

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 June 2009

(The figures have not been audited)

Condensed Consolidated Balance Sheet as at 30 June 2009

	Note	30 June 2009 RM'000	31 December 2008 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	730,081	681,471
Prepaid lease payments	A1	183,239	183,782
Other investments		45	45
Intangible assets		1,526	1,526
		<u>914,891</u>	<u>866,824</u>
Current Assets			
Inventories		33,057	66,432
Trade and other receivables		26,965	51,320
Cash and bank balances		316,430	279,132
		<u>376,452</u>	<u>396,884</u>
TOTAL ASSETS		<u>1,291,343</u>	<u>1,263,708</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A6	428,020	427,408
Share premium		452	382
Other reserve		1,638	1,187
Retained earnings		338,004	307,144
		<u>768,114</u>	<u>736,121</u>
Minority interest		<u>83,763</u>	<u>81,346</u>
Total equity		<u>851,877</u>	<u>817,467</u>
Non-current liabilities			
Borrowings		244,057	179,894
Deferred tax liabilities		85,000	84,409
Other deferred liabilities		69	69
		<u>329,126</u>	<u>264,372</u>
Current liabilities			
Borrowings		53,743	72,001
Trade and other payables		55,882	109,159
Current tax payable		715	709
		<u>110,340</u>	<u>181,869</u>
Total liabilities		<u>439,866</u>	<u>446,241</u>
TOTAL EQUITY AND LIABILITIES		<u>1,291,343</u>	<u>1,263,708</u>
Net assets per share (RM)		1.79	1.72

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2008 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 2009

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		6 months ended	
		30 June		30 June	
	Note	2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
Continuing Operations					
Revenue		157,786	188,128	259,375	354,093
Sarawak sales tax		(6,960)	(8,893)	(11,086)	(16,694)
Windfall profit levy/stabilization scheme cess		-	(5,209)	-	(11,588)
Cost of sales		(103,372)	(105,115)	(187,422)	(190,470)
Gross profit		47,454	69,419	60,867	135,341
Other income		2,966	1,966	3,348	3,650
Administrative expenses		(1,896)	(960)	(2,489)	(1,698)
Distribution costs		(2,382)	(1,900)	(4,388)	(3,558)
Finance costs		(1,567)	(2,002)	(3,403)	(3,915)
Profit before tax		44,575	66,523	53,935	129,820
Taxation	B5	(7,394)	(17,471)	(10,146)	(33,708)
Profit for the period		37,181	49,052	43,789	96,112
Profit for the period attributable to:					
Equity holders of the parent		34,750	44,151	41,372	87,711
Minority interest		2,431	4,901	2,417	8,401
		37,181	49,052	43,789	96,112
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	9.10	23.45	10.83	49.66
Diluted	B13	8.94	22.10	10.64	46.77

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2008 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 2009

	← 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 2009	427,408	382	1,187	307,144	736,121	81,346	817,467
Net profit for the period	-	-	-	41,372	41,372	2,417	43,789
Dividends				(10,512)	(10,512)	-	(10,512)
Issue of ordinary shares:							
Pursuant to ESOS	279	70	-	-	349	-	349
Warrant conversion	333	-	-	-	333	-	333
Share option granted under ESOS:							
Recognised in profit or loss	-	-	451	-	451	-	451
At 30 June 2009	<u>428,020</u>	<u>452</u>	<u>1,638</u>	<u>338,004</u>	<u>768,114</u>	<u>83,763</u>	<u>851,877</u>
At 1 January 2008	144,153	20,291	642	289,943	455,029	68,623	523,652
Net profit for the period	-	-	-	140,563	140,563	13,323	153,886
Dividends				(9,042)	(9,042)	(600)	(9,642)
Issue of ordinary shares:							
Pursuant to ESOS	612	1,056	-	-	1,668	-	1,668
Warrant conversion	22,365	12,292	-	-	34,657	-	34,657
Rights issue	46,805	65,528	-	-	112,333	-	112,333
Share option granted under ESOS:							
Recognised in profit or loss	-	-	913	-	913	-	913
Exercise of ESOS	-	368	(368)	-	-	-	-
Capitalised for bonus issue	213,473	(99,153)	-	(114,320)	-	-	-
At 31 December 2008	<u>427,408</u>	<u>382</u>	<u>1,187</u>	<u>307,144</u>	<u>736,121</u>	<u>81,346</u>	<u>817,467</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 2008 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 2009

