

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007

(The figures have not been audited)

Condensed Consolidated Balance Sheet as at 30 June 2007

	Note	30 June 2007 RM'000	31 December 2006 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	506,941	472,235
Prepaid lease payments	A1	115,258	116,309
Other investments		49	49
Intangible assets		1,526	1,526
Deferred tax assets		3,759	3,759
		<u>627,533</u>	<u>593,878</u>
Current Assets			
Inventories		19,604	14,106
Trade and other receivables		19,437	21,914
Cash and bank balances		49,740	54,101
		<u>88,781</u>	<u>90,121</u>
TOTAL ASSETS		<u>716,314</u>	<u>683,999</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A6	142,452	142,452
Share premium		18,994	18,994
Other reserve		367	-
Retained earnings		215,668	185,913
		<u>377,481</u>	<u>347,359</u>
Minority interest		<u>34,356</u>	<u>31,619</u>
Total equity		<u>411,837</u>	<u>378,978</u>
Non-current liabilities			
Borrowings		186,586	150,494
Deferred tax liabilities		34,989	35,033
Other deferred liabilities		981	1,932
		<u>222,556</u>	<u>187,459</u>
Current liabilities			
Borrowings		49,228	65,364
Trade and other payables		31,985	51,490
Current tax payable		708	708
		<u>81,921</u>	<u>117,562</u>
Total liabilities		<u>304,477</u>	<u>305,021</u>
TOTAL EQUITY AND LIABILITIES		<u>716,314</u>	<u>683,999</u>
Net assets per share (RM)		2.65	2.44

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to this report)



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Income Statements For the Six-Months Period Ended 30 June 2007

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		6 months ended	
		30 June		30 June	
	Note	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Continuing Operations					
Revenue		87,971	46,478	148,846	90,259
Cost of sales		(53,505)	(35,813)	(94,275)	(71,086)
Gross profit		34,466	10,665	54,571	19,173
Other income		507	629	1,126	1,226
Administrative expenses		(808)	(96)	(1,671)	(501)
Distribution costs		(5,451)	(2,225)	(9,242)	(4,167)
Finance costs		(2,472)	(2,321)	(4,764)	(4,738)
Profit before tax and reserve on consolidation		26,242	6,652	40,020	10,993
Reserve on consolidation		-	3,605	-	3,605
Profit before tax		26,242	10,257	40,020	14,598
Taxation	B5	(4,812)	(2,493)	(7,528)	(4,777)
Profit for the period		21,430	7,764	32,492	9,821
Profit for the period attributable to:					
Equity holders of the parent		19,230	8,128	29,810	10,855
Minority interest		2,200	(364)	2,682	(1,034)
		21,430	7,764	32,492	9,821
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	13.50	5.71	20.93	7.66
Diluted	B13	12.36	5.60	19.15	7.52

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to this report)



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Statement of Changes in Equity For the Six-Months Period Ended 30 June 2007

	← Attributable to Equity Holders of the Parent →				Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Non-Distributable Share Premium RM'000	Reserve Other Reserve RM'000	Distributable Reserve Retained Profits RM'000			
At 1 January 2007	142,452	18,994	-	185,913	347,359	31,619	378,978
Net profit for the period	-	-	-	29,810	29,810	2,682	32,492
Dilution arising from transfer of shares by a subsidiary	-	-	-	(55)	(55)	55	-
Capitalisation of employees expenses provision arising from Employee Share Options Scheme	-	-	367	-	367	-	367
At 30 June 2007	<u>142,452</u>	<u>18,994</u>	<u>367</u>	<u>215,668</u>	<u>377,481</u>	<u>34,356</u>	<u>411,837</u>
At 1 January 2006	94,968	-	-	153,684	248,652	10,475	259,127
Net profit for the year	-	-	-	34,786	34,786	(964)	33,822
Issue of ordinary shares	47,484	18,994	-	66,478	-	66,478	-
Dilution arising from issuance of share by a subsidiary	-	-	-	7	7	(7)	-
Issuance of shares to Minority	-	-	-	-	-	4,000	4,000
Acquisition of a subsidiary	-	-	-	-	-	18,115	18,115
Dividends	-	-	-	(2,564)	(2,564)	-	(2,564)
At 31 December 2006	<u>142,452</u>	<u>18,994</u>	<u>-</u>	<u>185,913</u>	<u>347,359</u>	<u>31,619</u>	<u>378,978</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to this report)



