

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

(The figures have not been audited)

Condensed Consolidated Balance Sheet as at 30 June 2008

	Note	30 June 2008 RM'000	31 December 2007 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	582,095	537,130
Prepaid lease payments	A1	180,603	186,428
Other investments		45	45
Intangible assets		1,526	1,526
		<u>764,269</u>	<u>725,129</u>
Current Assets			
Inventories		50,061	28,963
Trade and other receivables		36,253	56,337
Cash and bank balances		274,327	91,917
		<u>360,641</u>	<u>177,217</u>
TOTAL ASSETS		<u>1,124,910</u>	<u>902,346</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A6	203,659	144,153
Share premium		94,584	20,291
Other reserve		1,009	642
Retained earnings		377,054	289,943
		<u>676,306</u>	<u>455,029</u>
Minority interest		<u>77,024</u>	<u>68,623</u>
Total equity		<u>753,330</u>	<u>523,652</u>
Non-current liabilities			
Borrowings		212,352	155,383
Deferred tax liabilities		75,787	61,457
Other deferred liabilities		69	69
		<u>288,208</u>	<u>216,909</u>
Current liabilities			
Borrowings		30,992	70,322
Trade and other payables		48,340	90,747
Current tax payable		4,040	716
		<u>83,372</u>	<u>161,785</u>
Total liabilities		<u>371,580</u>	<u>378,694</u>
TOTAL EQUITY AND LIABILITIES		<u>1,124,910</u>	<u>902,346</u>
Net assets per share (RM)		3.32	3.16

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2007 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 2008

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		6 months ended	
		30 June		30 June	
	Note	2008	2007	2008	2007
		RM'000	RM'000	RM'000	RM'000
Continuing Operations					
Revenue		188,128	87,971	354,093	148,846
Cost of sales		(109,816)	(53,505)	(202,058)	(94,275)
Gross profit		78,312	34,466	152,035	54,571
Other income		1,966	507	3,650	1,126
Administrative expenses		(960)	(808)	(1,698)	(1,671)
Distribution costs		(10,793)	(5,451)	(20,252)	(9,242)
Finance costs		(2,002)	(2,472)	(3,915)	(4,764)
Profit before tax		66,523	26,242	129,820	40,020
Taxation	B5	(17,471)	(4,812)	(33,708)	(7,528)
Profit for the period		49,052	21,430	96,112	32,492
Profit for the period attributable to:					
Equity holders of the parent		44,151	19,230	87,711	29,810
Minority interest		4,901	2,200	8,401	2,682
		49,052	21,430	96,112	32,492
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	23.45	13.50	49.66	20.93
Diluted	B13	22.10	12.36	46.77	19.15

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to this report)



SARAWAK OIL PALMS BERHAD

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Condensed Consolidated Statement of Changes in Equity For the Six-Months Period Ended 30 June 2008

	← Attributable to Equity Holders of the Parent →				Total	Minority Interest	Total Equity
	Share Capital	Non-Distributable Reserve	Share Premium	Other Reserve			
	RM'000	RM'000	RM'000	Retained Profits	RM'000	RM'000	RM'000
At 1 January 2008	144,153	20,291	642	289,943	455,029	68,623	523,652
Net profit for the period	-	-	-	87,711	87,711	8,401	96,112
Issue of ordinary shares:							
Pursuant to ESOS	409	630	367	-	1,406	-	1,406
Warrant conversion	12,292	8,135	-	-	20,427	-	20,427
Rights issue	46,805	65,528	-	-	112,333	-	112,333
Dividends				(600)	(600)		(600)
At 30 June 2008	<u>203,659</u>	<u>94,584</u>	<u>1,009</u>	<u>377,054</u>	<u>676,306</u>	<u>77,024</u>	<u>753,330</u>
At 1 January 2007	142,452	18,994	-	185,913	347,359	31,619	378,978
Net profit for the year	-	-	-	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 issuance of share by a subsidiary	-	-	-	(55)	(55)	55	-
Issuance of shares to Minority	-	-	-	-	-	29,062	29,062
Acquisition of a subsidiary	-	-	-	-	-	-	-
Dividends				(5,200)	(5,200)		(5,200)
Capitalisation of employees expenses provision arising from ESOS			734		734		734
Exercise of ESOS	-	92	(92)	-	-	-	-
At 31 December 2007	<u>144,153</u>	<u>20,291</u>	<u>642</u>	<u>289,943</u>	<u>455,029</u>	<u>68,623</u>	<u>523,652</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 2007 and the accompanying explanatory notes attached to this report)



SARAWAK OIL PALMS BERHAD

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Condensed Consolidated Cash Flow Statement For the Six-Months Period Ended 30 June 2008

	Note	30 June 2008 RM'000	30 June 2007 RM'000
Net cash inflow from operating activities		90,889	36,008
Net cash outflow from investing activities		(41,381)	(41,174)
Net cash inflow from financing activities	A4	132,902	805
Net increase/(decrease) in cash and cash equivalents		182,410	(4,361)
Cash and cash equivalents at 1 January		91,917	54,101
Cash and cash equivalents at 31 December		274,327	49,740

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

Wholesale money market deposits	36,350	14,880
Fixed deposits with licensed banks	222,069	26,750
Cash on hand and at bank	15,908	8,110
Cash and bank balances	274,327	49,740

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to this report)



SARAWAK OIL PALMS BERHAD

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Explanatory Notes To The Interim Report – 30 June 2008

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 2007.

