

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010

(The figures have not been audited)

Condensed Consolidated Balance Sheet as at 31 March 2010

	Note	31 March 2010 RM'000	31 December 2009 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	810,694	800,751
Prepaid lease payments	A1	231,412	210,339
Held for Trading Investment	B7	62	45
Intangible assets		2,214	2,205
Derivative Financial Instruments	A14	2,941	-
		<u>1,047,323</u>	<u>1,013,340</u>
Current Assets			
Inventories		28,646	51,206
Trade and other receivables		27,737	29,204
Derivative Financial Instruments	A14	870	-
Cash and bank balances		307,428	312,929
		<u>364,681</u>	<u>393,339</u>
TOTAL ASSETS		<u>1,412,004</u>	<u>1,406,679</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		428,818	428,526
Share premium		1,093	1,045
Other reserve		2,172	1,886
Hedging reserve	A14	3,811	-
Retained earnings		417,947	395,535
		<u>853,841</u>	<u>826,992</u>
Minority interest		96,819	96,147
Total equity		<u>950,660</u>	<u>923,139</u>
Non-current liabilities			
Deferred tax liabilities		101,364	104,220
Borrowings	B9	238,024	226,711
Other deferred liabilities		733	733
		<u>340,121</u>	<u>331,664</u>
Current liabilities			
Borrowings	B9	48,208	64,540
Trade and other payables		69,968	86,629
Current tax payable		3,047	707
		<u>121,223</u>	<u>151,876</u>
Total liabilities		<u>461,344</u>	<u>483,540</u>
TOTAL EQUITY AND LIABILITIES		<u>1,412,004</u>	<u>1,406,679</u>
Net assets per share (RM)		1.99	1.93

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to this report)



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Income Statements For the Three-Months Period Ended 31 March 2010

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		3 months ended	
		31 March		31 March	
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Continuing Operations					
Revenue		145,104	101,589	145,104	101,589
Sarawak sales tax		(6,391)	(4,126)	(6,391)	(4,126)
Cost of sales		(101,741)	(84,050)	(101,741)	(84,050)
Gross profit		36,972	13,413	36,972	13,413
Other income		2,202	382	2,202	382
Administrative expenses		(628)	(593)	(628)	(593)
Distribution costs		(1,800)	(2,006)	(1,800)	(2,006)
Finance costs		(1,459)	(1,836)	(1,459)	(1,836)
Profit before tax		35,287	9,360	35,287	9,360
Taxation	B5	(10,715)	(2,752)	(10,715)	(2,752)
Profit for the period		24,572	6,608	24,572	6,608
Profit for the period attributable to:					
Equity holders of the parent		23,677	6,622	23,677	6,622
Minority interest		895	(14)	895	(14)
		24,572	6,608	24,572	6,608
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	5.52	1.73	5.52	1.73
Diluted	B13	5.43	1.70	5.43	1.70

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 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 Three-Months Period Ended 31 March 2010

	← Attributable to Equity Holders of the Parent →				Distributable Reserve			
	Share Capital RM'000	Non-Distributable Reserve Share Premium RM'000	Hedging Reserve RM'000	Other Reserve RM'000	Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
At 1 January 2010	428,526	1,045		1,886	395,535	826,992	96,147	923,139
Prior year adjustments	-	-	-	-	(1,265)	(1,265)	(223)	(1,488)
Net profit for the period	-	-			23,677	23,677	895	24,572
Issue of ordinary shares:								
Pursuant to ESOS	182	48	-	-	-	230	-	230
Warrant conversion	110	-	-	-	-	110	-	110
Share option granted under ESOS:								
Recognised in profit or loss	-	-	-	286	-	286	-	286
Hedging reserve	-	-	3,811	-	-	3,811	-	3,811
At 31 March 2010	<u>428,818</u>	<u>1,093</u>	<u>3,811</u>	<u>2,172</u>	<u>417,947</u>	<u>853,841</u>	<u>96,819</u>	<u>950,660</u>
At 1 January 2009	427,408	382	-	1,187	307,144	736,121	81,346	817,467
Net profit for the year	-	-	-	-	98,900	98,900	6,635	105,535
Dividends					(10,512)	(10,512)	-	(10,512)
Issue of ordinary shares:								
Pursuant to ESOS	718	196	-	-	-	914	-	914
Warrant conversion	400	-	-	-	-	400	-	400
Share option granted under ESOS:								
Recognised in profit or loss	-	-	-	1,166	-	1,166	-	1,166
Exercise of ESOS	-	467	-	(467)	-	-	-	-
Dilution arising from issuance of shares by a subsidiary	-	-	-	-	2	2	(2)	-
Acquisition of a subsidiary							8,168	8,168
At 31 December 2009	<u>428,526</u>	<u>1,045</u>	<u>-</u>	<u>1,886</u>	<u>395,535</u>	<u>826,992</u>	<u>96,147</u>	<u>923,139</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 2009 and the accompanying explanatory notes attached to this report)



SARAWAK OIL PALMS BERHAD

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Condensed Consolidated Cash Flow Statement For the Three-Months Period Ended 31 March 2010

	Note	31 March 2010 RM'000	31 March 2009 RM'000
Net cash inflow/(outflow) from operating activities		43,448	(4,431)
Net cash outflow from investing activities		(38,380)	(20,180)
Net cash (outflow)/inflow from financing activities	A4	(10,569)	23,414
Net decrease in cash and cash equivalents		(5,501)	(1,197)
Cash and cash equivalents at 1 January		312,929	279,133
Cash and cash equivalents at 31 March		307,428	277,936

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

Wholesale money market deposits	40,200	61,900
Fixed deposits with licensed banks	241,522	196,924
Cash on hand and at bank	25,706	19,112
Cash and bank balances	307,428	277,936

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to this report)



SARAWAK OIL PALMS BERHAD

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Explanatory Notes To The Interim Report – 31 March 2010

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 2009.