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Cash Flow Statement For the Six-Months Period Ended 30 June 2007

	30 June 2007 RM'000	30 June 2006 RM'000
Net cash inflow from operating activities	36,008	10,196
Net cash outflow from investing activities	(41,174)	(38,692)
Net cash inflow from financing activities	805	20,827
Net decrease in cash and cash equivalents	(4,361)	(7,669)
Cash and cash equivalents at 1 January	54,101	62,439
Cash and cash equivalents at 30 June	49,740	54,770

Cash and cash equivalents at the end of the financial year comprised the following:

Cash and bank balances	49,740	54,770
------------------------	--------	--------

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to this report)



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Explanatory Notes To The Interim Report – 30 June 2007

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

A1. **Accounting policies**

The interim financial statements have been prepared under the historical cost convention except for the revaluation of freehold land included within property, plant and equipment.

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

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the last audited financial statements for the financial year ended 31 December 2006 except for the accounting policy changes that are expected to be reflected in the 2007 annual financial statements as follows:

(i) Adoption of FRS 117

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for leasehold land represents prepaid lease payments and amortized on a straight line basis over the lease term. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment. The unamortized carrying amount of leasehold land is classified as prepaid lease payments. Where leasehold land had previously been revalued, the unamortized revalued amount is retained as the surrogate carrying amount of prepaid lease payments in accordance with transitional provisions of FRS 117.

Effect on the Balance Sheet as at 31 December 2006

<u>Description of change</u>	<u>Increase / (decrease), RM'000</u>
Property, plant and equipment	(116,309)
Prepaid lease payments	116,309

(ii) FRS 2

Employee Share Option Scheme (ESOS), which was for the first time implemented, has been prepared in accordance with the requirements of FRS 2.

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

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

A3. **Seasonality or cyclicity of interim operations**

The Group's performance is affected by the cropping pattern which normally reaches its peak at the second half of the year, and this is reflected accordingly in the CPO production of the Group.

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

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

A5. **Material changes in estimates**

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



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Explanatory Notes To The Interim Report – 30 June 2007

A6. Issuances, Cancellations, Repurchases, Resale and Repayments of debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities except as disclosed in Note B8 (B).

A7. Dividends paid

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

A8. Segment Information

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

A9. Valuation of property, plant and equipment

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

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

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

A11. Changes in the composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiary companies and long-term investments, restructurings, and discontinued operations for the current interim period except the acquisition of 1 ordinary share in SOP Resources Sdn. Bhd. (formerly known as SOP Pelita Kedayan-Kelulut Plantation Sdn. Bhd.) thereby making SOP Resources Sdn Bhd a wholly owned subsidiary of Sarawak Oil Palms Berhad (“SOPB”).

A12. Changes in contingent liabilities and contingent assets

The amount of contingent liabilities as at 30 June 2007 is as follows:

	Company RM'000
Corporate guarantees favouring banks for loan granted to subsidiaries	89,000
Loan undrawn by subsidiaries	(21,000)
Contingent liabilities	<u>68,000</u>



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Explanatory Notes To The Interim Report – 30 June 2007

A13. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment and for plantation development expenditure not provided for in the financial statements as at 30 June 2007 is as follows:-

	30 June 2007 RM'000
Property, plant and equipment	
Authorised but not contracted for	62,478
Contracted but not provided in the financial statements	29,695
	<u>92,173</u>
Plantation Development Expenditure	
Authorised but not contracted for	52,690
Contracted but not provided in the financial statements	25,218
	<u>77,908</u>



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Explanatory Notes To The Interim Report – 30 June 2007

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

B1. Review of performance

The Group registered a total revenue of RM148.8 million for the six months ended 30 June 2007 compared with RM90.3 million reported in the preceding year corresponding period. The increase of RM58.5 million or 65% was mainly attributed to the higher sales volume and better average CPO price realised during the period.

In tandem with the increase in total revenue, the Group achieved a profit before taxation and minority interest for the six months ended 30 June 2007 of RM40.0 million, an increase of RM25.4 million when compared to RM14.6 million achieved during the corresponding period in preceding year.

