siasatan dan penilaian khas atas arahan Pengurusan.

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

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

AKTIVITI

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 yang telah diaudit Kumpulan bersama audit luar sebelum di serahkan ke Lembaga untuk pertimbangann dan kelulusan, termasuk isu dan penemuan-penemuan yang dinyatakan oleh juruaudit semasa menjalankan tugas menyiapkan penyataan kewangan bagi Kumpulan.
- Mengambilkira perlantikan audit luar dan permintaan mereka untuk menambah 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 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 2009 set out in pages 41 to 93, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, followed the applicable approved accounting standards in Malaysia, the provision of the Companies Act 1965 and the Listing Requirements of the Bursa Malaysia Securities Berhad.

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


Fertilizer Application By Machine

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 2009 to the Group's external auditors is mainly for the tax advisory and accounting services. The breakdown of the fees is as follows:

Name of Auditor	Fees (RM)
Ernst & Young	16,350
KPMG	40,700
	57,050

2. MATERIAL CONTRACTS

There were no material contracts involving the interest of Directors and major shareholders pursuant to paragraph 21, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia entered into by the Group since the end of the previous financial year up to 31 December 2009 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 2009 were as follows:

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2009 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")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	8,555
2. The Group	Purchase of lubricant, spare parts and tyres for the tractors and machinery from Shin Yang Trading Sdn Bhd ("SY Trading")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	2,044
3. The Group	Purchase of gravel from Hollystone Quarry Sdn Bhd ("HQ")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	4,467
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")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	557
5. The Company	Purchase of fresh fruit bunches from Greenwood Estate Sdn Bhd ("GWE")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	2,267
6. The Company	Purchase of fresh fruit bunches from Jati Vista Sdn Bhd ("JVSB")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	16,456
7. The Group	Land Transportation Services from Melinau Transport Sdn Bhd ("MTSB")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	2,901
8. The Group	Purchase of tractors and machinery from Dai Lieng Trading Sdn Bhd and Dai Lieng Machinery Sdn Bhd ("DLT")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	2,877
9. The Group	Purchase of sawn timber from Shin Yang Sawmill Sdn Bhd ("SYSM")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	1,033
10. The Group	Purchase of oil filter for the tractors from Scott & English Trading (Sarawak) Sdn Bhd ("SETSB")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	32
11. The Company	Purchase of fresh fruit bunches from Primaluck (M) Sdn Bhd ("PSB")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	6,497
12. The Company	Purchase of fresh fruit bunches from Shin Yang Forestry Sdn Bhd ("SYFSB")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	23,513
13. The Group	Purchase of plastic bags from Kian Hang Plastic Sdn Bhd ("KHPSB")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	723
14. The Group	Purchase of sawn timber from Menawan Wood Sdn Bhd ("MWSB")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	536
15. The Group	Purchase of motor vehicles from Boulevard Jaya Sdn Bhd ("BJSB")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	884

Note # (1) Datuk Ling Chiong Ho is the Group Executive Chairman of SOPB and is also the shareholder and director of SY Trading, SYFSB, SYSM, SYHSB and HQ. He has substantial direct/indirect interest in GWE, SY Services, JVSB, MTSB, LMSB, HQ, SYFSB, SY Trading, SYSM, SYHSB and MBTCSB.

(2) Ling Chiong Sing is the Non-Executive Directors of SOPB and is also the director of SY Services, SY Trading, KHPSB, SYSM, SYHSB. He has substantial direct/indirect in DLT, DLM, GWE, SY Services, JVSB, MTSB, KHPSB, LMSB, HQ, SYFSB, SY Trading, SYSM, SYHSB and MBTCSB.

(3) Ling Lu Kuang is the Non-Executive Director of SOPB, who is a deemed person connected to Datuk Ling Chiong Ho and also authorized


Scout Harvesting In Progress

Financial Statements

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 2009.

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 15 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	106,537	76,817
Attributable to:		
Equity holders of the Company	99,869	76,817
Minority interests	6,668	–
	106,537	76,817

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 2008 was as follows:

	RM'000
In respect of the financial year ended 31 December 2008 as reported in the Directors' report of that year	
First and final dividend of 3.0% less 25% tax on 428,010,630 ordinary shares, paid on 22 July 2009	9,630

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2009, of 3% less 25% taxation on 428,526,498 ordinary shares, amounting to a dividend payable of RM9,641,846 (2.25 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 2010.

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:

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

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 9 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 29 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 in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	At 1.1.2009	**Acquired**	**Sold**	**At 31.12.2009**
The Company				
Direct interest				
Datuk Ling Chiong Ho	30,993,608	–	–	30,993,608
Tang Tiong Ing	174,880	–	–	174,880
Fong Tshu Kwong	39,000	20,000	–	59,000
Dr. Lai Yew Hock	39,400	–	–	39,400
Wong Ngie Yong	20,000	–	–	20,000
Deemed interest				
Datuk Ling Chiong Ho	126,294,214	–	–	126,294,214
Ling Chiong Sing	126,294,214	–	–	126,294,214

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.

EMPLOYEE SHARE OPTIONS SCHEME

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

The salient features and other terms of the ESOS are disclosed in Note 30 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who have been granted options to subscribe for less than 200,000 ordinary shares of RM1.00 each.

The options were granted at an exercise price of RM1.80 during the year.

OTHER STATUTORY INFORMATION

a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

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

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

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

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

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

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

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

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

f) In the opinion of the Directors:

   i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its 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.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid up ordinary share capital from RM427,408,000 to RM428,526,000 by way of:

(i) the issuance of 718,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM1.49 per ordinary share.

(ii) the issuance of 400,000 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.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 15 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 23 April 2010.

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 41 to 83 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 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 April 2010.

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 41 to 83 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 23 April 2010

WONG HEE KWONG

Before me,

DR. DOMINIC LAI YEW HOCK
Commissioner For Oath (NO. Q047)
Lot 2451, 1st & 2nd Floors,
Boulevard Commercial Centre,
Jalan Miri-Pujut,
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 balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements 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 41 to 83.

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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 2009 and of their financial performance and cash flows of the Group and of the Company 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 have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

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

(d) The auditors' reports on the accounts 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

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

Ernst & Young
AF: 0039
Chartered Accountants

Yong Nyet Yun
2708/04/12 (J)
Chartered Accountant

Miri, Malaysia
Date: 23 April 2010

Income Statements

For The Year Ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Revenue	3	533,304	683,520	531,975	687,688
Cost of sales	4	(360,471)	(427,859)	(414,890)	(538,206)
Gross profit		172,833	255,661	117,085	149,482
Other income	5	8,339	8,684	15,106	12,937
Other operating expense		(1,175)	(2,252)	(491)	(2,197)
Administrative expenses		(3,837)	(3,394)	(1,785)	(1,882)
Selling and marketing expenses		(35,466)	(41,621)	(35,466)	(41,621)
Operating profit		140,694	217,078	94,449	116,719
Finance costs	6	(6,035)	(8,518)	(1,803)	(2,917)
Profit before tax	7	134,659	208,560	92,646	113,802
Income tax expense	10	(28,122)	(54,674)	(15,829)	(30,186)
Profit for the year		106,537	153,886	76,817	83,616
Attributable to:					
Equity holders of the Company		99,869	140,563	76,817	83,616
Minority interests		6,668	13,323	–	–
		106,537	153,886	76,817	83,616
Earnings per share attributable to Equity holders of the Company (sen):					
Basic, for profit for the year	11	23.3	36.2		
Diluted, for profit for the year	11	22.9	35.9		

The accompanying notes form an integral part of the financial statements.

