

# SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

## INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

(The figures have not been audited)

### Condensed Consolidated Balance Sheet as at 30 September 2007

	Note	30 September 2007 RM'000	31 December 2006 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	A1	531,368	472,235
Prepaid lease payments	A1	114,732	116,309
Other investments		49	49
Intangible assets		1,526	1,526
Deferred tax assets		2,176	3,759
		<u>649,851</u>	<u>593,878</u>
<b>Current Assets</b>			
Inventories		27,225	14,106
Trade and other receivables		23,257	21,914
Cash and bank balances		59,741	54,101
		<u>110,223</u>	<u>90,121</u>
<b>TOTAL ASSETS</b>		<u>760,074</u>	<u>683,999</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	A6	143,921	142,452
Share premium		19,993	18,994
Other reserve		551	-
Retained earnings		246,245	185,913
		<u>410,710</u>	<u>347,359</u>
<b>Minority interest</b>		36,683	31,619
<b>Total equity</b>		<u>447,393</u>	<u>378,978</u>
<b>Non-current liabilities</b>			
Borrowings		189,969	150,494
Deferred tax liabilities		43,238	35,033
Other deferred liabilities		981	1,932
		<u>234,188</u>	<u>187,459</u>
<b>Current liabilities</b>			
Borrowings		40,566	65,364
Trade and other payables		37,219	51,490
Current tax payable		708	708
		<u>78,493</u>	<u>117,562</u>
<b>Total liabilities</b>		<u>312,681</u>	<u>305,021</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>760,074</u>	<u>683,999</u>
Net assets per share (RM)		2.85	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 Nine-Months Period Ended 30 September 2007

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		9 months ended	
		30 September		30 September	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>					
Revenue		122,861	62,325	271,707	152,584
Cost of sales		(65,778)	(44,730)	(160,053)	(115,816)
Gross profit		57,083	17,595	111,654	36,768
Other income		947	914	2,073	2,140
Administrative expenses		(673)	(359)	(2,344)	(860)
Distribution costs		(7,346)	(3,559)	(16,588)	(7,726)
Finance costs		(2,303)	(2,648)	(7,067)	(7,386)
<b>Profit before tax</b>		<b>47,708</b>	<b>11,943</b>	<b>87,728</b>	<b>22,936</b>
Reserve on consolidation		-	-	-	3,605
<b>Profit before tax</b>		<b>47,708</b>	<b>11,943</b>	<b>87,728</b>	<b>26,541</b>
Taxation	B5	(9,605)	(1,528)	(17,133)	(6,305)
<b>Profit for the period</b>		<b>38,103</b>	<b>10,415</b>	<b>70,595</b>	<b>20,236</b>
Profit for the period attributable to:					
Equity holders of the parent		35,776	10,644	65,586	21,499
Minority interest		2,327	(229)	5,009	(1,263)
		<u>38,103</u>	<u>10,415</u>	<u>70,595</u>	<u>20,236</u>
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	<u>24.99</u>	<u>7.47</u>	<u>45.96</u>	<u>15.14</u>
Diluted	B13	<u>22.69</u>	<u>7.25</u>	<u>41.72</u>	<u>14.65</u>

(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 Nine-Months Period Ended 30 September 2007

	← Attributable to Equity Holders of the Parent →			Distributable Reserve Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Non-Distributable Reserve Share Premium RM'000	Other Reserve RM'000				
At 1 January 2007	142,452	18,994	-	185,913	347,359	31,619	378,978
Net profit for the period	-	-	-	65,586	65,586	5,009	70,595
Dividends	-	-	-	(5,199)	(5,199)	-	(5,199)
Dilution arising from transfer of shares by a subsidiary	-	-	-	(55)	(55)	55	-
Issue of ordinary shares:							
Pursuant to ESOS	12	23	-	-	35	-	35
Warrant conversion	1,457	976	-	-	2,433	-	2,433
Capitalisation of employees expenses provision arising from Employee Share Options Scheme	-	-	551	-	551	-	551
At 30 September 2007	<u>143,921</u>	<u>19,993</u>	<u>551</u>	<u>246,245</u>	<u>410,710</u>	<u>36,683</u>	<u>447,393</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 conjunctions 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 Nine-Months Period Ended 30 September 2007

	30 September 2007 RM'000	30 September 2006 RM'000
<b>Net cash inflow/(outflow) from operating activities</b>	87,888	23,375
<b>Net cash outflow from investing activities</b>	(71,245)	(59,315)
<b>Net cash (outflow)/inflow from financing activities</b>	(13,013)	23,210
Net increase/(decrease) in cash and cash equivalents	3,630	(12,730)
<b>Cash and cash equivalents at 1 January</b>	54,101	62,439
<b>Cash and cash equivalents at 30 September</b>	57,731	49,709

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

Cash and bank balances	59,741	51,092
Bank overdrafts (included within short-term borrowings in Note B9)	(2,010)	(1,383)
	57,731	49,709

(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 September 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 leasehold land.

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

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

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 amount of leasehold land 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: Share-based Payment

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 qualifications in the audit report on the preceding annual financial statements.