	Note	30 June 2009 RM'000	30 June 2008 RM'000
Net cash (outflow)/inflow from operating activities		64,918	90,889
Net cash outflow from investing activities		(62,096)	(41,381)
Net cash inflow from financing activities	A4	34,474	132,902
Net (decrease)/increase in cash and cash equivalents		37,296	182,410
Cash and cash equivalents at 1 January		279,133	91,917
Cash and cash equivalents at 30 June		316,429	274,327

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

Wholesale money market deposits	53,280	36,350
Fixed deposits with licensed banks	238,226	222,069
Cash on hand and at bank	24,923	15,908
Cash and bank balances	316,429	274,327

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2008 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 2009

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 2008.

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.

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.

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 30 June 2009, a total of 11,906,500 ESOS options have been granted. Total of ESOS options exercised as at 30 June 2009 were 944,250 shares and were granted listing and quotation.

(ii) Warrants

As at 30 June 2009, a total of 25,992,807 warrants in relation to the 26,995,557 free warrants were exercised and were granted listing and quotation.



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Explanatory Notes To The Interim Report – 30 June 2009

A7. Dividends paid

The Company declared a first and final dividend of 3% less 25% taxation amounting to RM9,630,238 for the financial year ended 31 December 2008. The dividend was paid on 22 July 2009.

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 as disclosed in Note B8 (B)(ii) and B8(C).

A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities and contingent assets as at 30 June 2009.

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 2009 is as follows:-

	30 June 2009 RM'000
Property, plant and equipment	
Authorised but not contracted for	78,363
Contracted but not provided in the financial statements	37,656
	<u>116,019</u>
Plantation Development Expenditure	
Authorised but not contracted for	110,508
Contracted but not provided in the financial statements	82,315
	<u>192,823</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 RM259.4 million for period ended 30 June 2009 compared with RM354.1 million reported in the preceding year. The decrease of RM94.7 million was mainly attributed to the lower average CPO and PK prices realized during the period.

With the decrease in total revenue, the Group registered a profit before taxation for the period ended 30 June 2009 of RM53.9 million, a drop of RM75.9 million when compared to the RM129.8 million achieved during the corresponding period in year 2008. The substantial drop in profit was much expected following the sharp fall in the edible oil prices compared to that of 2008.

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 of RM44.6 million compared to RM9.4 million in the preceding quarter. The increase in profit before tax by RM35.2 million is due to the improvement of CPO and PK prices and the increase in production compared to that of immediate preceding 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, movement of Ringgit Malaysia, world economic situation 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current tax expenses	5,960	9,274	8,246	19,158
Under/(Over) provision in prior years	-	(655)	-	219
Deferred tax	1,434	8,852	1,900	14,331
	<u>7,394</u>	<u>17,471</u>	<u>10,146</u>	<u>33,708</u>

The Group's effective tax rate is lower than the prevailing corporate tax rate as the Group has available tax allowances to offset tax liabilities.

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 2009 is as follows :

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	<u>67</u>	<u>45</u>	<u>57</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 followings:-

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

SOP Pelita Batu Lintang Plantation Sdn Bhd (“SPBL”), formerly known as *SOP Pelita Bekenu & Niah Plantation Sdn Bhd*

On 16th September 2008, Sarawak Oil Palms Berhad (“SOPB”) entered into a joint venture agreement with PHSB to develop an area under NCR of approximately 8,000 plantable hectares, situated at Ulu Undop, NCR Land Development Area, Sri Aman Division, Sarawak into an oil palm plantation to be undertaken by SPBL.