Balance Sheets

As At 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	801,968	681,471	219,750	210,194
Prepaid land lease payments	14	209,129	183,782	20,615	20,932
Investment in subsidiaries	15	–	–	186,892	141,677
Other investments	16	45	45	20,000	–
Other receivable	18	4,225	–	18,100	29,000
Intangible asset	19	2,222	1,526	–	–
Deferred tax assets	24	143	–	–	–
		1,017,732	866,824	465,357	401,803
Current assets					
Inventories	17	50,686	66,432	28,243	25,494
Trade and other receivables	18	20,054	47,391	76,845	108,237
Tax recoverable		4,437	3,929	4,414	3,347
Cash and bank balances	20	320,419	279,132	256,814	240,068
		395,596	396,884	366,316	377,146
TOTAL ASSETS		1,413,328	1,263,708	831,673	778,949
EQUITY AND LIABILITIES:					
Equity attributable to equity holders of the Company					
Share capital	25	428,526	427,408	428,526	427,408
Share premium	25	1,046	382	1,046	382
Other reserve	26	1,885	1,187	1,885	1,187
Retained earnings	27	397,320	307,144	297,093	229,906
		828,777	736,121	728,550	658,883
Minority interests		94,741	81,346	–	–
Total equity		923,518	817,467	728,550	658,883
Non-current liabilities					
Borrowings	21	226,977	179,894	12,898	23,102
Other payables	23	733	69	–	–
Deferred tax liabilities	24	99,022	84,409	29,269	25,595
		326,732	264,372	42,167	48,697
Current liabilities					
Borrowings	21	64,514	72,001	28,768	40,463
Trade and other payables	23	96,000	109,159	31,482	30,200
Current tax payable		2,564	709	706	706
		163,078	181,869	60,956	71,369
TOTAL LIABILITIES		489,810	446,241	103,123	120,066
TOTAL EQUITY AND LIABILITIES		1,413,328	1,263,708	831,673	778,949

The accompanying notes form an integral part of the financial statements.

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2009

	Note	← Attributable to Equity Holders of the Company				→	Minority Interests	Total Equity
		Share Capital (Note 25)	Share Premium (Note 25)	Other Reserve (Note 26)	Distributable Retained Earnings	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2008		144,153	20,291	642	289,943	455,029	68,623	523,652
Profit for the year		–	–	–	140,563	140,563	13,323	153,886
Dividends	12	–	–	–	(9,042)	(9,042)	(600)	(9,642)
Issuance of ordinary shares:								
Pursuant to exercise of ESOS		612	1,056	–	–	1,668	–	1,668
Pursuant to exercise of warrants		22,365	12,292	–	–	34,657	–	34,657
Right issue		46,805	65,528	–	–	112,333	–	112,333
Share option granted under ESOS:								
Recognised in profit or loss	8	–	–	913	–	913	–	913
Exercise of ESOS		–	368	(368)	–	–	–	–
Capitalised for bonus issue		213,473	(99,153)	–	(114,320)	–	–	–
At 31 December 2008		427,408	382	1,187	307,144	736,121	81,346	817,467
At 1 January 2009		427,408	382	1,187	307,144	736,121	81,346	817,467
Profit for the year		–	–	–	99,869	99,869	6,668	106,537
Dividends	12	–	–	–	(9,630)	(9,630)	(882)	(10,512)
Issuance of ordinary shares:								
Pursuant to exercise of ESOS		718	196	–	–	914	–	914
Pursuant to exercise of warrants		400	–	–	–	400	–	400
Share option granted under ESOS:								
Recognised in profit or loss	8	–	–	1,166	–	1,166	–	1,166
Exercise of ESOS		–	468	(468)	–	–	–	–
Dilution arising from issuance of shares by a subsidiary		–	–	–	(63)	(63)	63	–
Acquisition of subsidiaries		–	–	–	–	–	7,546	7,546
At 31 December 2009		428,526	1,046	1,885	397,320	828,777	94,741	923,518

The accompanying notes form an integral part of the financial statements.

Company Statement Of Changes In Equity

For The Year Ended 31 December 2009

	Note	Share Capital (Note 25) RM'000	Share Premium (Note 25) RM'000	Distributable Retained Earnings RM'000	Other Reserve (Note 26) RM'000	Total Equity RM'000
At 1 January 2008		144,153	20,291	269,652	642	434,738
Profit for the year		–	–	83,616	–	83,616
Issue of ordinary shares:						
Pursuant to exercise of ESOS		612	1,056	–	–	1,668
Pursuant to exercise of warrants		22,365	12,292	–	–	34,657
Right issue		46,805	65,528	–	–	112,333
Dividends	12	–	–	(9,042)	–	(9,042)
Capitalised for bonus issue		213,473	(99,153)	(114,320)	–	–
Share options granted under ESOS:						
Recognised in profit or loss	8	–	–	–	642	642
Charged to subsidiaries		–	–	–	271	271
Exercise of ESOS		–	368	–	(368)	–
At 31 December 2008		427,408	382	229,906	1,187	658,883
Profit for the year		–	–	76,817	–	76,817
Issue of ordinary shares:						
Pursuant to exercise of ESOS		718	196	–	–	914
Pursuant to exercise of warrants		400	–	–	–	400
Dividends	12	–	–	(9,630)	–	(9,630)
Share options granted under ESOS:						
Recognised in profit or loss	8	–	–	–	793	793
Charged to subsidiaries		–	–	–	373	373
Exercise of ESOS		–	468	–	(468)	–
At 31 December 2009		428,526	1,046	297,093	1,885	728,550

The accompanying notes form an integral part of the financial statements.

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	134,659	208,560	92,646	113,802
Adjustments for:				
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	(250)	–	–	–
Amortisation of prepaid lease land payments	1,744	1,579	317	319
Depreciation and amortisation of property, plant and equipment	41,752	37,450	26,314	23,418
Dividend income	(1)	(3)	(3,521)	(2,396)
Share options granted under ESOS	1,166	913	793	642
Gain on disposal of property, plant and equipment	(257)	(126)	(3,395)	(120)
Interest income	(5,505)	(7,282)	(6,419)	(8,574)
Interest expense	6,035	8,518	1,803	2,917
Inventories written off	155	282	82	263
Loss on disposal of property, plant and equipment	31	167	–	–
Bad debts written off	117	141	117	174
Provision for doubtful debts	15	–	–	–
Property, plant and equipment written off	374	2,044	374	2,023
Operating profit before working capital changes	180,035	252,243	109,111	132,468
Decrease/(Increase) in inventories	15,592	(37,751)	(2,831)	(9,656)
(Increase)/Decrease in receivables	(3,025)	(304)	769	1,122
Increase/(Decrease) in payables	1,055	18,412	1,282	(1,196)
Net movement in subsidiaries balances	–	–	41,779	534
Cash generated from operations	193,657	232,600	150,110	123,272
Interest paid	(10,022)	(6,447)	–	–
Tax paid	(15,838)	(31,156)	(13,222)	(30,553)
Tax refunded	–	4,608	–	4,608
Net cash from operating activities	167,797	199,605	136,888	97,327
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend received	1	2	3,521	2,396
Interest received	5,505	7,282	6,419	8,574
Acquisition of property, plant and equipment	(146,248)	(164,749)	(34,143)	(43,522)
Addition in prepaid land lease payment	(862)	–	–	–
Proceeds from disposal of property, plant and equipment	1,139	328	7,137	1,477
Acquisition of preference shares in a subsidiary	–	–	(20,000)	–
Acquisition of subsidiaries (Note 15)	(3,655)	–	(18,482)	–
Acquisition of additional shares in investment in subsidiaries	(65)	–	(26,733)	(14,507)
Net cash used in investing activities	(144,185)	(157,137)	(82,281)	(45,582)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Net change in revolving credits	10,000	(7,000)	(1,000)	(4,000)
Repayment of term loans	(46,163)	(38,267)	(19,038)	(15,701)
Repayment of hire purchase	(10,879)	(8,739)	(7,704)	(6,031)
Payment from exercise of ESOS	914	1,668	596	1,668
Proceeds from exercise of warrants	400	34,657	718	34,657
Proceeds from right issue	–	112,333	–	112,333
Proceeds from term loans	76,000	66,000	–	15,000
Dividends paid	(9,630)	(9,042)	(9,630)	(9,042)
Dividend paid to minority interest	(882)	(600)	–	–
Interests paid	(2,085)	(6,263)	(1,803)	(2,917)
Net cash from/(used in) financing activities	17,675	144,747	(37,861)	125,967
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,287	187,215	16,746	177,712
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	279,132	91,917	240,068	62,356
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 20)	320,419	279,132	256,814	240,068

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 April 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company comply with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared on historical cost basis.

