

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position As at 30 September 2010

	Note	30 September 2010 RM'000	31 December 2009 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	891,292	801,968
Prepaid lease payments	A1	233,466	209,129
Held for Trading Investment	B7	-	45
Other receivable		-	4,225
Intangible assets		5,179	2,222
Deferred tax assets		-	143
Derivative Financial Instruments	A14	2,986	-
		<u>1,132,923</u>	<u>1,017,732</u>
Current Assets			
Inventories		54,155	50,686
Trade and other receivables		32,932	24,491
Derivative Financial Instruments	A14	586	-
Cash and bank balances		340,972	320,419
		<u>428,645</u>	<u>395,596</u>
TOTAL ASSETS		<u>1,561,568</u>	<u>1,413,328</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		429,932	428,526
Share premium		1,456	1,046
Other reserve		2,744	1,885
Hedging reserve		3,573	-
Retained earnings		488,990	397,320
		<u>926,695</u>	<u>828,777</u>
Minority interest		115,901	94,741
Total equity		<u>1,042,596</u>	<u>923,518</u>
Non-current liabilities			
Deferred tax liabilities		111,021	99,022
Borrowings	B9	262,130	226,977
Other deferred liabilities		2,233	733
		<u>375,384</u>	<u>326,732</u>
Current liabilities			
Borrowings	B9	26,830	64,514
Trade and other payables		97,106	96,000
Current tax payable		19,652	2,564
		<u>143,588</u>	<u>163,078</u>
Total liabilities		<u>518,972</u>	<u>489,810</u>
TOTAL EQUITY AND LIABILITIES		<u>1,561,568</u>	<u>1,413,328</u>
Net assets per share (RM)		2.16	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 Nine-Months Period Ended 30 September 2010

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30 September		30 September	
	2010	2009	2010	2009
Note	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	213,000	140,907	515,568	400,282
Sarawak sales tax	(9,372)	(6,978)	(22,535)	(18,064)
Cost of sales	(127,674)	(96,683)	(337,189)	(284,105)
Gross profit	75,954	37,246	155,844	98,113
Other income	3,140	953	10,754	4,301
Administrative expenses	(1,046)	(523)	(2,637)	(3,012)
Distribution costs	(3,966)	(2,287)	(7,559)	(6,675)
Finance costs	(923)	(1,390)	(3,777)	(4,793)
Profit before tax	73,159	33,999	152,625	87,934
Taxation	B5 (18,526)	(6,936)	(40,567)	(17,082)
Profit net of tax	54,633	27,063	112,058	70,852
Other comprehensive income:				
Foreign exchange translation	A15 (172)	-	(172)	-
CPO futures trading	A15 (5)	-	(5)	-
Other comprehensive income for the period, net of tax	(177)	-	(177)	-
Total comprehensive income for the period	54,456	27,063	111,881	70,852
Profit attributable to:				
Owners of the parent	49,405	24,856	102,771	66,228
Minority interest	5,228	2,207	9,287	4,624
	54,633	27,063	112,058	70,852
Total comprehensive income attributable to:				
Owners of the parent	49,228	24,856	102,594	66,228
Minority interest	5,228	2,207	9,287	4,624
	54,456	27,063	111,881	70,852
Earning per share attributable to Equity holders of the parent (Sen):				
Basic	B13 11.46	6.49	23.91	17.32
Diluted	B13 11.27	6.37	23.51	16.98

(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 Nine-Months Period Ended 30 September 2010

	← Attributable to Equity Holders of the Parent →							
	Share Capital RM'000	Non-Distributable Reserve 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)
Total comprehensive income	-	-	-	-	102,594	102,594	9,287	111,881
Dividends	-	-	-	-	(9,659)	(9,659)	(1,517)	(11,176)
Issue of ordinary shares:								
Pursuant to ESOS	977	275	-	-	-	1,252	-	1,252
Warrant conversion	429	-	-	-	-	429	-	429
Acquisition of subsidiary	-	135	-	-	-	135	13,613	13,748
Share option granted under ESOS:								
Recognised in profit or loss	-	-	-	859	-	859	-	859
Hedging reserve	-	-	3,573	-	-	3,573	-	3,573
At 30 September 2010	<u>429,932</u>	<u>1,456</u>	<u>3,573</u>	<u>2,744</u>	<u>488,990</u>	<u>926,695</u>	<u>115,901</u>	<u>1,042,596</u>
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	<u>428,526</u>	<u>1,046</u>	<u>-</u>	<u>1,885</u>	<u>397,320</u>	<u>828,777</u>	<u>94,741</u>	<u>923,518</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunctions 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 Cash Flow Statement For the Nine-Months Period Ended 30 September 2010

	Note	30 September 2010 RM,000	30 September 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		152,447	87,934
Adjustments for:			
Depreciation and amortisation of property, plant and equipment		37,905	31,149
Gain from disposal of other investments		(23)	-
Employee expenses under ESOS		1,129	676
Inventory written off		-	444
(Gain)/Loss on disposal of property, plant and equipment		(727)	180
Dividend income		-	(1)
Interest income		(4,766)	(4,179)
Interest expenses		3,777	4,793
Gain on foreign exchange		(176)	-
Operating profit before working capital changes		189,566	120,997
(Increase)/Decrease in inventories		(1,551)	31,715
Increase in trade and other receivables		(32,707)	(8,893)
Increase/(Decrease) in trade and other payables		15,826	(28,088)
Cash generated from operations		171,134	115,731
Income tax paid		(11,810)	(9,401)
Net cash from operating activities		159,324	106,330
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(117,227)	(103,002)
Acquisition of subsidiary – net of cash		(3,828)	(3,756)
Proceeds from disposal of property, plant and equipment		3,751	206
Proceeds from disposal of held for trading investment		69	-
Dividend income		-	1
Interest received		4,766	4,179
Gain on foreign exchange		176	-
Net cash used in investing activities		(112,293)	(102,372)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net changes in revolving credits and trade finance credit		(6,000)	(9,700)
Proceeds from term loans		30,000	65,460
Proceeds from issuance of share capital		2,113	1,084
Interest paid		(9,711)	(11,200)
Dividend paid		(9,659)	(9,630)
Dividend paid to minority interest		(1,517)	(882)
Repayment of hire purchase		(6,140)	(8,208)
Repayment of term loans		(25,563)	(13,352)
Net cash used in financing activities		(26,477)	(4,303)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		20,554	(346)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		320,418	279,134
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD		340,972	278,788



