

# SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

## INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2011

(The figures have not been audited)

### Condensed Consolidated Balance Sheet as at 30 June 2011

	Note	30 June 2011 RM'000	31 December 2010 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	A1	992,640	918,490
Land use rights	A1	259,621	258,990
Other receivables		32	32
Intangible assets		5,182	5,182
Deferred tax assets		1,890	1,481
		<u>1,259,365</u>	<u>1,183,175</u>
<b>Current Assets</b>			
Inventories		114,953	63,452
Trade and other receivables		33,783	48,340
Cash and bank balances		448,564	368,694
		<u>597,300</u>	<u>480,486</u>
<b>TOTAL ASSETS</b>		<u>1,856,665</u>	<u>1,664,661</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		433,483	431,086
Share premium		3,417	2,790
Other reserve		3,343	2,571
Hedging reserve		(775)	(1,466)
Retained earnings		664,429	539,175
		<u>1,103,897</u>	<u>974,156</u>
<b>Minority interest</b>		<u>132,132</u>	<u>122,312</u>
<b>Total equity</b>		<u>1,236,029</u>	<u>1,096,468</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		122,023	114,786
Borrowings	B9	301,702	252,512
Derivative Financial Instruments	A14	1,204	1,864
Other deferred liabilities		723	1,300
		<u>425,652</u>	<u>370,462</u>
<b>Current liabilities</b>			
Borrowings	B9	30,511	52,935
Trade and other payables		125,844	128,193
Current tax payable		38,243	15,459
Derivative Financial Instruments	A14	386	1,144
		<u>194,984</u>	<u>197,731</u>
<b>Total liabilities</b>		<u>620,636</u>	<u>569,193</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,856,665</u>	<u>1,664,661</u>
Net assets per share (RM)		2.54	2.26

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 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 2011

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended 30 June		6 months ended 30 June	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Continuing Operations</b>					
Revenue		288,185	157,464	526,669	302,568
Sarawak sales tax		(12,878)	(6,772)	(23,731)	(13,163)
Cost of sales		(158,817)	(107,774)	(303,058)	(209,515)
Gross profit		116,490	42,918	199,880	79,890
Other income		2,266	5,412	5,776	7,614
Administrative expenses		(713)	(963)	(2,176)	(1,591)
Distribution costs		(4,138)	(1,793)	(6,349)	(3,593)
Finance costs		(1,646)	(1,395)	(3,183)	(2,854)
<b>Profit before tax</b>		112,259	44,179	193,948	79,466
Taxation	B5	(35,367)	(11,326)	(55,945)	(22,041)
<b>Profit for the period</b>		76,892	32,853	138,003	57,425
<b>Other comprehensive income:</b>					
Foreign exchange translation	A15	636	-	645	-
CPO futures trading	A15	263	-	119	-
Fair value adjustment on cash flow hedge		193	-	1,417	-
Income tax relating to components of other comprehensive income		(48)	-	(354)	-
<b>Other comprehensive income for the period, net of tax</b>		1,044	-	1,827	-
<b>Total comprehensive income for the period</b>		77,936	32,853	139,830	57,425
<b>Profit attributable to:</b>					
Owners of the parent		68,945	29,689	124,490	53,366
Minority interest		7,947	3,164	13,513	4,059
		76,892	32,853	138,003	57,425
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		69,939	29,689	125,945	53,366
Minority interest		7,997	3,164	13,885	4,059
		77,936	32,853	139,830	57,425
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	15.92	6.92	28.76	12.44
Diluted	B13	15.67	6.81	28.32	12.25

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 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 2011