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 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

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. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition 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 acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(a) Subsidiaries and Basis of Consolidation (Continued)

(ii) Basis of Consolidation (Continued)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Intangible Assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Certain plantation development expenditure and buildings are stated at valuation less accumulated depreciation. As permitted under the transitional provisions of IAS16 (Revised): Property, Plant and Equipment, these assets continued to be stated at valuation less accumulated depreciation.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(c) Property, Plant and Equipment and Depreciation (Continued)

Infrastructure on short and long term leasehold land is depreciated over the leasehold period. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset over the estimated useful life at the following annual rates:

Buildings	5% - 20%
Furniture and office equipment	10% - 20%
Motor vehicles	20% - 25%
Plant, machinery and field equipment	10% - 25%

Capital Work In Progress

Expenditure incurred on the construction and extension of buildings, and the installation of plant and machinery is capitalised as capital work-in-progress until the buildings and plant are fully completed and operational.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

(d) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An assets's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows 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 considered impaired and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(d) Impairment of Non-financial Assets (Continued)

An impairment loss is recognised in profit or loss in the period in which it arises, unless that asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same assets.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(e) 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.

(f) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other Non-Current Investments

Non-current investments other than investment in subsidiaries are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(f) Financial Instruments (Continued)

(iii) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

(iv) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest-Bearing Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(g) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases are classified as operating leases, with the following exception:

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance Leases

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(g) Leases (Continued)

(iii) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Prepaid lease payments include unamortised amount of leasehold land which was revalued in 1991. 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.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents a prepaid lease payment and are amortised on a straight-line basis over the lease term.

(h) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(i) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(j) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees, except where they are directly attributable to immature plantation areas, in which case these expenses are capitalised in plantation development expenditure.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Share-based Compensation

The Sarawak Oil Palms Berhad Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the employees of the Company and its subsidiaries ("the Group") to acquire ordinary shares of the Company. The total fair value of share options granted to employees of the Company is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on the vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of goods

Revenue is recognised upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from services

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards and Interpretations issued but not yet Effective

At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group, which are:

Effective for financial periods beginning on or after 1 July 2009

- FRS 8: Operating Segments

Effective for financial periods beginning on or after 1 January 2010

- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- 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
- Amendments to FRSs 'Improvements to FRSs (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

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)
- FRS 127: Consolidated and Separate Financial Statements (amended)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 15: Agreements for the Construction of Real Estate
- 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 1 January 2011

- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 7: Improving Disclosures about Financial Instruments

The new FRSs and Interpretations, and amendments to certain Standards and Interpretations above are expected to have no significant impact on the financial statements of the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8.

The Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Changes in Estimates

During the year, there were no material changes in accounting estimates of the Group and the Company.

3. REVENUE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sale of goods	524,015	683,212	523,029	683,211
Rendering of services	343	308	–	–
Contract revenue	8,946	–	8,946	4,477
	533,304	683,520	531,975	687,688

4. COST OF SALES

Cost of inventories sold	351,561	427,582	406,286	534,003
Cost of services rendered	8,910	277	8,604	4,203
	360,471	427,859	414,890	538,206

5. OTHER INCOME

Dividend income	1	3	3,521	2,396
Gain on disposal of property, plant and equipment	257	126	3,395	120
Hiring charges for motor vehicles	579	410	579	–
Interest income	5,505	7,282	6,419	8,574
Rental income	81	80	52	1,126
Miscellaneous	1,666	783	1,140	721
Negative goodwill	250	–	–	–
	8,339	8,684	15,106	12,937

6. FINANCE COSTS

Interest expenses on:				
- Bank borrowings	10,684	11,535	1,721	2,245
- Hire purchase	296	913	82	672
- Interest rate swap	1,121	262	–	–
	12,101	12,710	1,803	2,917
Less: Amount capitalised in plantation development expenditure (Note 13)	(6,066)	(4,192)	–	–
	6,035	8,518	1,803	2,917

7. PROFIT BEFORE TAX

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
The following amounts have been included in arriving at profit before tax:				
Employee benefits expenses (Note 8)	60,186	56,666	30,737	29,352
Non-executive directors' remuneration (Note 9)	515	383	289	241
Auditors' remuneration				
- current year	122	104	45	40
- overprovision in previous year	(2)	–	–	–
Depreciation (Note 13)	41,752	37,450	26,314	23,418
Amortisation of prepaid land lease payments (Note 14)	1,744	1,579	317	319
Loss on disposal of property, plant and equipment	31	167	–	–
Inventories written off	155	282	82	263
Property, plant and equipment written off	374	2,044	374	2,023
Provision for doubtful debts	15	–	–	–
Bad debts written off	117	141	117	174

8. EMPLOYEE BENEFITS EXPENSES

Salaries and wages	66,383	64,308	27,584	26,844
Social security contributions	556	420	271	237
Share options granted under ESOS	1,138	913	793	642
Contributions to defined contribution plan	3,718	3,278	2,089	1,629
	71,795	68,919	30,737	29,352
Less: Amount capitalised in plantation development expenditure	(11,609)	(12,253)	–	–
	60,186	56,666	30,737	29,352

Included in employee benefits expense of the Group and of the Company are the Executive Director's remuneration amounting to RM1,175,000 (2008: RM1,253,000) and RM1,175,000 (2008: RM1,241,000) respectively as further disclosed in Note 9.

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short-term employee benefits	5,142	3,049	1,270	1,302
Post-employment benefits:				
Defined contribution plan	539	365	152	156
Share-based payment	665	349	167	149
	6,346	3,763	1,589	1,607

9. DIRECTORS' REMUNERATION

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Executive director's remuneration (Note 8):				
Fees	33	43	33	31
Other emoluments	1,142	1,210	1,142	1,210
	1,175	1,253	1,175	1,241
Non-executive directors' remuneration (Note 7):				
Fees	515	383	289	241
Total directors' remuneration	1,690	1,636	1,464	1,482

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

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Executive:				
Salaries	720	720	720	720
Bonus	300	360	300	360
EPF	122	130	122	130
Fees	33	43	33	31
	1,175	1,253	1,175	1,241
Non-executive:				
Fees	415	308	289	241
	1,590	1,561	1,464	1,482

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

	Number of Directors 2009	Number of Directors 2008
Executive Director:		
RM1,150,001 - RM1,200,000	1	–
RM1,200,001 - RM1,250,000	–	1
Non-Executive Directors:		
Below RM50,000	9	9

10. INCOME TAX EXPENSE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tax expense for the year:				
Current income tax	18,401	30,011	13,370	29,986
(Over)/Underprovision in prior year	(1,216)	1,711	(1,215)	1,721
	17,185	31,722	12,155	31,707
Deferred tax (Note 24):				
Relating to origination of temporary differences	10,639	26,228	2,427	486
Relating to change in tax rates	–	(2,326)	–	(1,024)
Under/(Over)provision of deferred tax in previous year	298	(950)	1,247	(983)
	10,937	22,952	3,674	(1,521)
	28,122	54,674	15,829	30,186

Current income tax is calculated at the statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2009 RM'000	2008 RM'000
Group		
Profit before taxation	134,659	208,560
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	33,665	54,226
Effect of expenses not deductible for tax purposes	2,225	3,198
Effect of income subject to a lower tax rate	–	(37)
Effect of income not subject to tax	(678)	(1,386)
Effect of tax incentives	(5,111)	(86)
(Over)/Underprovision of tax expense in prior year	(1,216)	1,711
Under/(Over)provision of deferred tax in previous year	298	(950)
Deferred tax recognised at different tax rates	–	(1,558)
Effect of changes in tax rates on opening balance of deferred tax	–	(768)
Deferred tax assets not recognised during the year	1	68
Deferred tax liability not recognised in prior year	(2)	–
Others	(1,060)	256
Tax expense for the year	28,122	54,674

10. INCOME TAX EXPENSE (Continued)

	2009 RM'000	2008 RM'000
Company		
Profit before taxation	92,646	113,802
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	23,162	29,589
Deferred tax recognised at different tax rates	–	(1,005)
Effect of changes in tax rates on opening balance of deferred tax	–	(19)
Effect of expenses not deductible for tax purposes	651	1,282
Effect of income not subject to tax	(2,008)	(623)
Effect of tax incentives	(5,111)	(86)
(Over)/Underprovision of tax expense in prior year	(1,215)	1,721
Under/(Over)provision of deferred tax in previous year	1,247	(983)
Others	(897)	310
Tax expense for the year	15,829	30,186

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2009 RM'000	2008 RM'000
Profit attributable to ordinary equity holders of the Company	99,869	140,563

	2009 '000	2008 '000
Weighted average number of ordinary shares in issue	427,922	387,918

	2009 Sen	2008 Sen
Basic earnings per share for:		
Profit for the year	23.3	36.2

11. EARNINGS PER SHARE (Continued)

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of potential ordinary shares, i.e. warrants and share options granted to employees.