The shareholding composition of the joint venture is 60% SOPB, 10% PHSB and 30% NCR land owners held in trust by PHSB.

SOPB has obtained the approval from Foreign Investment Committee (FIC) via its letter dated 28 May 2009.

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

(i) *Kini Sinar Sdn. Bhd. (“KSSB”)*

On 25 May 2007, SOPB entered into a conditional share subscription agreement (“CSSA”) with KSSB for the proposed subscription of a total of 650,000 new shares in KSSB 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.

It is now still pending SYHSB fulfilment of the conditions in the agreement.

(ii) *Mazama Plantation Sdn. Bhd. (“MPSB”)*

On 25 June 2009, SOPB entered into a joint venture agreement with SYHSB to develop an area of about 3,380 hectares situated at Sebauh, Bintulu Division into an oil palm plantation (“the project”). A joint venture company, Mazama Plantation Sdn Bhd (“MPSB”), will undertake the project.

SOPB will subscribe for 9,300,000 (60%) ordinary shares in MPSB with a cash consideration of RM21 million. In addition, SOPB undertakes to inject interest free advances up to RM8,198,130 to part finance the development costs of the project.

The eventual shareholdings of SOPB and SYHSB in MPSB will be 9,300,000 (60%) ordinary shares and 6,200,000 (40%) ordinary shares respectively. SYHSB will also hold 5,465,420 redeemable preference shares. Ordinary shares and redeemable preference shares for SYHSB will be issued by means of bonus issue via share premium reserves of MPSB.

It is now pending SYHSB fulfilment of the precedent conditions in the agreement.



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Explanatory Notes To The Interim Report – 30 June 2009

B8. Status of corporate proposal announced

(C) Acquisition of Indahharvest Sdn Bhd ("IHSB")

On 5th May 2009, SOPB entered into an agreement with the shareholders of IHSB for the acquisition of the entire issued share capital of IHSB for a total purchase consideration of RM7.0 million. IHSB owned a piece of 11.454 hectares of land situated at Miri, Sarawak. The acquisition of IHSB was completed on 6 August 2009.

(D) Status of Utilisation of Proceeds from rights Issue for ordinary shares

The gross proceeds raised from the Rights Issue amounted to RM112.33 million and as at 12 August 2009, the proceeds had been utilised according to its expected utilisation except for RM25.0 million assigned for downstream activities which has not been utilised due to delay in implementation of the downstream activities.

B9. Borrowing and debt securities

	30 June 2009 RM'000
Current	
Secured	36,007
Unsecured	17,736
Non-current	
Secured	231,582
Unsecured	12,475
Total	297,800

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

B12. Dividends

The Company declared a first and final dividend of 3% less 25% taxation amounting to RM9,630,238 in respect of the financial year ended 31 December 2008 during the financial period ended 30 June 2009.



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Explanatory Notes To The Interim Report – 30 June 2009

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 RM34.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 382,134,632.

	3 months ended		6 months ended	
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	34,750	44,151	41,372	87,711
	3 months ended	6 months ended	3 months ended	6 months ended
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	382,134	188,289	382,031	176,628
	3 months ended	6 months ended	3 months ended	6 months ended
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
	Sen	Sen	Sen	Sen
Basic earning per share	9.10	23.45	10.83	49.66

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 RM34.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 388,886,508.

	3 months ended		6 months ended	
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	34,750	44,151	41,372	87,711
	3 months ended	6 months ended	3 months ended	6 months ended
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	388,886	199,755	388,783	187,540
	3 months ended	6 months ended	3 months ended	6 months ended
	30.6.2009	30.6.2008	30.6.2009	30.6.2008
	Sen	Sen	Sen	Sen
Diluted earning per share	8.94	22.10	10.64	46.77

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 26th August 2009.

By Order of the Board

Eric Kiu Kwong Seng

Company Secretary

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26th August 2009