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 except cash inflow from the financing activities of RM112.33 million from the rights issue exercise mentioned in Note A6(i) and B8(C).

A5. **Material changes in estimates**

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

A6. **Debt and Equity Securities**

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

(i) Rights Issue

During the period under review, a total of 46,805,376 Rights Shares were issued and listed as from 7 April 2008.

(ii) Employees' Share Options Scheme (“ESOS”)

As at 30 June 2008, a total of 7,005,350 ESOS options have been granted. Total of ESOS options exercised as at 30 June 2008 were 469,350 shares and were granted listing and quotation.

(iii) Warrants (Year 2005)

As at 30 June 2008, a total of 13,939,472 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**

The Company have declared a first and final dividend of 6% less 26% taxation for the financial year ended 31 December 2007. The dividend was paid on 22 July 2008.



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Explanatory Notes To The Interim Report – 30 June 2008

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.

A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities and contingent assets as at 30 June 2008.

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 2008 is as follows:-

	30 June 2008 RM'000
Property, plant and equipment	
Authorised but not contracted for	73,577
Contracted but not provided in the financial statements	49,884
	<u>123,461</u>
Plantation Development Expenditure	
Authorised but not contracted for	93,208
Contracted but not provided in the financial statements	15,718
	<u>108,926</u>



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

B1. Review of performance

The Group registered a total revenue of RM354.1 million for period ended 30 June 2008 compared with RM148.8 million reported in corresponding period for the preceding year. The increase of RM205.3 million or 138% was mainly attributed to the higher sales volume and average CPO and PK price realized during the period.

In tandem with the increase in total revenue, the Group achieved a profit before taxation for the period ended 30 June 2008 of RM129.8 million, an increase of RM89.8 million over the RM40.0 million achieved in the corresponding period 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 RM66.5 million compared to RM63.3 million in the preceding quarter. This is due to the increase in CPO and PK production in the current quarter as compared to the preceding quarter. The higher average CPO and PK prices realized during the current quarter resulted in the increase of RM3.2 million in profit before taxation and minority interest.

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 June		6 months ended 30 June	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax expenses	9,274	3,821	19,158	6,537
Under/(Over) provision in prior years	(655)	991	219	991
Deferred tax	8,852	-	14,331	-
	<u>17,471</u>	<u>4,812</u>	<u>33,708</u>	<u>7,528</u>

The Group's effective tax rate is in line with the prevailing corporate tax rate of 26%.

B6. Unquoted Investments and Properties

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

B7. Quoted investments

There was no purchase or disposal of quoted securities. The total investments in quoted securities as at 30 June 2008 is as follows :

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	<u>67</u>	<u>45</u>	<u>61</u>



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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 fulfill the conditions of the agreement including the establishment of basic infrastructure of the land.

(C) Status of Utilisation of Proceeds from Rights Issue (Year 2008)

As at 7 August 2008, the status of the utilization of the rights issue of 46,805,376 is as follows:-

<i>Purposes</i>	<i>Approved Amount (RM'000)</i>	<i>Applied Amount (RM'000)</i>
(a) Construction of palm oil mills	20,000	3,809
(b) New area under development	50,000	25,500
(c) Downstream activities	25,000	-
(d) Working capital	16,783	16,584
(e) Expenses for the exercise	550	138
TOTAL	112,333	46,031



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B8. Status of corporate proposal announced

(D) Bonus Issue (Year 2008)

At the EGM convened on 12 August 2008, the shareholders has approved bonus issue of up to 226,825,776 new shares to be credited as fully paid-up by means of capitalisation of the company's share premium reserve and retained earnings accounts on the basis of one(1) new share for every one(1) existing share.

(E) Increase In Authorised Share Capital

At the EGM convened on 12 August 2008, the shareholders has approved the increase in authorised share capital from 500,000,000 shares of RM1.00 each to 5,000,000,000 shares of RM1.00 each by creation of an additional 4,500,000,000 new shares each ranking pari passu in all respects with the existing shares.

B9. Borrowing and debt securities

	30 June 2008 RM'000
Current	
Secured	23,992
Unsecured	7,000
Non-current	
Secured	197,352
Unsecured	15,000
Total	243,344

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 is no material litigation which need to be disclosed for the period under review.

B12. Dividends

No interim dividend has been declared for the financial period ended 30 June 2008 (30 June 2007: Nil).



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Explanatory Notes To The Interim Report – 30 June 2008

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 RM44.2 million and on the weighted average number of ordinary shares of RM1 each in issue during the year of 176,628,409.

	3 months ended		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	44,151	19,230	87,711	29,810
	3 months ended		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	188,289	142,452	176,628	142,452
	3 months ended		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	Sen	Sen	Sen	Sen
Basic earning per share	23.45	13.50	49.66	20.93

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 RM44.2 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 187,539,581.

	3 months ended		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	44,151	19,230	87,711	29,810
	3 months ended		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	199,755	155,649	187,540	155,649
	3 months ended		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	Sen	Sen	Sen	Sen
Diluted earning per share	22.10	12.36	46.77	19.15



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Explanatory Notes To The Interim Report – 30 June 2008

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 12th August 2008.

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

13th August 2008