	2009 RM'000	2008 RM'000
Profit attributable to ordinary equity holders of the Company	99,869	140,563

	2009 '000	2008 '000
Weighted average number of ordinary shares in issue	427,922	387,918
Effects of dilution:		
Warrants	1,660	969
Share options	6,128	2,725
Adjusted weighted average number of ordinary shares in issue and issuable	435,710	391,612

	2009 Sen	2008 Sen
Diluted earnings per share for:		
Profit for the year	22.9	35.9

12. DIVIDENDS

	Dividends In respect of Year			Dividends Recognised in Year	
	2009 RM'000	2008 RM'000	2007 RM'000	2009 RM'000	2008 RM'000
Recognised during the year:					
Final dividend for 2008: 3.0% (2007: 6.0%) less 25% (2007: 26%) tax on 428,010,630 (2007: 203,659,263) ordinary shares	–	–	–	9,630	9,042
Proposed for approval at AGM (not recognised as at 31 December):					
Final dividend for 2009: 3.0% (2008: 3.0%, 2007: 6.0%) less 25% (2008: 25%, 2007: 26%) tax on 428,526,498 (2008: 427,408,534, 2007: 144,152,810) ordinary shares	9,642	9,617	6,400	–	–

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2009, of 3% less 25% taxation on 428,526,498 ordinary shares, amounting to a dividend payable of RM9,641,842 (2.25 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 2010.

13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Plantation development expenditure RM'000	Buildings and infra-structure * RM'000	Furniture and office equipment RM'000	Motor vehicles RM'000	Plant, machinery and field equipment RM'000	Total RM'000
Cost or valuation						
At 1 January 2009						
At cost	346,393	223,324	7,219	36,660	169,471	783,067
At valuation	45,909	6,878	–	–	–	52,787
	392,302	230,202	7,219	36,660	169,471	835,854
Additions	78,608	30,441	1,224	7,565	8,931	126,769
Disposals	–	(223)	(41)	(1,161)	(726)	(2,151)
Written off	(472)	(328)	(30)	(285)	(1,215)	(2,330)
Transferred from capital work-in-progress	–	28,276	–	–	29,674	57,950
At 31 December 2009	470,438	288,368	8,372	42,779	206,135	1,016,092
Representing:						
At cost	424,529	281,490	8,372	42,779	206,135	963,305
At valuation - 1991	45,909	6,878	–	–	–	52,787
At 31 December 2009	470,438	288,368	8,372	42,779	206,135	1,016,092
Accumulated depreciation and impairment						
At 1 January 2009	76,890	42,870	3,784	18,955	56,565	199,064
Depreciation charge for the year	11,208	9,236	688	6,498	19,343	46,973
Disposals	-	(218)	(17)	(231)	(772)	(1,238)
Written off	(252)	(299)	(29)	(194)	(1,180)	(1,954)
Reclassification	–	–	–	9	(9)	–
At 31 December 2009	87,846	51,589	4,426	25,037	73,947	242,845
Net carrying amount						
At 31 December 2009	382,592	236,779	3,946	17,742	132,188	773,247

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
	801,968

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP (Continued)	Plantation development expenditure RM'000	Buildings and infra-structure * RM'000	Furniture and office equipment RM'000	Motor vehicles RM'000	Plant, machinery and field equipment RM'000	Total RM'000
Cost or valuation						
At 1 January 2008						
At cost	279,414	175,092	5,981	24,628	159,024	644,139
At valuation	45,909	6,878	–	–	–	52,787
	325,323	181,970	5,981	24,628	159,024	696,926
Additions	68,555	37,433	1,280	12,393	25,942	145,603
Disposals	(246)	(37)	(13)	(336)	(532)	(1,164)
Written off	–	(3,490)	(29)	(25)	(18,757)	(22,301)
Reclassification	(2,332)	1,187	–	–	–	(1,145)
Transferred from capital work-in-progress	1,002	13,139	–	–	3,794	17,935
At 31 December 2008	392,302	230,202	7,219	36,660	169,471	835,854
Representing:						
At cost	346,393	223,324	7,219	36,660	169,471	783,067
At valuation - 1991	45,909	6,878	–	–	–	52,787
At 31 December 2008	392,302	230,202	7,219	36,660	169,471	835,854
Accumulated depreciation and impairment						
At 1 January 2008	65,656	38,025	3,263	14,106	58,565	179,615
Depreciation charge for the year	11,265	7,334	545	5,124	16,233	40,501
Disposals	(31)	(37)	(6)	(248)	(473)	(795)
Written off	–	(2,452)	(18)	(20)	(17,767)	(20,257)
Reclassification	–	–	–	(7)	7	–
At 31 December 2008	76,890	42,870	3,784	18,955	56,565	199,064
Net carrying amount						
At 31 December 2008	315,412	187,332	3,435	17,705	112,906	636,790

Capital work-in-progress	
At 1 January 2008	19,819
Add: Additions	41,652
Less: Transferred to property, plant and equipment	(17,935)
Less: Reclassification	1,145
At 31 December 2008	44,681
	681,471

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

*Buildings and Infrastructures of the Group

	Buildings RM'000	Infrastructures RM'000	Total RM'000
At 31 December 2009			
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	115,746	172,622	288,368
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	39,628	11,961	51,589
Net carrying amount			
At 31 December 2009	76,118	160,661	236,779
At 31 December 2008			
Cost			
At 1 January 2008	84,540	97,430	181,970
Additions	850	36,583	37,433
Disposals	(37)	–	(37)
Written off	(3,490)	–	(3,490)
Reclassification	–	1,187	1,187
Transferred from capital work-in-progress	10,789	2,350	13,139
At 31 December 2008	92,652	137,550	230,202
Accumulated depreciation			
At 1 January 2008	30,874	7,151	38,025
Charge for the year	5,099	2,235	7,334
Disposals	(37)	–	(37)
Written off	(2,452)	–	(2,452)
Reclassification	(1)	1	–
At 31 December 2008	33,483	9,387	42,870
Net carrying amount			
At 31 December 2008	59,169	128,163	187,332

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY	Plantation development expenditure RM'000	Buildings RM'000	Furniture and office equipment RM'000	Motor vehicles RM'000	Plant, machinery and field equipment RM'000	Total RM'000
Cost or valuation						
At 1 January 2009						
At cost	32,796	60,761	4,639	32,197	130,967	261,360
At valuation	45,909	6,878	–	–	–	52,787
	78,705	67,639	4,639	32,197	130,967	314,147
Transfer from CWIP	–	18,794	–	–	29,252	48,046
Additions	15	289	662	5,422	4,256	10,644
Disposals	–	(40)	(8)	(7,294)	(2,109)	(9,451)
Written off	(472)	(156)	(52)	(285)	(1,216)	(2,181)
At 31 December 2009	78,248	86,526	5,241	30,040	161,150	361,205
Representing:						
At cost	32,339	79,648	5,241	30,040	161,150	308,418
At valuation - 1991	45,909	6,878	–	–	–	52,787
At 31 December 2009	78,248	86,526	5,241	30,040	161,150	361,205
Accumulated depreciation						
At 1 January 2009	42,748	25,445	2,997	16,538	39,914	127,642
Charge for the year	3,117	3,621	385	4,666	14,525	26,314
Disposals	(252)	(34)	(3)	(4,470)	(1,202)	(5,709)
Written off	–	(131)	(50)	(194)	(1,180)	(1,807)
At 31 December 2009	45,613	28,901	3,329	16,540	52,057	146,440
Net carrying amount						
At 31 December 2009	32,635	57,625	1,912	13,500	109,093	214,765

