

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position As at 31 December 2010

	Note	31 December 2010 RM'000	31 December 2009 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	935,712	801,968
Prepaid lease payments	A1	240,899	209,129
Held for Trading Investment	B7	-	45
Other receivable		-	4,225
Intangible assets		5,179	2,222
Deferred tax assets		1,259	143
Derivative Financial Instruments	A14	1,864	-
		<u>1,184,913</u>	<u>1,017,732</u>
Current Assets			
Inventories		63,074	50,686
Trade and other receivables		46,394	24,491
Derivative Financial Instruments	A14	1,144	-
Cash and bank balances		368,205	320,419
		<u>478,817</u>	<u>395,596</u>
TOTAL ASSETS		<u>1,663,730</u>	<u>1,413,328</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		431,086	428,526
Share premium		2,925	1,046
Other reserve		2,571	1,885
Hedging reserve		3,008	-
Retained earnings		534,733	397,320
		<u>974,323</u>	<u>828,777</u>
Minority interest		122,604	94,741
Total equity		<u>1,096,927</u>	<u>923,518</u>
Non-current liabilities			
Deferred tax liabilities		119,046	99,022
Borrowings	B9	252,505	226,977
Other deferred liabilities		1,500	733
		<u>373,051</u>	<u>326,732</u>
Current liabilities			
Borrowings	B9	52,958	64,514
Trade and other payables		127,006	96,000
Current tax payable		13,788	2,564
		<u>193,752</u>	<u>163,078</u>
Total liabilities		<u>566,803</u>	<u>489,810</u>
TOTAL EQUITY AND LIABILITIES		<u>1,663,730</u>	<u>1,413,328</u>
Net assets per share (RM)		2.26	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 Twelve-Months Period Ended 31 December 2010

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended 31 December		12 months ended 31 December	
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Continuing Operations					
Revenue		209,784	133,022	725,352	533,304
Sarawak sales tax		(11,241)	(7,105)	(33,776)	(25,169)
Cost of sales		(123,157)	(79,319)	(460,346)	(363,424)
Gross profit		75,386	46,598	231,230	144,711
Other income		587	4,038	11,341	8,339
Administrative expenses		(3,465)	(2,000)	(6,102)	(5,012)
Distribution costs		(3,543)	(669)	(11,102)	(7,344)
Finance costs		(1,043)	(1,242)	(4,820)	(6,035)
Profit before tax		67,922	46,725	220,547	134,659
Taxation	B5	(19,344)	(11,040)	(59,911)	(28,122)
Profit net of tax		48,578	35,685	160,636	106,537
Other comprehensive income:					
Foreign exchange translation	A15	363	-	191	-
CPO futures trading	A15	5	-	-	-
Other comprehensive income for the period, net of tax		368	-	191	-
Total comprehensive income for the period		48,946	35,685	160,827	106,537
Profit attributable to:					
Owners of the parent		45,375	33,641	148,146	99,869
Minority interest		3,203	2,044	12,490	6,668
		48,578	35,685	160,636	106,537
Total comprehensive income attributable to:					
Owners of the parent		45,743	33,641	148,337	99,869
Minority interest		3,203	2,044	12,490	6,668
		48,946	35,685	160,827	106,537
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	10.63	7.85	34.54	23.34
Diluted	B13	10.43	7.71	33.88	22.92

(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 Twelve-Months Period Ended 31 December 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	-	-	-	-	148,337	148,337	12,490	160,827
Dividends	-	-	-	-	(9,659)	(9,659)	(1,517)	(11,176)
Issue of ordinary shares:								
Pursuant to ESOS	1,568	635	-	-	-	2,203	-	2,203
Warrant conversion	992	-	-	-	-	992	-	992
Acquisition of subsidiary	-	135	-	-	-	135	17,113	17,248
Share option granted under ESOS:								
Recognised in profit or loss	-	-	-	1,795	-	1,795	-	1,795
Exercise of ESOS	-	1,109	-	(1,109)	-	-	-	-
Hedging reserve	-	-	3,008	-	-	3,008	-	3,008
At 31 December 2010	<u>431,086</u>	<u>2,925</u>	<u>3,008</u>	<u>2,571</u>	<u>534,733</u>	<u>974,323</u>	<u>122,604</u>	<u>1,096,927</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 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 Cash Flow Statement For the Twelve-Months Period Ended 31 December 2010

