

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position As at 30 June 2010

	Note	30 June 2010 RM'000	31 December 2009 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	834,683	801,968
Prepaid lease payments	A1	229,828	209,129
Held for Trading Investment	B7	-	45
Other receivable		-	4,225
Intangible assets		2,222	2,222
Deferred tax assets		-	143
Derivative Financial Instruments	A14	2,948	-
		<u>1,069,681</u>	<u>1,017,732</u>
Current Assets			
Inventories		39,370	50,686
Trade and other receivables		51,407	24,491
Derivative Financial Instruments	A14	580	-
Cash and bank balances		314,707	320,419
		<u>406,064</u>	<u>395,596</u>
TOTAL ASSETS		<u>1,475,745</u>	<u>1,413,328</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		429,293	428,526
Share premium		1,194	1,046
Other reserve		2,458	1,885
Hedging reserve		3,528	-
Retained earnings		449,421	397,320
		<u>885,894</u>	<u>828,777</u>
Minority interest		97,060	94,741
Total equity		<u>982,954</u>	<u>923,518</u>
Non-current liabilities			
Deferred tax liabilities		103,775	99,022
Borrowings	B9	248,704	226,977
Other deferred liabilities		733	733
		<u>353,212</u>	<u>326,732</u>
Current liabilities			
Borrowings	B9	68,178	64,514
Trade and other payables		61,303	96,000
Current tax payable		10,098	2,564
		<u>139,579</u>	<u>163,078</u>
Total liabilities		<u>492,791</u>	<u>489,810</u>
TOTAL EQUITY AND LIABILITIES		<u>1,475,745</u>	<u>1,413,328</u>
Net assets per share (RM)		2.06	1.93

(The Condensed Consolidated Statement of Financial Position 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 Statement of Comprehensive Income For the Six-Months Period Ended 30 June 2010

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		6 months ended	
		30 June		30 June	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Continuing Operations					
Revenue		157,464	157,786	302,568	259,375
Sarawak sales tax		(6,772)	(6,960)	(13,163)	(11,086)
Cost of sales		(107,774)	(107,372)	(209,515)	(187,422)
Gross profit		42,918	47,454	79,890	60,867
Other income		5,412	2,966	7,614	3,348
Administrative expenses		(963)	(1,896)	(1,591)	(2,489)
Distribution costs		(1,793)	(2,382)	(3,593)	(4,388)
Finance costs		(1,395)	(1,567)	(2,854)	(3,403)
Profit before tax		44,179	44,575	79,466	53,935
Taxation	B5	(11,326)	(7,394)	(22,041)	(10,146)
Profit for the period		32,853	37,181	57,425	43,789
Other comprehensive income for the period, net of tax		-	-	-	-
Total comprehensive income for the period					
Profit attributable to:					
Owners of the parent		29,689	34,750	53,366	41,372
Minority interest		3,164	2,431	4,059	2,417
		<u>32,853</u>	<u>37,181</u>	<u>57,425</u>	<u>43,789</u>
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	<u>6.92</u>	<u>9.10</u>	<u>12.44</u>	<u>10.83</u>
Diluted	B13	<u>6.81</u>	<u>8.94</u>	<u>12.25</u>	<u>10.64</u>

(The Condensed Consolidated Statement of Comprehensive Income 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 Statement of Changes in Equity
For the Six-Months Period Ended 30 June 2010**

	Attributable to Equity Holders of the Parent							
	Share Capital RM'000	Non-Distributable Share Premium RM'000	Hedging Reserve RM'000	Other Reserve RM'000	Distributable Reserve Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
At 1 January 2010	428,526	1,046	-	1,885	397,320	828,777	94,741	923,518
Prior year adjustments	-	-	-	-	(1,265)	(1,265)	(223)	(1,488)
Net profit for the period	-	-	-	-	53,366	53,366	4,059	57,425
Dividends	-	-	-	-	-	-	(1,517)	(1,517)
Issue of ordinary shares:								
Pursuant to ESOS	521	148	-	-	-	669	-	669
Warrant conversion	246	-	-	-	-	246	-	246
Share option granted under ESOS:								
Recognised in profit or loss	-	-	-	573	-	573	-	573
Hedging reserve	-	-	3,528	-	-	3,528	-	3,528
At 30 June 2010	429,293	1,194	3,528	2,458	449,421	885,894	97,060	982,954
At 1 January 2009	427,408	382	-	1,187	307,144	736,121	81,346	817,467
Net profit for the year	-	-	-	-	99,869	99,869	6,668	106,537
Dividends	-	-	-	-	(9,630)	(9,630)	(882)	(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	-	468	-	(468)	-	-	-	-
Dilution arising from issuance of shares by a subsidiary	-	-	-	-	(63)	(63)	63	-
Acquisition of a subsidiary	-	-	-	-	-	-	7,546	7,546
At 31 December 2009	428,526	1,046	-	1,885	397,320	828,777	94,741	923,518

(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 Six-Months Period Ended 30 June 2010