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
	219,750

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY (Continued)	Plantation development expenditure RM'000	Buildings RM'000	Furniture and office equipment RM'000	Motor vehicles RM'000	Plant, machinery and field equipment RM'000	Total RM'000
Cost or valuation						
At 1 January 2008						
At cost	32,752	60,380	4,283	21,634	129,371	248,420
At valuation	45,909	6,878	–	–	–	52,787
	78,661	67,258	4,283	21,634	129,371	301,207
Transfer from CWIP	–	3,098	–	–	3,405	6,503
Additions	44	773	387	10,922	18,558	30,684
Disposals	–	–	(2)	(334)	(1,653)	(1,989)
Written off	–	(3,490)	(29)	(25)	(18,714)	(22,258)
At 31 December 2008	78,705	67,639	4,639	32,197	130,967	314,147
Representing:						
At cost	32,796	60,761	4,639	32,197	130,967	261,360
At valuation - 1991	45,909	6,878	–	–	–	52,787
At 31 December 2008	78,705	67,639	4,639	32,197	130,967	314,147
Accumulated depreciation						
At 1 January 2008	39,582	24,774	2,699	12,029	46,303	125,387
Charge for the year	3,166	3,123	317	4,647	12,174	23,427
Disposals	–	–	(1)	(118)	(818)	(937)
Written off	–	(2,452)	(18)	(20)	(17,745)	(20,235)
At 31 December 2008	42,748	25,445	2,997	16,538	39,914	127,642
Net carrying amount						
At 31 December 2008	35,957	42,194	1,642	15,659	91,053	186,505

Capital work-in-progress	
At 1 January 2008	5,630
Add: Additions	24,867
Less: Transferred to property, plant and equipment	(6,503)
Less: Disposals	(305)
At 31 December 2008	23,689
	210,194

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

i) Current year charges to plantation development expenditure include:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Amortisation of prepaid land lease payment	586	1,067	–	–
Depreciation	5,221	3,051	–	9
Loan interest (Note 6)	6,066	4,192	–	–

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Average rate of interest capitalised per annum	4.82	5.95	–	–

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income statement (Note 7)	41,752	37,450	26,314	23,418
Plantation development expenditure	5,221	3,051	–	9
	46,973	40,501	26,314	23,427
Amortisation of prepaid and lease payment (Note 14)	2,330	2,646	317	319
	49,303	43,147	26,631	23,746

ii) Certain of the plantation development expenditure and buildings of the Group and the Company were revalued by a firm of professional valuers using the investment method of valuation for planted fields. The valuation, as adjusted and approved by the Capital Issues Committee on 29 April 1991, was incorporated in the financial statements in 1991. Subsequent additions to property, plant and equipment are included at cost.

Had the revalued assets of the Group and the Company been carried at historical cost less accumulated depreciation or amortisation, the carrying amount of the assets concerned that would have been included in the financial statements at the end of the year would be as follows:

	Group/Company	
	2009 RM'000	2008 RM'000
Plantation development expenditure	5,235	6,126

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

iii) As at the year end, the authority has yet to issue the titles to a parcel of land to a subsidiary.

The other subsidiaries are in the process of obtaining the land title for their long term leasehold land.

iv) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM168,759,000 (2008: RM187,255,000) and RM39,986,000 (2008: RM55,551,000) respectively of which RM10,638,000 (2008: RM14,196,000) and RM5,843,000 (2008: RM12,020,000) respectively was acquired by means of hire purchase and finance lease arrangements. Net carrying amounts of property, plant and equipment held under hire purchase are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Plant and machinery	17,678	15,709	10,430	10,247
Motor vehicles	8,189	8,260	6,434	7,200
	25,867	23,969	16,864	17,447

14. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	183,782	186,428	20,932	21,251
Acquisition of subsidiaries (Note 15)	26,815	–	–	–
Additions	862	–	–	–
Amortisation of the year	(2,330)	(2,646)	(317)	(319)
Recognised in income statement	1,744	1,579	317	319
Capitalised in plantation development development expenditure	586	1,067	–	–
At 31 December	209,129	183,782	20,615	20,932

The net carrying amount of leasehold land pledged for borrowings as referred to in Note 21 are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Leasehold land	34,697	97,552	9,343	9,466

Certain of leasehold land of the Group and the Company were revalued by a firm of professional valuers using the investment method of valuation for planted fields. The valuation, as adjusted and approved by the Capital Issues Committee on 29 April 1991, was incorporated in the financial statements in 1991. Subsequent additions to property, plant and equipment are included at cost.

14. PREPAID LAND LEASE PAYMENTS (Continued)

Had the revalued assets of the Group and the Company been carried at historical cost less accumulated depreciation or amortisation, the carrying amount of the assets concerned that would have been included in the financial statements at the end of the year would be as follows:

	Group/Company	
	2009 RM'000	2008 RM'000
Leasehold land	6,185	6,267

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2009 RM'000	2008 RM'000
Unquoted shares at cost	186,892	141,677

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 2009 %	2008 %
Held by the Company:			
SOP Green Energy Sdn. Bhd. (Formerly known as Ebal Plantation Sdn. Bhd)**	Inactive	–	100
SOP Karabungan Sdn. Bhd.	Cultivation of oil palms	70	70
SOP Pelita Batu Lintang Plantation Sdn. Bhd.	Cultivation of oil palms	60	50
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 Resources Sdn. Bhd.	Supplies of goods	100	100
SOP System Sdn. Bhd.	Rendering of IT services	100	100
SOP Industries Sdn. Bhd. (Formerly known as Kini Sinar Sdn. Bhd.)	Investment holding	65	–
SOP Properties Sdn. Bhd. (Formerly known as Indaharvest Sdn. Bhd.)	Investment holding	100	–

15. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiaries	Principal activities	Proportion of Ownership Interest 2009 %	2008 %
Held through a subsidiary-SOP Industries Sdn. Bhd.:			
SOP Green Energy Sdn. Bhd. (Formerly known as Ebal Plantation Sdn. Bhd)	Inactive	100	–
SOP Edible Oils Sdn. Bhd. (Formerly known as Shin Yang Edible Oil Sdn. Bhd)	Inactive	100	–

* Audited by a firm of auditors other than Ernst & Young.
** Held directly under SOP Industries Sdn. Bhd. in 2009

a) Acquisition of subsidiaries:

SOP Industries Sdn. Bhd. (Formerly Known As Kini Sinar 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. (Formerly Known As Indaharvest 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.

The acquisition of subsidiaries have contributed the following results to the Group:

	2009 RM'000	2008 RM'000
Loss for the year	74	–

If the acquisition had occurred on 1 January 2009, the Group's loss for the year would have been RM72,000.

The assets and liabilities arising from the acquisition are as follows:

	2009 Fair value recognised on acquisition RM'000	2009 Acquiree's carrying amount RM'000
Prepaid land lease payments (Note 14)	26,815	12,683
Trade and other receivables	748	748
Cash and bank balances	14,827	14,827
	42,390	28,258

15. INVESTMENT IN SUBSIDIARIES (Continued)

a) Acquisition of subsidiaries: (Continued)

The assets and liabilities arising from the acquisition are as follows (Continued):

	2009 Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Trade and other payables	13,208	13,207
Deferred tax liabilities (Note 24)	3,533	–
	16,741	13,207
Fair value of net assets	25,649	15,051
Less: Minority interest	(7,613)	
Group's share of net assets	18,036	
Goodwill on acquisition	696	
Negative goodwill on acquisition	(250)	
Total cost of acquisition	18,482	

	2009 RM'000
The cash outflow on acquisitions is as follows:	
Purchase consideration satisfied by cash	18,482
Cash and cash equivalents of subsidiary acquired	(14,827)
Net cash outflow of the Group	3,655

16. OTHER INVESTMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Investment in preference shares	–	–	20,000	–
Shares quoted in Malaysia, at cost	45	66	–	–
Less: Accumulated impairment losses	–	(37)	–	–
Add: Reversal of impairment of investment	–	16	–	–
	45	45	–	–
Market value of quoted shares	39	54	–	–

17. INVENTORIES

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cost:				
Processed inventories				
(crude palm oil and palm kernel)	19,823	10,584	19,823	10,584
Stores and spares	28,316	46,398	8,395	14,791
Nursery inventories	2,547	9,450	25	119
	50,686	66,432	28,243	25,494

18. TRADE AND OTHER RECEIVABLES

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Current:				
Trade receivables				
Trade receivables	8,540	11,735	8,444	11,621
Other receivables				
Sundry receivables	9,493	33,971	5,990	3,892
Amount due from subsidiaries	–	–	61,422	91,927
Deposits	785	570	599	242
Prepayments	1,236	1,115	390	555
	11,514	35,656	68,401	96,616
	20,054	47,391	76,845	108,237
Non-current:				
Other receivables				
Amount due from subsidiaries	–	–	18,100	29,000
Deposits	4,193	–	–	–
Sundry receivables	32	–	–	–
	4,225	–	18,100	29,000
	24,279	47,391	94,945	137,237

Trade receivables

The Group's normal trade credit term is 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

Amounts due from subsidiaries

Included in the amounts due from subsidiaries are RM35,290,000 (2008: RM43,592,000), being advances which bears interest of 3.24% (2008: 4.80%) per annum.