B2. Materials changes in profit before taxation for the quarter as compared with the immediate preceding quarter

For the quarter under review, the Group recorded a profit before tax and minority interest of RM26.2 million compared to RM13.8 million in the preceding quarter. This is mainly due to better average CPO price realised and the increase in CPO sales volume by 19.3% during the period.

B3. Prospects for the current financial year

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

B4. Variance of actual profit from forecast profit

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

B5. Taxation

	3 months ended		6 months ended	
	30 June		30 June	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current tax expenses	3,821	2,808	6,537	5,092
Underprovision in previous year	991	-	991	-
Deferred tax	-	(315)	-	(315)
	<u>4,812</u>	<u>2,493</u>	<u>7,528</u>	<u>4,777</u>

The Group's effective tax rate is lower than the prima facie tax rate as the holding company has available capital allowance for tax purposes due to construction of oil palm mills and the availability of capital allowances and brought forward losses at subsidiary companies.

B6. Unquoted Investments and Properties

There was no sale of unquoted investments and/or properties for the current quarter and current financial period.



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Explanatory Notes To The Interim Report – 30 June 2007

B7. Quoted investments

There was no purchase or disposal of quoted securities. The investments in quoted securities as at 30 June 2007 is as follows:-

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	<u>87</u>	<u>49</u>	<u>69</u>

B8. Status of corporate proposal announced

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

(A) Joint Venture with Pelita Holdings Sdn Bhd (“PHSB”)

- (i) *SOP Resources Sdn. Bhd. (Formerly Known As SOP Pelita Kedayan-Kelulit Plantation Sdn Bhd, “SPKKPSB”)*

On 17 August 2005, the Company entered into a joint venture agreement with PHSB to develop an area under Native Customary Rights (“NCR”) of approximately 2,247 hectares (of which an estimated 1,000 hectares are plantable) described as Kedayan-Kelulit, NCR Land Development Areas, Miri Division, Sarawak into an oil palm plantation. SOP Pelita Kedayan-Kelulit Plantation Sdn Bhd was incorporated on 23 November 2005 to undertake the project.

On 6 June 2007, the Board of Directors of SOPB and PHSB had mutually agreed to rescind the above said joint venture agreement. As a result, PHSB has transferred its 1 ordinary share in SOP Pelita Kedayan-Kelulit Plantation Sdn Bhd to SOPB making it a wholly owned subsidiary of SOPB. On 28 June 2007, its name was changed to SOP Resources Sdn Bhd.

- (ii) *SOP Pelita Bekenu & Niah Plantation Sdn Bhd (“SPBNPSB”)*

On 15 December 2005, the Company entered into a joint venture agreement with PHSB to develop an area under NCR of approximately 1,250 hectares situated at Kuala Bakas, NCR Land Development Areas, Sibuti, Miri Division, Sarawak into an oil palm plantation. A joint venture company, known as SOP Pelita Bekenu & Niah Plantations Sdn Bhd was incorporated on 23 November 2005 to undertake the project. SOPB and PHSB is in the process of negotiating with the land owners in creating land bank for oil palm development.

(B) Joint Venture with Shin Yang Holding Sdn Bhd (“SYHSB”)

- (i) *Kini Sinar Sdn. Bhd. (“KSSB”)*

On 25 May 2007, the Company entered into a conditional share subscription agreement (“CSSA”) with KSSB for the proposed subscription of a total of 650,000 new shares in KSSB (“**Subscription Shares**”) in two separate tranches for a total of RM14,826,500. Presently KSSB is a wholly-owned subsidiary of SYHSB.



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Explanatory Notes To The Interim Report – 30 June 2007

B8. Status of corporate proposal announced (Continued)

(B) Joint Venture with Shin Yang Holding Sdn Bhd (“SYHSB”) (Continued)

(i) Kini Sinar Sdn. Bhd. (“KSSB”) (Continued)

The eventual shareholdings of SOPB and SYHSB upon the completion of the 2 tranches will be 650,000 Shares (65%) and 350,000 Shares (35%) respectively.

The proposed share subscription will enable SOPB to take advantage of the strategic location of the land. As the land is near to the Bintulu Port Palm Oil jetty, bulking installation and other refineries, it provides cost savings in piping and discharge lines for SOPB for its future expansion into palm oil downstream activities.

