

# SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

## INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2007

(The figures have been audited)

### Condensed Consolidated Balance Sheet as at 31 December 2007

	Note	31 December 2007 RM'000	31 December 2006 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	A1	537,130	453,056
Prepaid lease payments	A1	186,428	135,488
Other investments		45	49
Intangible assets		1,526	1,526
Deferred tax assets		-	3,759
		<u>725,129</u>	<u>593,878</u>
<b>Current Assets</b>			
Inventories		28,963	14,106
Trade and other receivables		56,337	21,914
Cash and bank balances		91,917	54,101
		<u>177,217</u>	<u>90,121</u>
<b>TOTAL ASSETS</b>		<u>902,346</u>	<u>683,999</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	A6	144,153	142,452
Share premium		20,291	18,994
Other reserve		642	-
Retained earnings		289,943	185,913
		<u>455,029</u>	<u>347,359</u>
<b>Minority interest</b>		68,623	31,619
<b>Total equity</b>		<u>523,652</u>	<u>378,978</u>
<b>Non-current liabilities</b>			
Borrowings		155,383	150,494
Deferred tax liabilities		61,457	35,033
Other deferred liabilities		69	1,932
		<u>216,909</u>	<u>187,459</u>
<b>Current liabilities</b>			
Borrowings		70,322	65,364
Trade and other payables		90,747	51,490
Current tax payable		716	708
		<u>161,785</u>	<u>117,562</u>
<b>Total liabilities</b>		<u>378,694</u>	<u>305,021</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>902,346</u>	<u>683,999</u>
Net assets per share (RM)		3.16	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 Twelve-Months Period Ended 31 December 2007

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		12 months ended	
		31 December		31 December	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>					
Revenue		167,775	68,898	439,482	221,482
Cost of sales		(96,152)	(50,162)	(256,205)	(165,458)
Gross profit		71,623	18,736	183,277	56,204
Other income		1,187	570	3,260	2,708
Administrative expenses		(781)	(376)	(3,125)	(1,184)
Distribution costs		(9,525)	(4,388)	(26,113)	(12,114)
Finance costs		(2,453)	(1,994)	(9,520)	(9,518)
Profit before tax and reserve on consolidation		60,051	12,548	147,779	35,916
Reserve on consolidation		3,591	-	3,591	3,642
<b>Profit before tax</b>		63,642	12,548	151,370	39,558
Taxation	B5	(17,065)	698	(34,198)	(5,736)
<b>Profit for the period/year</b>		46,577	13,246	117,172	33,822
Profit for the period/year attributable to:					
Equity holders of the parent		43,699	12,977	109,285	34,786
Minority interest		2,878	269	7,887	(964)
		46,577	13,246	117,172	33,822
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	30.66	9.11	76.41	24.48
Diluted	B13	27.22	8.49	67.87	22.82

(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 Twelve-Months Period Ended 31 December 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 Reserve Share Premium RM'000	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	-	-	-	109,285	109,285	7,887	117,172
Issue of ordinary shares:							
Pursuant to ESOS	53	101	-	-	154	-	154
Warrant conversion	1,648	1,104	-	-	2,752	-	2,752
Dilution arising from transfer of shares by a subsidiary	-	-	-	(55)	(55)	55	-
Acquisition of a subsidiary	-	-	-	-	-	29,062	29,062
Dividends	-	-	-	(5,200)	(5,200)	-	(5,200)
Capitalisation of employees expenses provision arising from Employee Share Options Scheme	-	-	734	-	734	-	734
Exercise of ESOS	-	92	(92)	-	-	-	-
<b>At 31 December 2007</b>	<b>144,153</b>	<b>20,291</b>	<b>642</b>	<b>289,943</b>	<b>455,029</b>	<b>68,623</b>	<b>523,652</b>
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)
<b>At 31 December 2006</b>	<b>142,452</b>	<b>18,994</b>	<b>-</b>	<b>185,913</b>	<b>347,359</b>	<b>31,619</b>	<b>378,978</b>

(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 Twelve-Months Period Ended 31 December 2007

	31 December 2007 RM'000	31 December 2006 RM'000
<b>Net cash inflow from operating activities</b>	146,030	41,418
<b>Net cash outflow from investing activities</b>	(101,078)	(85,995)
<b>Net cash (outflow)/inflow from financing activities</b>	(7,136)	36,239
Net increase/(decrease) in cash and cash equivalents	37,816	(8,338)
<b>Cash and cash equivalents at 1 January</b>	54,101	62,439
<b>Cash and cash equivalents at 31 December</b>	91,917	54,101

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

Wholesale money market deposits	9,600	10,900
Fixed deposits with licensed banks	39,560	39,050
Cash on hand and at bank	42,757	4,151
<b>Cash and bank balances</b>	<b>91,917</b>	<b>54,101</b>

(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

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## Explanatory Notes To The Interim Report – 31 December 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 – 31 December 2007

### A6. Debt and Equity Securities

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

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

As at 31 December 2007, a total of 5,334,800 ESOS options have been granted at an exercise price of RM2.91 per share. Total of ESOS options exercised as at 31 December 2007 were 52,900 shares and were granted listing and quotation.