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment.

Sundry receivables

Included in sundry receivables of the Group and the Company are amounts of RM58,000 (2008: RM216,000) and Nil (2008: RM212,000) respectively due to companies in which certain Directors have substantial financial interests

Included in sundry receivables are unsecured amounts of RM57,000 (2008: RM43,000) and RM29,000 (2008: RM20,000) due from staff of the Group and the Company respectively.

These amounts bear interest at 7.2% (2008: 7.2%) per annum and are repayable in accordance with agreed repayment schedules.

19. INTANGIBLE ASSET

	Group 2009 RM'000	Group 2008 RM'000
Goodwill		
Cost		
At 1 January	1,526	1,526
Acquisition of subsidiaries	696	–
At 31 December	2,222	1,526

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fixed deposits with licensed banks	284,417	244,752	231,338	221,652
Cash on hand and at bank	36,002	34,380	25,476	18,416
Cash and bank balances	320,419	279,132	256,814	240,068

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

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Deposits with licensed banks	1.15 - 2.30	2.10 - 3.50	1.15 - 2.25	2.40 - 3.50

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

	Group		Company	
	2009 Days	2008 Days	2009 Days	2008 Days
Deposits with licensed banks	1 - 92	2 - 92	4 - 92	2- 92

21. BORROWINGS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short Term Borrowings				
Secured:				
Revolving credit	16,000	5,000	–	–
Term loans	22,000	40,639	4,750	16,514
Hire purchase and finance lease liabilities (Note 22)	8,909	8,770	6,413	6,358
	46,909	54,409	11,163	22,872

21. BORROWINGS (Continued)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unsecured:				
Revolving credits	14,000	15,000	14,000	15,000
Term loans	3,605	2,592	3,605	2,591
	17,605	17,592	17,605	17,591
	64,514	72,001	28,768	40,463
Long Term Borrowings				
Secured:				
Term loans	211,183	160,182	–	4,750
Hire purchase and finance lease liabilities (Note 22)	6,923	7,303	4,027	5,943
	218,106	167,485	4,027	10,693
Unsecured:				
Term loans	8,871	12,409	8,871	12,409
	226,977	179,894	12,898	23,102
Total Borrowings				
Revolving credits	30,000	20,000	14,000	15,000
Term loans	245,659	215,822	17,226	36,264
Hire purchase and finance lease liabilities (Note 22)	15,832	16,073	10,440	12,301
	291,491	251,895	41,666	63,565
Maturity of borrowings (excluding hire purchase and finance lease liabilities):				
Within one year	55,605	63,231	22,355	34,105
More than 1 year and less than 2 years	74,288	28,608	3,788	8,358
More than 2 years and less than 5 years	74,266	81,483	5,083	8,801
5 years or more	71,500	62,500	–	–
	275,659	235,822	31,226	51,264

The effective interest rates at the balance sheet date for borrowings were as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	%	**%**	**%**	**%**
Revolving credits	3.23 - 4.44	4.95 - 4.76	3.23 - 4.44	4.49 - 4.76
Term loans:				
- fixed rates	3.70 - 6.75	4.95 - 6.75	4.95-5.85	4.95 - 5.85
- floating rates	3.19 - 5.52	4.50 - 5.80	4.92	5.01

The bank borrowings are secured by registered charges over the Company's landed properties as disclosed in Note 14.

22. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Future minimum lease payments				
Not later than 1 year	9,508	9,339	6,805	6,847
Later than 1 year and not later than 2 years	5,241	6,027	3,400	4,820
Later than 2 years and not later than 5 years	1,941	1,548	750	1,332
Total future minimum lease payments	16,690	16,914	10,955	12,999
Less: Future finance charges	(858)	(841)	(515)	(698)
Present value of finance lease liabilities	15,832	16,073	10,440	12,301
Analysis of present value of finance lease liabilities:				
Not later than 1 year	8,909	8,770	6,413	6,358
Later than 1 year and not later than 2 years	5,018	5,800	3,287	4,627
Later than 2 years and not later than 5 years	1,905	1,503	740	1,316
	15,832	16,073	10,440	12,301
Less: Amount due within 12 months (Note 21)	(8,909)	(8,770)	(6,413)	(6,358)
Amount due after 12 months (Note 21)	6,923	7,303	4,027	5,943

The hire purchase bore interest at the balance sheet date of between 4.51% - 6.02% (2008: 4.51% - 6.68%) per annum.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current:				
Trade payables				
Third parties	53,287	50,599	11,655	14,384
Other payables				
Retention sums payable to contractors	3,420	1,940	3,109	1,940
Staff remuneration payable	3,310	2,817	3,310	2,817
Deposits	28	39	16	8
Land premium payable	664	–	–	–
Sundry payable and accruals	35,291	53,764	13,392	11,051
	42,713	58,560	19,827	15,816
	96,000	109,159	31,482	30,200
Non-current:				
Land premium payable	733	69	–	–
	96,733	109,228	31,482	30,200

23. TRADE AND OTHER PAYABLES (Continued)

Trade payables

The normal trade credit term granted to the Group ranges from 30 to 60 days.

Included in trade payables of the Group and the Company are amounts of RM12,899,000 (2008: RM14,391,000) and RM1,729,000 (2008: RM4,938,000) respectively due to companies in which certain Directors have substantial financial interests.

Sundry payables

Included in sundry payables of the Group and the Company are amounts of RM4,276,000 (2008: RM12,000) and RM12,000 (2008: RM10,000) respectively due to companies in which certain Directors have substantial financial interests.

24. DEFERRED TAX

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	84,409	61,457	25,595	27,116
Acquisition of subsidiaries (Note 15)	3,533	–		–
Recognised in the income statement (Note 10)	10,937	22,952	3,674	(1,521)
At 31 December	98,879	84,409	29,269	25,595
Presented after appropriate offsetting as follows:				
Deferred tax assets	(143)	–	–	–
Deferred tax liabilities	99,022	84,409	29,269	25,595
	98,879	84,409	29,269	25,595

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

	Revaluation of Leasehold Land RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 January 2009	26,768	110,401	137,169
Acquisition of subsidiaries	3,533	–	3,533
Recognised in the income statement	(278)	26,759	26,481
At 31 December 2009	30,023	137,160	167,183
At 1 January 2008	26,578	95,400	121,978
Recognised in the income statement	190	15,001	15,191
At 31 December 2008	26,768	110,401	137,169

24. DEFERRED TAX (Continued)

Deferred Tax Assets of the Group:

	Unabsorbed Losses RM'000	Unabsorbed Capital Allowances and Agriculture Allowances RM'000	Total RM'000
At 1 January 2009	(17,171)	(35,589)	(52,760)
Recognised in the income statement	81	(15,625)	(15,544)
At 31 December 2009	(17,090)	(51,214)	(68,304)
At 1 January 2008	(16,895)	(43,626)	(60,521)
Recognised in the income statement	(276)	8,037	7,761
At 31 December 2008	(17,171)	(35,589)	(52,760)

Deferred Tax Liabilities of the Company:

	Revaluation of Leasehold Land RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 January 2009	2,883	22,712	25,595
Recognised in the income statement	(44)	3,718	3,674
At 31 December 2009	2,839	26,430	29,269
At 1 January 2008	2,481	24,635	27,116
Recognised in the income statement	402	(1,923)	(1,521)
At 31 December 2008	2,883	22,712	25,595

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2009 RM'000	2008 RM'000
Unutilised tax losses	69,947	263
Unabsorbed capital allowances	30,576	394
Unabsorbed agriculture allowance	177,573	1,863
	278,096	2,520

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.