	Note	31 December 2010 RM,000	31 December 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		220,738	134,659
Adjustments for:			
Excess of the Group's interest in the net fair value of the identifiable assets and liabilities and contingent liabilities over the cost of acquisition of a subsidiary		-	(250)
Depreciation and amortisation of property, plant and equipment		52,153	43,496
Gain from disposal of other investments		(23)	-
Employee expenses under ESOS		2,366	1,166
(Gain)/Loss on disposal of property, plant and equipment		(600)	(226)
Dividend income		-	(1)
Interest income		(6,866)	(5,505)
Interest expenses		4,820	6,035
Inventories written off		3	155
Bad debts written off		-	117
Provision for doubtful debts		-	15
Property, plant and equipment written off		-	374
Gain on foreign exchange		(330)	-
Operating profit before working capital changes		272,261	180,035
(Increase)/Decrease in inventories		(9,707)	15,592
Increase in trade and other receivables		(48,488)	(3,025)
Increase/(Decrease) in trade and other payables		40,882	1,055
Cash generated from operations		254,948	193,657
Tax paid		(37,599)	(15,838)
Tax refund		7,341	-
Net cash from operating activities		224,690	177,819
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(141,346)	(146,248)
Addition in prepaid land lease payment		(29,811)	(862)
Acquisition of subsidiary – net of cash		(3,828)	(3,655)
Acquisition of additional shares in investment in subsidiaries		-	(65)
Proceeds from disposal of property, plant and equipment		3,851	1,139
Proceeds from disposal of held for trading investment		69	-
Dividend income		-	1
Interest received		6,866	5,505
Gain on foreign exchange		330	-
Net cash used in investing activities		(163,869)	(144,185)



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Condensed Consolidated Cash Flow Statement For the Twelve-Months Period Ended 31 December 2010

	Note	31 December 2010 RM,000	31 December 2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net changes in revolving credits and trade finance credit		(5,000)	10,000
Proceeds from term loans		43,800	76,000
Proceeds from issuance of share capital		7,127	1,314
Dividend paid		(9,659)	(9,630)
Dividend paid to minority interest		(1,517)	(882)
Repayment of hire purchase		(8,662)	(10,879)
Repayment of term loans		(25,605)	(46,163)
Interest paid		(13,519)	(12,107)
Net cash used in financing activities		(13,035)	7,653
NET INCREASE IN CASH AND CASH EQUIVALENTS		47,786	41,287
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		320,419	279,132
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		368,205	320,419

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

Wholesale money market deposits	24,700	29,500
Fixed deposits with licensed banks	298,103	254,917
Cash on hand and at bank	45,402	36,002
Cash and bank balances	368,205	320,419

(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 December 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 – 31 December 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 31 December 2010, a total of 12,258,200 ESOS options have been granted. Total of ESOS options exercised as at 31 December 2010 were 2,950,650 shares and were granted listing and quotation.

(ii) Warrants

As at 31 December 2010, a total of 25,404,918 warrants in relation to the 26,995,557 free warrants were exercised and were granted listing and quotation. The balance of 1,590,639 warrants were unexercised as at 31 December 2010. At the expiry of the warrants on 19 January 2011, the total number of warrants exercised were 26,862,274 warrants.

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.

A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities and contingent assets as at 31 December 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 December 2010 is as follows:-

	31 December 2010
	RM'000
Property, plant and equipment	
Authorised but not contracted for	224,923
Contracted but not provided in the financial statements	105,496
	<u>330,419</u>
Plantation Development Expenditure	
Authorised but not contracted for	188,323
Contracted but not provided in the financial statements	46,147
	<u>234,470</u>



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Explanatory Notes To The Interim Report – 31 December 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 31 December 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	1,144
-1 year to 3 years	41	1,864

A15. Other Comprehensive Income

Foreign exchange translation gain/(loss) represents the surplus/(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 gain/(loss) represents unrealized gain/(loss) arising from mark-to-market CPO futures balances to CPO futures prices prevailing at period end price.



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Explanatory Notes To The Interim Report – 31 December 2010

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

B1. Review of performance

The Group registered a total revenue of RM725.4 million for year ended 31 December 2010 compared with RM533.3 million reported in year 2009. The increase of RM192.1 million was mainly attributed to the higher CPO and PK prices realized and higher volume of CPO and PK sold during the year.

With the increase in total revenue, the Group registered a profit before tax for the year ended 31 December 2010 of RM220.5 million, an increase of RM85.8 million compared to RM134.7 million achieved in year 2009.

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

For the reporting quarter, the Group registered a lower profit before tax of RM67.9 million compared to RM73.1 million achieved in the previous quarter due to the lower sales volume for CPO and PK and lower FFB produced for the Group resulting in higher cost of production.

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 31 December		12 months ended 31 December	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expenses	12,575	9,201	46,093	18,401
Under/(over) provision in prior year	-	464	(222)	(1,216)
Deferred tax	6,769	1,375	14,040	10,937
	<u>19,344</u>	<u>11,040</u>	<u>59,911</u>	<u>28,122</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 year.

B8. Status of corporate proposal announced

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



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Explanatory Notes To The Interim Report – 31 December 2010

B9. Borrowing and debt securities

31 December 2010

Current	
Secured	41,170
Unsecured	11,788
Non-current	
Secured	247,421
Unsecured	5,084
Total	305,463

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 year ended 31 December 2010 (31 December 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 RM45.74 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 430,405,428.

	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	45,743	33,641	148,337	99,869
	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	430,405	428,461	429,466	427,922
	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	Sen	Sen	Sen	Sen
Basic earning per share	10.63	7.85	34.54	23.34



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Explanatory Notes To The Interim Report – 31 December 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 RM45.74 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 438,737,313.

	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	45,743	33,641	148,337	99,869
	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	438,737	436,249	437,798	435,710
	3 months ended		12 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	Sen	Sen	Sen	Sen
Diluted earning per share	10.43	7.71	33.88	22.92

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 25th February 2011.

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

25th February 2011