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

The Group's performance is subjected to the cropping pattern which normally reaches its peak at the second half of the year, 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

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## Explanatory Notes To The Interim Report – 30 September 2007

### A6. Debt and Equity Securities

There were no issuance, cancellations, repurchases resale or repayment of debt and equity securities except for the following:-

#### (i) Employees' Share Options Scheme ("ESOS")

On 16 November 2006, the Company announced a proposal to implement an employees' share options scheme ("ESOS"). The 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. Subsequent to implementation, 5,334,800 options have been granted at an exercise price of RM2.91 per share. As at 30 September 2007, a total of 12,000 employees' share options were exercised and were granted listing and quotation.

#### (ii) Warrants (Year 2005)

As at 30 September 2007, a total of 1,457,275 warrants in relation to the 23,742,060 free detachable warrants attached to the Rights Issue for Ordinary Shares (Year 2005) were exercised and were granted listing and quotation.

### A7. Dividends paid

A first and final dividend of 5.0% less 27% taxation on 142,452,360 ordinary shares in respect of the financial year ended 31 December 2006 amounting to RM5,199,511 was declared on 28 April 2007 and paid on 16 July 2007.

### 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 on 26 September 2007, SOP System Sdn Bhd was incorporated with an authorised capital of RM100,000 divided into 100,000 ordinary shares each. It has a paid up capital of RM2 and is a wholly owned subsidiary of SOPB.



# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 30 September 2007

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

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

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

### A13. Capital Commitments

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

	<b>30 September 2007 RM'000</b>
Property, plant and equipment	
Authorised but not contracted for	53,771
Contracted but not provided in the financial statements	21,848
	<u>75,619</u>
Plantation Development Expenditure	
Authorised but not contracted for	29,143
Contracted but not provided in the financial statements	36,103
	<u>65,246</u>



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## Explanatory Notes To The Interim Report – 30 September 2007

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

#### **B1. Review of performance**

The Group registered a total revenue of RM271.7 million for the nine months ended 30 September 2007 compared with RM152.6 million reported in the preceding year corresponding period. The increase of RM119.1 million or 78% 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 nine months ended 30 September 2007 of RM87.7 million, an increase of RM61.2 million when compared to RM26.5 million achieved during the corresponding period in preceding year.

#### **B2. Material 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 RM47.7 million compared to RM26.2 million in the preceding quarter. This is mainly due to the higher sales volume and better average CPO price realised during the quarter.

#### **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, fossil oil 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 30 September		9 months ended 30 September	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current tax expenses	(181)	49	6,356	5,141
Under/(Over) provision in previous year	(3)	-	988	-
Deferred tax	9,789	1,479	9,789	1,164
	<u>9,605</u>	<u>1,528</u>	<u>17,133</u>	<u>6,305</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 palm oil 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 year.





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## Explanatory Notes To The Interim Report – 30 September 2007

### B7. Quoted investments

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

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	87	49	71

### 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 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 Plantation Sdn Bhd was incorporated on 23 November 2005 to undertake the project. SOPB and PHSB are 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.

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 Foreign Investment Committee has via its letter dated 15th August 2007 approved the proposed share subscription subject to KSSB increasing its Bumiputera shareholding to at least 30% before 31 December 2009. It is now pending SYHSB to fulfil the conditions of the agreement including the establishment of basic infrastructure of the land.



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## Explanatory Notes To The Interim Report – 30 September 2007

### B8. Status of corporate proposal announced (Continued)

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

##### (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’s 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, 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 Foreign Investment Committee has via its letter dated 15th August 2007 approved the proposed share subscription subject to SYOPSB increasing its Bumiputera shareholding to at least 30% before 31 December 2009. It is now pending approval of the shareholders of SOPB at an EGM to be convened on 28 November 2007.

#### (C) 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 RM2.40 per Rights Share on the basis of three Rights Shares for every ten existing Ordinary Shares of RM1.00 each held.

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 on 28 November 2007.

### B9. Borrowing and debt securities

	<b>30 September 2007</b>
	<b>RM’000</b>
Current	
Secured	26,150
Unsecured	14,416
Non-current	
Secured	189,136
Unsecured	833
<b>Total</b>	<b>230,535</b>

The above borrowings are denominated in Ringgit Malaysia.

### B10. Off balance sheet financial instruments

During the financial year, 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.



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## Explanatory Notes To The Interim Report – 30 September 2007

### B12. Dividends

No interim ordinary dividend has been declared for the financial period ended 30 September 2007 (30 September 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 RM35.8 million and on the weighted average number of ordinary shares of RM1 each in issue during the year of 143,187,458.

	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	35,776	10,644	65,587	21,499
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	143,187	142,452	142,700	141,960
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	Sen	Sen	Sen	Sen
Basic earning per share	24.99	7.47	45.96	15.14

#### *Diluted earnings per share*

The diluted earning per share for the quarter is based on the profit attributable to equity holders of the parent of RM35.8 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 157,684,362.

	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	35,776	10,644	65,586	21,499
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	157,684	146,740	157,197	146,740
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	Sen	Sen	Sen	Sen
Diluted earning per share	22.69	7.25	41.72	14.65



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## Explanatory Notes To The Interim Report – 30 September 2007

### **B14. Authorised for Issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 28<sup>th</sup> November 2007.

*By Order of the Board*  
Eric Kiu Kwong Seng  
Company Secretary  
Miri  
28<sup>th</sup> November 2007