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

As at 31 December 2007, a total of 1,647,550 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 28 November 2007, SOPB has subscribed 60% shareholding in SOP Plantations (Beluru) Sdn Bhd (formerly known as Shin Yang Oil Palm (Niah) Sdn Bhd ) which has an authorized share capital of RM50 million divided into 50 million ordinary shares.



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## Explanatory Notes To The Interim Report – 31 December 2007

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

The amount of contingent liabilities of RM68 million being corporate guarantee for subsidiaries, to secure bank facilities, has been cancelled as at 31 December 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 31 December 2007 is as follows:-

	<b>31 December 2007</b>
	<b>RM'000</b>
Property, plant and equipment	
Authorised but not contracted for	81,532
Contracted but not provided in the financial statements	28,090
	<u>109,622</u>
Plantation Development Expenditure	
Authorised but not contracted for	151,397
Contracted but not provided in the financial statements	29,330
	<u>180,727</u>



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## Explanatory Notes To The Interim Report – 31 December 2007

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

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

The Group registered a total revenue of RM439.5 million for year ended 31 December 2007 compared with RM221.5 million reported in the preceding year. The increase of RM218.0 million or 98% was mainly attributed to the higher sales volume and average CPO and PK price realised during the year.

In tandem with the increase in total revenue, the Group achieved a profit before taxation and reserve on consolidation for the year ended 31 December 2007 of RM147.8 million, an increase of RM111.9 million over the RM35.9 million achieved for last 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 RM63.6 million compared to RM47.7 million in the preceding quarter. This is mainly due to the higher sales volume and 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 31 December		12 months ended 31 December	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current tax expenses	7,207	(1,149)	13,563	3,992
Under/(Over)provision in prior years	1,551	(840)	2,539	(840)
Deferred tax	8,307	1,420	18,096	2,584
	<u>17,065</u>	<u>(569)</u>	<u>34,198</u>	<u>5,736</u>

The Group's effective tax rate is lower than the prima facie tax rate as the holding company has available reinvestment allowance due to the 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 – 31 December 2007

### B7. Quoted investments

There was no purchase or disposal of quoted securities except reduction in shares in UBG Berhad through its share capital consolidation and bonus issue in October 2007. The total investments in quoted securities as at 31 December 2007 is as follows

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	67	45	54

### 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 SPBNPSB 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.

Approval has been obtained from the Foreign Investment Committee (FIC) vide its letter dated 15 August 2007 and 8 January 2008. It is now pending SYHSB to fulfil the conditions of the agreement including the establishment of basic infrastructure of the land.



# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 31 December 2007

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

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

##### (ii) *SOP Plantations (Beluru) Sdn. Bhd. (formerly known as Shin Yang Oil Palm (Niah) Sdn. Bhd.) (“SPBSB”)*

On 20 July 2007, the Company entered into a conditional share subscription agreement (“CSSA”) with SPBSB and SYHSB for the Proposed Share Subscription of 24,000,000 ordinary shares of RM1.00 each in SPBSB for an aggregate cash consideration of RM40 million. SYOPSB is presently a wholly-owned subsidiary of SYHSB. SPBSB’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 SPBSB upon the completion of the share subscription will be 24,000,000 Shares (60%) and 16,000,000 Shares (40%) respectively.

The Company has obtained approval from Foreign Investment Committee (FIC) vide its letter dated 15 August 2007 and 13 December 2007 and its members on 28 November 2007 at the EGM. This transaction was completed on 28 December 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 the shareholders of SOPB has also approved unanimously at an EGM convened on 28 November 2007. The rights shares will be listed as from 7 April 2008.

### B9. Borrowing and debt securities

	31 December 2007 RM’000	31 December 2006 RM’000
Current		
Secured	55,489	46,006
Unsecured	14,833	19,358
Non-current		
Secured	155,383	149,661
Unsecured	-	833
Total	225,705	215,858

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.



# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 31 December 2007

### B12. Dividends

On 29 February 2008, the Board of Directors proposed a first and final dividend of 6% less 26% taxation for the financial year ended 31 December 2007. This proposal will be tabled at forthcoming Annual General Meeting for shareholders' approval.

### 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 RM43.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the year of 142,534,899.

	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	43,699	12,977	109,285	34,786
	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	142,535	142,452	143,029	142,083
	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	Sen	Sen	Sen	Sen
Basic earning per share	30.66	9.11	76.41	24.48



# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 31 December 2007

### B13. Earnings per share (Continued)

#### *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 RM43.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 160,534,420.

	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	43,699	12,977	109,285	34,786
	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	160,534	152,889	161,028	152,434
	3 months ended		12 months ended	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	Sen	Sen	Sen	Sen
Diluted earning per share	27.22	8.49	67.87	22.82

### 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 29<sup>th</sup> February 2008.

*By Order of the Board*  
Eric Kiu Kwong Seng  
Company Secretary  
Miri  
29<sup>th</sup> February 2008