The Company is awaiting approval from the Foreign Investment Committee for the proposed share subscription.

(ii) Shin Yang Oil Palm (Niah) Sdn. Bhd. (“SYOPSB”)

On 20 July 2007, the Company entered into a conditional share subscription agreement (“CSSA”) with SYOPSB and SYHSB for the Proposed Share Subscription of 24,000,000 ordinary shares of RM1.00 each in SYOPSB for an aggregate cash consideration of RM40 million. SYOPSB is presently a wholly-owned subsidiary of SYHSB. SYOPSB intended principal activity is oil palm plantation and it is the registered owner of approximately 12,909.80 hectares of leasehold plantation land situated at Lot 1207, Block 3 Puyut Land District, Baram, Sarawak suitable for oil palm development.

The eventual shareholdings of SOPB and SYHSB in SYOPSB upon the completion of the share subscription will be 24,000,000 Shares (60%) and 16,000,000 Shares (40%) respectively.

The Company is awaiting approval from the Foreign Investment Committee and the shareholders of SOPB at an Extraordinary General Meeting (“EGM”) to be convened for the proposed share subscription .

(C) Employee Share Options Scheme (“ESOS”)

Following the approval of shareholders on 15 February 2007, the Group has implemented its employees’ share options scheme (“ESOS”) on 12 March 2007. As at 30 June 2007, 5,334,800 options have been granted at an exercise price of RM2.91 per share and none of the options granted has been exercised.

(D) Rights Issue for Ordinary Shares (Year 2007)

On 10 April 2007, the Company announced its proposal for a renounceable rights issue up to 52,558,326 new ordinary shares of RM1.00 each (“Rights Issue”) at an issue price of RM2.4 per Rights Share on the basis of three Rights Shares for every ten existing ordinary shares of RM1.00 each held.

The proceeds are to be utilized to part finance the construction of palm oil mills, palm oil development and additional working capital of the Group.

The Rights Shares shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company.

The Securities Commission has granted approval for the proposed renounceable rights issue on 23 July 2007, and it is now pending approval of the shareholders of SOPB at an EGM to be convened.



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Explanatory Notes To The Interim Report – 30 June 2007

B9. Borrowing and debt securities

	30 June 2007 RM'000
Current	
Secured	32,394
Unsecured	16,834
Non-current	
Secured	185,283
Unsecured	1,303
	235,814

The above borrowings are denominated in Ringgit Malaysia.

B10. Off balance sheet financial instruments

During the financial period, the Group did not enter into any contract involving off balance sheet financial instruments.

B11. Changes in material litigation

There are no material litigation which need to be disclosed for the quarter under review.

B12. Dividends

No interim ordinary dividend has been declared for the financial period ended 30 June 2007 (30 June 2006 – nil).

B13. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the quarter is based on the profit attributable to equity holders of the parent of RM29.8 million and on the weighted average number of ordinary shares of RM1 each in issue during the year of 142,452,360.

	3 months ended		6 months ended	
	30.6.2007 RM'000	30.6.2006 RM'000	30.6.2007 RM'000	30.6.2006 RM'000
Profit attributable to ordinary equity holders of the parent	19,230	8,128	29,810	10,855
	3 months ended		6 months ended	
	30.6.2007 '000	30.6.2006 '000	30.6.2007 '000	30.6.2006 '000
Weighted average number of Ordinary shares in issue	142,452	142,452	142,452	141,708
	3 months ended		6 months ended	
	30.6.2007 Sen	30.6.2006 Sen	30.6.2007 Sen	30.6.2006 Sen
Basic earnings per share	13.50	5.71	20.93	7.66



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Explanatory Notes To The Interim Report – 30 June 2007

B13. Earnings per share (Continued)

Diluted earnings per share

The diluted earnings per share for the quarter is based on the profit attributable to equity holders of the parent of RM29.8 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 155,849,409.

	3 months ended		6 months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	19,230	8,128	29,810	10,855
	3 months ended		6 months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	155,649	144,316	155,649	144,316
	3 months ended		6 months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	Sen	Sen	Sen	Sen
Diluted earnings per share	12.36	5.60	19.15	7.52

B14. Authorized for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 10 August 2007.

By Order of the Board
Eric Kiu Kwong Seng
Company Secretary
Miri
16 August 2007