Note	30 June 2010 RM,000	30 June 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	79,466	53,935
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	24,822	20,377
Gain from disposal of other investments	(23)	-
Employee expenses under ESOS	753	451
Gain on disposal of property, plant and equipment	(841)	124
Interest income	(2,900)	(2,757)
Interest expenses	2,854	4,186
Gain on foreign exchange	(205)	-
Operating profit before working capital changes	103,926	76,314
Decrease in inventories	13,336	33,355
Increase in trade and other receivables	(42,907)	(8,140)
Decrease in trade and other payables	(21,432)	(25,625)
Cash generated from operations	52,923	75,904
Income tax paid	(5,209)	(7,701)
Net cash from operating activities	47,714	68,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(75,019)	(68,201)
Proceeds from disposal of property, plant and equipment	3,293	63
Proceeds from disposal of held for trading investment	69	-
Interest received	2,900	2,757
Net cash used in investing activities	(68,757)	(65,381)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes in revolving credits and trade finance credit	26,377	23,100
Proceeds from term loans	20,000	60,460
Proceeds from Esos and warrants	914	682
Interest paid	(6,262)	(6,616)
Dividend paid to minority interest	(1,517)	(882)
Repayment of hire purchase	(5,682)	(4,746)
Repayment of term loans	(18,498)	(37,524)
Net cash generated from financing activities	15,332	34,474
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,711)	37,296
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	320,418	279,134
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	314,707	316,430



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Condensed Consolidated Cash Flow Statement For the Six-Months Period Ended 30 June 2010

	Note	30 June 2010 RM,000	30 June 2009 RM'000
Cash and cash equivalents at the end of the financial period comprised the following:			
Wholesale money market deposits		35,200	53,280
Fixed deposits with licensed banks		257,580	238,226
Cash on hand and at bank		21,927	24,924
Cash and bank balances		314,707	316,430

(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 – 30 June 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 30 June 2010, a total of 12,258,200 ESOS options have been granted. Total of ESOS options exercised as at 30 June 2010 were 1,903,750 shares and were granted listing and quotation.

(ii) Warrants

As at 30 June 2010, a total of 24,658,350 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 on 20 July 2010, SOPB acquired a dormant company, Setia Wiramaju Sdn Bhd, with a paid up capital of RM2 at RM1.00 per share and that disclosed in Note B8A (i).

A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities and contingent assets as at 30 June 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 30 June 2010 is as follows:-

	30 June 2010
	RM'000
Property, plant and equipment	
Authorised but not contracted for	166,396
Contracted but not provided in the financial statements	45,407
	<u>211,803</u>
Plantation Development Expenditure	
Authorised but not contracted for	293,244
Contracted but not provided in the financial statements	28,293
	<u>321,537</u>



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A14. Derivatives financial instruments

Interest rate swap (IRS)

The Group uses IRS to manage part of 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 30 June 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 RM41 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 rate 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	580
- 1 year to 3 years	41	2,226
- more than 3 years	39	722



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

B1. Review of performance

The Group registered a total revenue of RM302.6 million for period ended 30 June 2010 compared with RM259.4 million reported in the preceding year. The increase of RM43.2 million was mainly attributed to the higher 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 30 June 2010 of RM79.5 million, an increase of RM25.6 million compared to RM53.9 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

The Group registered a higher profit before tax of RM44.2 million compared to RM35.3 million in the previous quarter due to the increase in sales volume for CPO, despite decrease in CPO prices realised.

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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expenses	8,928	5,960	17,368	8,246
Deferred tax	2,620	1,434	4,895	1,900
Overprovision in prior years	(222)	-	(222)	-
	<u>11,326</u>	<u>7,394</u>	<u>22,041</u>	<u>10,146</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

The particular of disposal of quoted securities are as follows:-

	3 months ended 30 June 2010 RM'000	6 months ended 30 June 2010 RM'000
Total sales proceeds	69	69
Total purchase consideration	46	46
Total profit on disposal	<u>23</u>	<u>23</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 Shin Yang Holding Sdn Bhd (“SYHSB”)

SOP Plantations (Sabaju) Sdn Bhd (“SOPSSB”) (Formerly Known As ‘Mazama Plantation Sdn. Bhd.’)

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, SOP Plantations (Sabaju) Sdn Bhd, will undertake the project.

SOPB will subscribe for 9,300,000 (60%) ordinary shares in SOPSSB 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 SOPSSB 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 SOPSSB.

On 3 July 2010, SOPB, SYHSB and SOPSSB entered into a Deed of Variation for the variation of certain terms and conditions of the Share Subscription Agreement which was announced on 20 July 2010. Since then SOPB has subscribed 60% shares in SOPSSB.

(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 7 August 2010, the proceeds had been utilised according to its expected utilisation, except for a balance of RM3.99 million allocated for downstream activities. The funds is expected to be fully utilised by the 3rd quarter of 2010.

B9. Borrowing and debt securities

	30 June 2010 RM'000
Current	
Secured	54,356
Unsecured	13,822
Non-current	
Secured	239,833
Unsecured	8,871
<u>Total</u>	<u>316,882</u>

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 nominal value of RM41.0 million and for a period until 2013 has been recognised in the balance sheet.



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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 RM9,659,092 in respect of the financial year ended 31 December 2009. The amount was paid on 22 July 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 RM29.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 429,248,884.

	3 months ended		6 months ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	29,689	34,750	53,366	41,372
	3 months ended	6 months ended	3 months ended	6 months ended
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	428,526	382,134	428,526	382,031
	3 months ended	6 months ended	3 months ended	6 months ended
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	Sen	Sen	Sen	Sen
Basic earning per share	6.92	9.10	12.44	10.83

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 RM29.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 436,071,241.

	3 months ended		6 months ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	29,689	34,750	53,366	41,372
	3 months ended	6 months ended	3 months ended	6 months ended
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	436,071	388,886	435,708	388,783
	3 months ended	6 months ended	3 months ended	6 months ended
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	Sen	Sen	Sen	Sen
Diluted earning per share	6.81	8.94	12.25	10.64



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Explanatory Notes To The Interim Report – 30 June 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 27 August 2010.

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

27th August 2010