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Condensed Consolidated Cash Flow Statement For the Nine-Months Period Ended 30 September 2010

	Note	30 September 2010 RM,000	30 September 2009 RM'000
Cash and cash equivalents at the end of the financial period comprised the following:			
Wholesale money market deposits		31,700	34,270
Fixed deposits with licensed banks		266,972	224,306
Cash on hand and at bank		42,300	20,212
Cash and bank balances		340,972	278,788

(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 September 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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Explanatory Notes To The Interim Report – 30 September 2010

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 September 2010, a total of 12,258,200 ESOS options have been granted. Total of ESOS options exercised as at 30 September 2010 were 2,359,550 shares and were granted listing and quotation.

(ii) Warrants

As at 30 September 2010, a total of 24,841,852 warrants in relation to the 26,995,557 free warrants were exercised and were granted listing and quotation. The balance of 2,153,705 warrants will expire on 19 January 2011.

A7. Dividends paid

The Company has paid the dividend amounting to RM9,659,092 in respect of the financial ended 31 December 2009 on 22 July 2010.

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 26 August 2010, SOP Plantations (Beluru) Sdn Bhd ("SOPBSB"), a subsidiary of SOPB, has subscribed 51,820 (51.82%) ordinary shares of Setia Wiramaju Sdn Bhd ("SWSB") at par value of RM1 each per share.

A12. Changes in contingent liabilities and contingent assets

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

	30 September 2010
	RM'000
Property, plant and equipment	
Authorised but not contracted for	163,243
Contracted but not provided in the financial statements	49,503
	<u>212,746</u>
Plantation Development Expenditure	
Authorised but not contracted for	267,424
Contracted but not provided in the financial statements	41,901
	<u>309,325</u>



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Explanatory Notes To The Interim Report – 30 September 2010

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 September 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	586
- 1 year to 3 years	41	2,251
- more than 3 years	39	736

A15. Other Comprehensive Income

Foreign exchange translation loss represents the shortfall arising from restating receivables and bank balances denominated in foreign currency to Ringgit using foreign exchange rates prevailing at period end rate.

CPO futures trading loss represents unrealized loss arising from mark-to-market CPO futures balances to CPO futures prices prevailing at period end rate.



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Explanatory Notes To The Interim Report – 30 September 2010

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

B1. Review of performance

The Group registered a total revenue of RM515.6 million for period ended 30 September 2010 compared with RM400.3 million reported in the preceding year. The increase of RM115.3 million was mainly attributed to the higher CPO and PK prices realized and higher volume of CPO and PK sold during the period.

With the increase in total revenue, the Group registered a profit before tax for the period ended 30 September 2010 of RM152.6 million, an increase of RM64.7 million compared to RM87.9 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 RM73.1 million compared to RM44.2 million in the previous quarter due to the increase in sales volume for CPO and PK and increase in CPO and PK 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. Based on the current CPO price of ranging between RM3,000 to RM3,300 per mt, the prospect of the last quarter of current financial year look favorable.

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 September		9 months ended 30 September	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expenses	16,150	954	33,518	9,200
Under/(over) provision in prior year	-	(1,680)	-	(1,680)
Deferred tax	2,376	7,662	7,271	9,562
Overprovision in prior years	-	-	(222)	-
	<u>18,526</u>	<u>6,936</u>	<u>40,567</u>	<u>17,082</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 for the quarter under review and financial period to date.

B8. Status of corporate proposal announced

There are no corporate proposals announced but not completed as at the date of issue of this report.



SARAWAK OIL PALMS BERHAD

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Explanatory Notes To The Interim Report – 30 September 2010

B9. Borrowing and debt securities

	30 September 2010
	RM'000
Current	
Secured	16,913
Unsecured	9,917
Non-current	
Secured	253,259
Unsecured	8,871
Total	288,960

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.

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 September 2010 (30 September 2009: nil).

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 RM49.23 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 429,669,281.

	3 months ended		9 months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	49,228	24,856	102,594	66,228
	3 months ended		9 months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	429,669	382,748	429,150	382,285
	3 months ended		9 months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	Sen	Sen	Sen	Sen
Basic earning per share	11.46	6.49	23.91	17.32



SARAWAK OIL PALMS BERHAD

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Explanatory Notes To The Interim Report – 30 September 2010

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 RM49.23 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 436,943,182.

	3 months ended		9 months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	49,228	24,856	102,594	66,228
	3 months ended	9 months ended	30.9.2010	30.9.2009
	30.9.2010	30.9.2009	'000	'000
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	436,943	390,469	436,424	390,006
	3 months ended	9 months ended	30.9.2010	30.9.2009
	30.9.2010	30.9.2009	Sen	Sen
	Sen	Sen	Sen	Sen
Diluted earning per share	11.27	6.37	23.51	16.98

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 November 2010.

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

24th November 2010