The Company has applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board effective for annual periods beginning on 1 January 2010:-

FRS 4: Insurance Contracts

FRS 7: Financial Instruments: Disclosures

FRS 123: Borrowings Costs (Revised)

FRS 139: Financial Instruments: Recognition and Measurement

Amendment to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations

Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

FRS 101: Presentation of Financial Statements (Revised)

Amendments to FRSs ‘Improvement to FRSs (2009)’

IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 10: Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions

IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

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.



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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 March 2010, a total of 12,258,200 ESOS options have been granted. Total of ESOS options exercised as at 31 March 2010 were 1,564,250 shares and were granted listing and quotation.

(ii) Warrants

As at 31 March 2010, a total of 24,523,112 warrants in relation to the 26,995,557 free warrants were exercised and were granted listing and quotation. The warrants will expire on 19 January 2011.

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 as disclosed in Note B8A (i).

A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities and contingent assets as at 31 March 2010.

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 March 2010 is as follows:-

	31 March 2010
	RM'000
Property, plant and equipment	
Authorised but not contracted for	185,677
Contracted but not provided in the financial statements	29,074
	<u>214,751</u>
Plantation Development Expenditure	
Authorised but not contracted for	290,633
Contracted but not provided in the financial statements	34,107
	<u>324,740</u>



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A14. Derivatives financial instruments

Interest rate swap (IRS)

The Group uses IRS to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates and is designated as cash flow hedges. As at 31 March 2010, the Group has IRS with notional value of RM41 million and with maturity bands as shown below. The fair value of IRS is estimated at RM4.1 million, measured at the present value of future cash flows estimated and discounted based on quoted interest rates. The IRS would reduce the group's cash flow exposure resulting from interest rates fluctuation. It satisfies the criteria for cash flow hedges and accordingly hedge accounting is applied.

Types of derivatives	Notional value (RM Million)	Fair value (RM'000)
Interest rate swap		
- Less than 1 year	41	870
- 1 year to 3 years	41	2,221
- more than 3 years	39	720



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

B1. Review of performance

The Group registered a total revenue of RM145.1 million for period ended 31 March 2010 compared with RM101.6 million reported in the preceding year. The increase of RM43.5 million was mainly attributed to the higher average CPO and PK prices realized during the period.

With the increase in total revenue, the Group registered a profit before tax for the period ended 31 March 2010 of RM35.3 million, an increase of RM25.9 million compared to RM9.4 million achieved during the corresponding period in year 2009.

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

Despite the increase in average CPO and PK prices for the quarter under review, the Group registered a lower profit before tax of RM35.3 million compared to RM45.6 million in the previous quarter. The drop was mainly due to the normal low cropping patterns and the extreme dry weather condition experienced in the first quarter in northern region of Sarawak where most of the estates of the Group are situated.

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.

The extreme dry weather experienced in first quarter of 2010 will have an adverse impact on the crop production of the Group for 2010.

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 March		3 months ended 31 March	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expenses	8,440	2,286	8,440	2,286
Deferred tax	2,275	466	2,275	466
	<u>10,715</u>	<u>2,752</u>	<u>10,715</u>	<u>2,752</u>

The Group's effective tax rate is higher than the prevailing corporate tax rate due to certain non-deductible expenses.

B6. Unquoted Investments and Properties

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

B7. Held for Trading Investment

There was no purchase or disposal of quoted securities. The total investments in quoted securities as at 31 March 2010 is as follows :

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	<u>67</u>	<u>62</u>	<u>62</u>



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Explanatory Notes To The Interim Report – 31 March 2010

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 Shin Yang Holding Sdn Bhd (“SYHSB”)

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

On 25 September 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.

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

The gross proceeds raised from the Rights Issue done in year 2008 was RM112.33 million. As at 10 April 2010, the proceeds had been utilised according to its expected utilisation, except for a balance of RM8.16 million allocated for downstream activities. The funds is expected to be fully utilised by the first half of 2010.

(C) Acquisition of Dormant Company

Suria Megajaya Sdn Bhd

On 18 February 2010, SOPB acquired a dormant company, Suria Megajaya Sdn Bhd, with a paid up capital of RM2 at RM1.00 per share.



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B9. Borrowing and debt securities

	31 March 2010 RM'000
Current	
Secured	35,490
Unsecured	12,718
Non-current	
Secured	229,153
Unsecured	8,871
Total	286,232

The above borrowings are denominated in Ringgit Malaysia.

B10. Off balance sheet financial instruments

In compliance with FRS 139: Financial Instruments:- Recognition and measurement which come into effect from 1 January 2010, fair value of interest rate Swap which has a notional value of RM41.0 million and for a period until 2013 has been recognised in the balance sheet.

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 31 March 2010 (31 March 2009: Nil).



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Explanatory Notes To The Interim Report – 31 March 2010

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 RM23.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 428,670,710

	3 months ended		3 months ended	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	23,677	6,622	23,677	6,622
	3 months ended		3 months ended	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	428,671	381,928	428,671	381,928
	3 months ended		3 months ended	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
	Sen	Sen	Sen	Sen
Basic earning per share	5.52	1.73	5.52	1.73

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 RM23.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 436,267,114

	3 months ended		3 months ended	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	23,677	6,622	23,677	6,622
	3 months ended		3 months ended	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	436,267	387,859	436,267	387,859
	3 months ended		3 months ended	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009
	Sen	Sen	Sen	Sen
Diluted earning per share	5.43	1.70	5.43	1.70



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Explanatory Notes To The Interim Report – 31 March 2010

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 23rd April 2010.

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

27th May 2010