	← Attributable to Equity Holders of the Parent →							
	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	← Non-Distributable →			→ Distributable		
Share capital RM'000			Share premium RM'000	Employee share option reserve RM'000	Hedge reserve RM'000	Retained earnings RM'000	Minority interest RM'000	
At 1 January 2011	1,096,468	974,156	431,086	2,790	2,571	(1,466)	539,175	122,312
<b>Total comprehensive income</b>	139,830	125,945	-	-	-	691	125,254	13,885
<b>Transactions with owners</b>								
Dividend paid to minority interest	(4,065)	-	-	-	-	-	-	(4,065)
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	1,682	1,682	1,055	627	-	-	-	-
Pursuant to exercise of warrant	1,342	1,342	1,342	-	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	772	772	-	-	772	-	-	-
At 30 June 2011	1,236,029	1,103,897	433,483	3,417	3,343	(775)	664,429	132,132
At 1 January 2010	923,518	828,777	428,526	1,046	1,885	-	397,320	94,741
Effects of adopting FRS 139	(3,097)	(2,013)	-	-	-	(2,013)	-	(1,084)
	920,421	826,764	428,526	1,046	1,885	(2,013)	397,320	93,657
<b>Total comprehensive income</b>	165,123	152,061	-	-	-	547	151,514	13,062
<b>Transactions with owners</b>								
Dividend paid to minority interest	(1,518)	-	-	-	-	-	-	(1,518)
Dividends on ordinary shares	(9,659)	(9,659)	-	-	-	-	(9,659)	-
Increase in shares by subsidiaries	5,036	-	-	-	-	-	-	5,036
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	2,203	2,203	1,568	635	-	-	-	-
Pursuant to exercise of warrant	992	992	992	-	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	1,795	1,795	-	-	1,795	-	-	-
Exercise of ESOS	-	-	-	1,109	(1,109)	-	-	-
Acquisition of subsidiary	12,075	-	-	-	-	-	-	12,075
At 31 December 2010	1,096,468	974,156	431,086	2,790	2,571	(1,466)	539,175	122,312

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 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 Six-Months Period Ended 30 June 2011

	Note	30 June 2011 RM'000	30 June 2010 RM'000
Profit before tax		194,712	79,466
Adjustments for:			
Depreciation and amortisation of property, plant and equipment		27,398	24,822
Gain from disposal of other investments		-	(23)
Employee expenses under ESOS		772	753
(Gain)/Loss on disposal of property, plant and equipment		56	(841)
Interest income		(4,933)	(2,900)
Interest expenses		3,183	2,854
Gain on foreign exchange		(645)	-
Operating profit before working capital changes		220,543	104,131
(Increase)/Decrease in inventories		(42,839)	13,336
Increase/(Decrease) in trade and other receivables		30,851	(42,907)
Increase/(Decrease) in trade and other payables		(14,279)	(21,432)
Cash generated from operations		194,276	53,128
Tax paid		(26,753)	(5,209)
<b>Net cash from operating activities</b>		<b>167,523</b>	<b>47,919</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(104,714)	(75,019)
Additions of prepaid lease payment		(3,031)	-
Proceeds from disposal of property, plant and equipment		25	3,293
Interest received		4,933	2,900
Gain on foreign exchange		645	-
Proceeds from disposal of held for trading investment		-	69
<b>Net cash used in investing activities</b>		<b>(102,142)</b>	<b>(68,757)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net changes in revolving credits and trade finance credit		(5,000)	26,172
Proceeds from term loans		47,300	20,000
Proceeds from issuance of share capital		3,024	914
Repayment of hire purchase		(6,185)	(5,682)
Repayment of term loans		(13,622)	(18,498)
Interest paid		(6,963)	(6,262)
Dividend paid to minority interest		(4,065)	(1,517)
<b>Net cash used in financing activities</b>		<b>14,489</b>	<b>15,127</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>79,870</b>	<b>(5,711)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>368,694</b>	<b>320,418</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>		<b>448,564</b>	<b>314,707</b>



# SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

## Condensed Consolidated Cash Flow Statement For the Six-Months Period Ended 30 June 2011

	Note	30 June 2011 RM'000	30 June 2010 RM'000
Cash and cash equivalents at the end of the financial period comprised the following:			
Wholesale money market deposits		29,600	35,200
Fixed deposits with licensed banks		345,367	257,580
Cash on hand and at bank		73,597	21,927
Cash and bank balances		448,564	314,707

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this report)



# SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

## Explanatory Notes To The Interim Report – 30 June 2011

### 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 2010.

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 8: Operating Segments

FRS 101: Presentation of Financial Statements (Revised)

FRS 123: Borrowings Costs

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 132: Financial Instruments: Presentation

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

Improvements to FRS issued in 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 13: Customer Loyalty Programmes

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

TR i-3: Presentation of Financial Statements of Islamic Financial Institutions

#### 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.



# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 30 June 2011

### 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 2011, a total of 13,246,200 ESOS options have been granted. Total of ESOS options exercised as at 30 June 2011 were 4,006,150 shares and were granted listing and quotation.