25. SHARE CAPITAL AND SHARE PREMIUM

	Number of Ordinary Shares of RM1 Each	Amount		
	Share Capital (Issued and Fully Paid) '000	Share Capital (Issued and Fully Paid) RM'000	Share Premium RM'000	Total Share Capital and Share Premium RM'000
At 1 January 2008	144,153	144,153	20,291	164,444
Ordinary shares issued during the year:				
Pursuant to exercise of ESOS	612	612	1,056	1,668
Pursuant to exercise of warrants	22,365	22,365	12,292	34,657
Right issue	46,805	46,805	65,528	112,333
Capitalised for bonus issue	213,473	213,473	(99,153)	114,320
Transfer from other reserve arising from exercise of ESOS	–	–	368	368
As at 31 December 2008 and 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 other reserve arising from exercise of ESOS	–	–	468	468
At 31 December 2009	428,526	428,526	1,046	429,572

	Number of Ordinary Shares of RM1 Each		Amount	
	2009 '000	2008 '000	2009 RM'000	2008 RM'000
Authorised share capital:				
At 1 January	5,000,000	500,000	5,000,000	500,000
Created during the year	–	4,500,000	–	4,500,000
At 31 December	5,000,000	5,000,000	5,000,000	5,000,000

During the financial year, the Company increased its issued and paid up ordinary share capital from RM427,408,000 to RM428,526,000 by way of:

(i) the issuance of 718,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM1.49 per ordinary share.

(ii) the issuance of 400,000 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 holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26. OTHER RESERVE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Share Option Reserve				
At 1 January	1,187	642	1,187	642
Share options granted under ESOS				
Recognised in profit or loss (Note 8)	1,166	913	793	642
Charged to subsidiaries		–	373	271
Transfer to Share Premium arising from exercise of ESOS	(468)	(368)	(468)	(368)
At 31 December	1,885	1,187	1,885	1,187

The 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.

27. 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 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2009, 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.

28. CAPITAL COMMITMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Capital expenditure:				
Approved and contracted for:				
Plantation development expenditure	33,797	20,140	–	–
Property, plant and equipment	25,821	41,264	12,381	35,325
	59,618	61,404	12,381	35,325
Approved but not contracted for:				
Plantation development expenditure	225,742	191,478	26	19
Property, plant and equipment	73,403	154,765	139,373	68,825
	299,145	346,243	139,399	68,844
	358,763	407,647	151,780	104,169

29. RELATED PARTY DISCLOSURES

	Company 2009 RM'000	Company 2008 RM'000
Significant transactions with subsidiaries		
Purchase of fresh fruit bunches	158,357	214,789
Purchase of timber	–	14
Purchase of goods	23,597	17,983
Sale of seedlings	(125)	(152)
Sale of compost fertilizer	(38)	(54)
Sale of bunch ash	(166)	(93)
Construction revenue	(7,345)	(4,477)
Sale of property, plant and equipment	(6,539)	(1,222)
Purchase of property, plant and equipment	1,373	432
Non-trade transaction:		
Interest recharged *	(1,651)	(2,156)
Management fees	(200)	(200)
Hiring charges for motor vehicles	–	(654)
Transport services	(282)	–
IT services	–	38
Administrative charges	494	452
Bad debts written off	–	34
Rental charges	108	30

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
a) Transactions with companies owned substantially by Directors, Datuk Ling Chiong Ho and Ling Chiong Sing				
Purchase of spare parts and consumables	22,695	31,834	9,237	9,020
Purchase of property, plant and equipment	2,529	10,926	1,552	10,705
Purchase of fresh fruit bunches	48,732	66,597	48,732	66,597
Sales of goods and services	(760)	–	–	–
Transportation charges	2,419	2,639	43	30
b) Transactions with a company owned substantially by a Director, Wong Ngie Yong				
Purchase of spare parts and consumables	742	307	53	1

The Directors are of the opinion that all the above transactions were entered into in the normal course of business and were established on terms and conditions that were not materially different from those obtainable in transactions with unrelated parties.

29. RELATED PARTY DISCLOSURES (Continued)

Included in the total key management personnel are:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration	2,420	1,636	1,464	1,482

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	
	2009 RM'000	2008 RM'000
At 1 January	4,516	1,843
Granted	119	2,716
Exercised	(129)	(43)
Forfeited	–	–
Expired	–	–
At 31 December	4,506	4,516

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 30).

30. 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.

30. EMPLOYEE BENEFITS (Continued)

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

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

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

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

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

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

	2009	2008
Fair value of share options at the following grant dates (RM):		
12 March 2009	1.88	–
12 March 2008	–	1.76
Weighted average share price (RM)	2.01	5.08
Weighted average exercise price (RM)	1.41	1.37
Expected volatility (%)	128.20	126.58
Expected life (years)	8	9
Risk free rate (%)	2.7	3.4
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	Movements during the year Granted '000	Exercised '000	Forfeited '000	Expired '000	Outstanding 31 December '000	Exercisable 31 December '000
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
2008							
2008 options	–	1,276	(3)	(151)	–	1,122	151
2007 options	5,182	6,304	(609)	(214)	–	10,663	1,653
WAEP	2.91	1.37	2.41	3.48	-	1.38	1.37

30. EMPLOYEE BENEFITS (Continued)

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

	WAEP RM	Exercised Period
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

As disclosed in Note 25, options exercised during the financial year resulted in the issuance of 718,000 ordinary shares at an average price of RM1.28 (2008: RM2.41) each. The related weighted average share price at the date of exercise was RM2.47 (2008: RM5.41).

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 December 2009. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been placed in fixed deposits which yield better returns than cash at bank.

(c) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

(d) Credit Risk

Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis through Group management reporting procedures. The Group has exposure to certain individual customers. However, this does not pose significant credit risk to the Group. The Group does not have any other major concentration of credit risk related to any financial instruments.

31. FINANCIAL INSTRUMENTS (Continued)

(e) Fair Values

The carrying amounts of financial assets and financial liabilities of the Company at the balance sheet date approximated their fair values except for the following:

	Note	Carrying Amount RM'000	Fair Value RM'000
At 31 December 2009			
Amounts due from subsidiaries	18	79,522	*
At 31 December 2008			
Amounts due from subsidiaries	18	120,927	*

* It is not practical to estimate the fair value of amounts due from subsidiaries due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flow using the current interest rates for liabilities with similar risk profiles. The current interest rates approximate the contractual interest rates.

32. SEGMENT INFORMATION

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

Location of Property Sarawak	Year of Acquired/ Revaluation	Tenure	Year of Expiry	Size Hectares	Description	Net Book Value As at 31 Dec 2009 (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	219,014	1 to 39
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	50,106	1 to 11
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	52,153	1 to 12
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	67,474	1 to 11
11. Taniku Estate, Miri	2003	Leasehold 60 years	2058	4,858	Oil Palm Estate	132,507	1 to 11
12. Sepakau Estate, Belaga	2003	Leasehold 60 years	2059	9,030	Land under Oil Palm Development		1 to 12
13. Karabungan Estate	2005	Leasehold 60 years	2058	2,023	Land under Oil Palm Development	31,303	1 to 5
14. Tatau Estate	2008	Leasehold 99 years	2103	3,840	Land under Oil Palm Development	156,432	1 to 4
15. Sebungan Estate	2006	Leasehold 99 years	2103	1,667	Land under Oil Palm Development		1 to 4
16. Lavang Estate	2006	Leasehold 99 years	2104	4,880	Land under Oil Palm Development		1 to 4
17. Tinbarap Estate	2007	Leasehold 99 years	2105	12,910	Land under Oil Palm Development	96,965	1 to 2
18. Batu Lintang, Sri Aman	2008	NCR Native Land 60 years	NA	2,000	Land under Oil Palm Development	11,316	1 to 2

Analysis Of Shareholdings

As At 30 April 2010

SHARE CAPITAL

Authorised	:	5,000,000,000 Ordinary Shares of RM1.00 each
Issued and Fully Paid	:	428,974,545
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 1,000	892	20.62	357,164	0.08
1001 – 10,000	2,674	61.84	10,685,240	2.49
10,001 – 100,000	678	15.68	190,020,700	4.43
100,001 to less than 5% of issued shares	76	1.77	120,710,297	28.15
5% and above of issued shares	4	0.09	278,201,144	64.85
TOTAL	4,324	100.00	428,974,545	100.00

Substantial Shareholders

	No. of Shares Held	% of Issued Capital
1. Shin Yang Plantation Sdn Bhd	126,294,214	29.44
2. Pelita Holdings Sdn Bhd	124,591,852	29.04
3. Datuk Ling Chiong Ho	30,993,608	7.23

Directors' Interests In Shares

	Direct Interest		Deemed Interest	
Size of Holdings	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
In the company				
Datuk Ling Chiong Ho	30,993,608	7.23	126,294,214	29.44
Ling Chiong Sing	–	–	126,294,214	29.44
Tang Tiong Ing	42,880	Negligible	132,000	Negligible
Fong Tshu Kwong	59,000	Negligible	–	–
DR. Lai Yew Hock	39,400	Negligible	–	–
Wong Ngie Yong	–	–	20,000.00	–

Thirty Largest Shareholders

	Name	No. of Shares	Shares %
1.	Pelita Holdings Sdn Bhd	124,591,852	29.04
2.	AMMB Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad For Shin Yang Plantation Sdn Bhd	103,064,478	24.03
3.	AMMB Nominees (Tempatan) Sdn Bhd Ambank (M)Berhad for Ling Chiong Ho	27,315,078	6.37
4.	Shin Yang Plantation Sdn Bhd	23,229,736	5.42
5.	Juno Shipping Limited	21,294,350	4.96
6.	Vision Classic Holdings Limited	20,080,016	4.68
7.	HSBC Nominees (Asing) Sdn Bhd Exempt An For HSBC Private Bank (Suisse) S. A.	15,756,300	3.67
8.	Sumisho & Mitsuibussan Kenzai Ltd	9,710,200	2.26
9.	Lembaga Tabung Haji	9,703,900	2.26
10.	HSBC Nominess (Asing) Sdn Bhd HSBC Trustee SG Ltd For Millionasia Properties Limited	6,878,800	1.60
11.	Pekan Megah Sdn Bhd	5,820,360	1.36
12.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd For Employees Provident Fund	5,571,340	1.30
13.	Ling Chiong Ho	3,678,530	0.86
14.	Wong Ing Yung	3,147,600	0.73
15.	HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association	1,966,000	0.46
16.	Wong Yu @ Wong Wing Yu	1,034,200	0.24
17.	Adinamaju Sdn Bhd	1,024,660	0.24
18.	HLG Nominee (Asing) Sdn Bhd UOB Kay Hian Pte Ltd For Quek Leng Chye	936,000	0.22
19.	Tay Ah Kou @ Tay Hwa Lang	600,000	0.14
20.	Law Kiong Holdings Sdn Bhd	566,400	0.13
21.	Ling Chiong Pin	559,500	0.13
22.	Yong Poh Kon, Tan Sri	517,000	0.12
23.	Kho Boon Lian	494,852	0.12
24.	Citigroup Nominees (Asing) Sdn Bhd CBHK PBGSG For Mighty Roots Ltd	468,000	0.11
25.	Inter-Pacific Equity Nominess (Asing) Sdn Bhd Kim Eng Securities Pte Ltd For Tan How Nguang	450,900	0.11
26.	HSBC Nominees (Asing) Sdn Bhd Exempt An For The Bank of New York Mellon (Mellon Acct)	439,500	0.10
27.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For CIMB-Principal Small Cap Fund	394,800	0.09
28.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	391,820	0.09
29.	Affin Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd For Juliana Hutomo	390,000	0.09
30.	Bee San Lim Sdn Bhd	377,400	0.09

Analysis Of Warrant holdings

As At 30 April 2010

Number of Warrants Issued	:	2,408,185
Exercise Price of Warrants	:	1.00

DISTRIBUTION OF WARRANT HOLDERS

Size of Warrant Holding	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Issued Warrants
Less than 1,000	392	51.92	184,015	7.64
1001 – 10,000	315	41.72	885,868	36.79
10,001 – 100,000	47	6.23	1,200,062	49.83
100,001 to less than 5% of issued	0	0.00	0	0.00
5% and above of issued shares	1	0.13	138,240	5.74
TOTAL	755	100.00	2,408,185	100.00

Substantial Warrant Holders

	No. of Shares Held	% of Issued Warrants
	–	–

Directors' Interests In Warrants

	Direct Interest		Deemed Interest	
Size of Shareholdings	No. of Shares	% of Issued Capital	No. of Shares Held	% of Issued Capital
In the company	–	–	–	–

Top Thirty Warrant holders

	NAME	No. Of Warrants	Warrants %
1	HLG Nominee (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Quek Leng Chye	138,240	5.74
2	Lembaga Tabung Haji	75,800	3.15
3	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Poh Chai	69,120	2.87
4	Ong Eng Bin	69,000	2.87
5	Daniel Koh Seng Yong	68,198	2.83
6	Affin Nominess (Asing) Sdn Bhd UOB Kay Hian Pte Ltd For Juliana Hutomo	57,600	2.39
7	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	53,568	2.22
8	Tan Lee Hwa	51,000	2.12
9	Inter-Pacific Equity Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd For Tan How Nguang	46,080	1.91
10	Wong Chong Hai	35,140	1.46
11	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chow Soong Ming	34,964	1.45
12	Hing Leong Yian Sdn Berhad	30,758	1.28
13	Ameer Ali Bin Mohamed Yusoff	30,000	1.25
14	Geoffrey Lim Fung Keong	27,268	1.13
15	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Keh Chin Ziung	25,824	1.07
16	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tang Lung Teck	25,344	1.05
17	Sia Khiok Hui	23,952	0.99
18	Tee Sew Peng	23,200	0.96
19	Associated Abrasives Sdn Bhd	22,000	0.91
20	HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Lee Kit Fui Jenny	20,736	0.86
21	Yeo Kim Lay	20,160	0.84
22	CIMB Group Nominees (Tempatan) Sdn Bhd Chiat Hin Envelope Manufacturer Sdn Bhd For Lim Chooi Ing	20,000	0.83
23	Mayban Nominees (Tempatan) Sdn Bhd Kuan Kai Heen	19,520	0.81
24	Lim Yoke Chen	19,238	0.80
25	Teo Hong Kok	18,432	0.77
26	Goh Che Wan	18,128	0.75
27	Public Nominess (Tempatan) Sdn Bhd Pledged Securities Account For Tan Poh Thye	18,000	0.75
28	Sarvananthan A/L Kanapathipillay	17,600	0.73
29	Dato' Teo Soo Cheng	17,280	0.72
30	Dynaquest Sdn. Berhad	16,934	0.70

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 42nd Annual General Meeting of the Company will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 25 June 2010 at 10.00 am for the following purposes:-

AGENDA

1. To receive and adopt the annual accounts for the year ended 31st December 2009 and the Reports of the Directors and Auditors thereon.

2. To declare a Final Dividend in respect of the financial year ended 31st December 2009 as recommended by the Directors.

3. To approve payment of Directors' fees in respect of the financial year ended 31st December 2009.

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.

   Ling Chiong Sing
   Gerald Rentap Jabu
   Fong Tshu Kwong
   Dr Lai Yew Hock, Dominic
   Wong Ngie Yong

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 2010, which are necessary for its day-to-day operations subject further to the following: -

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

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

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

      (i) the conclusion of the next Annual General Meeting ("AGM") of the Company ;

      (ii) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("Acts") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or

      (iii) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier;

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

By Order of the Board

Eric Kiu Kwong Seng
Secretary
Miri

3 June 2010

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 2010 for more information.

FORM OF PROXY

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

No of ordinary shares held

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

....
of ....
or failing him...
of ....
as *my/our proxy to vote for* me/us and on* my/our behalf at the Forty-Second Annual General Meeting of the Company to be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 25 June 2010 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:- Ling Chiong Sing Gerald Rentap Jabu Fong Tshu Kwong Dr. Lai Yew Hock, Dominic Wong Ngie Yong		
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 …………………… 2010

…………………………………………………..
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