### 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.

### A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 30 June 2011 except a corporate guarantee of RM10 million favouring a bank for banking facility given to a subsidiary company. As at 30 June 2011, the loan outstanding amount was RM3 million.



# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 30 June 2011

### 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 2011 is as follows:-

	<b>30 June 2011</b>
	<b>RM'000</b>
Property, plant and equipment	
Authorised but not contracted for	126,210
Contracted but not provided in the financial statements	191,204
	<u>317,414</u>
Plantation Development Expenditure	
Authorised but not contracted for	37,122
Contracted but not provided in the financial statements	33,600
	<u>70,722</u>

### A14. Derivatives financial instruments

#### *Interest rate swap*

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 2011, 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.

<b>Types of derivatives</b>	<b>Notional value (RM Million)</b>	<b>Fair value (RM'000)</b>
Interest rate swap		
- Less than 1 year	41	386
-1 year to 3 years	39	1,204

### 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.





# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 30 June 2011

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

#### B1. Review of performance

The Group registered a total revenue of RM526.7 million for period ended 30 June 2011 compared with RM302.6 million reported in the corresponding period in year 2010. The increase of RM224.1 million in revenue was mainly attributed to the higher average Crude Palm Oil (CPO) and Palm Kernel (PK) prices realized and sales volume during the period. The average selling price of CPO and PK realized for the current quarter were RM3,343 and RM2,378 per mt respectively.

In line with the increase in total revenue, the Group registered a profit before tax for the period of RM193.9 million. This represents an increase of 143.9% or RM114.4 million compared to RM79.5 million achieved during the corresponding period in year 2010.

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

Despite the softening of CPO and PK prices for the quarter under review, the Group registered a higher profit before tax of RM112.6 million compared to RM81.7 million in the previous quarter due to higher FFB production registered by the Group.

#### 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current tax expenses	24,115	8,928	38,647	17,368
Deferred tax	10,533	2,620	16,579	4,895
Under/(Over) provision in prior years	719	(222)	719	(222)
	<u>35,367</u>	<u>11,326</u>	<u>55,945</u>	<u>22,041</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.



# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 30 June 2011

### B8. Status of corporate proposal announced

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

### B9. Borrowing and debt securities

	30 June 2011 RM'000
Current	
Secured	18,595
Unsecured	11,916
Non-current	
Secured	296,618
Unsecured	5,084
<b>Total</b>	<b>332,214</b>

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. The fair value change is measured at the discount value for the difference between the fixed and floating interest rate on a net basis.

### B11. Changes in material litigation

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

### B12. Dividends

The Board has declared a first and final dividend of 4% less 25% taxation amounting to RM13,004,501 in respect of the financial year ended 31 December 2010. The amount was paid on 22 July 2011.



# SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

## Explanatory Notes To The Interim Report – 30 June 2011

### 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 RM68.9 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 433,167,702.

	3 months ended		6 months ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	68,945	29,689	124,490	53,366
	3 months ended		6 months ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	433,168	429,249	432,819	428,886
	3 months ended		6 months ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	Sen	Sen	Sen	Sen
Basic earning per share	15.92	6.92	28.76	12.44

#### *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 RM68.9 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 439,925,350.

	3 months ended		6 months ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	68,945	29,689	124,490	53,366
	3 months ended		6 months ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	439,925	436,267	439,576	436,267
	3 months ended		6 months ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	Sen	Sen	Sen	Sen
Diluted earning per share	15.67	6.81	28.32	12.25



# **SARAWAK OIL PALMS BERHAD**

(Incorporated in Malaysia – 7949-M)

## **Explanatory Notes To The Interim Report – 30 June 2011**

### **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 25<sup>th</sup> August 2011.

*By Order of the Board*

Eric Kiu Kwong Seng

Company Secretary

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25<sup>th</sup> August 2011

