

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005

(The figures have not been audited)

Condensed Consolidated Balance Sheet as at 31 December 2005

	31 December 2005	31 December 2004
	RM'000	RM'000
ASSETS EMPLOYED:		
Property, Plant & Equipment	489,030	435,925
Deferred tax assets	7,337	4,491
Other Investments	49	49
Intangible Assets	1,026	1,173
	497,442	441,638
Current Assets		
Inventories	10,428	13,564
Trade and other receivables	10,021	9,360
Cash & Cash Equivalents	63,971	51,432
	84,420	74,356
Current Liabilities		
Trade & other payables	81,130	36,468
Borrowings	46,960	35,168
Taxation	454	3,511
Bank overdraft	1,532	2,638
	130,076	77,785
Net Current Liabilities	(45,656)	(3,429)
	451,786	438,209
FINANCED BY:		
Share Capital	94,968	94,968
Retained Profits	153,684	132,290
Shareholders' funds	248,652	227,258
Minority Interests	10,475	12,201
Long Term And Deferred Liabilities		
Borrowings	156,716	150,310
Deferred taxation	27,411	26,537
Other deferred liabilities	8,532	21,903
	192,659	198,750
	451,786	438,209
Net assets per share (RM)	2.62	2.39

The notes set out on pages 5 to 6 form an integral part of, and, should be read in conjunction with, this interim financial report.



SARAWAK OIL PALMS BERHAD
(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Income Statements for the year ended 31 December 2005

	3 months ended 31 December		12 months ended 31 December	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	53,396	53,599	184,963	167,954
Operating Profit	10,282	16,315	38,833	52,346
Interest income	230	282	1,088	1,168
Finance costs	(1,378)	(1,426)	(8,046)	(6,111)
Profit before taxation	9,134	15,171	31,875	47,403
Tax expense	1,293	(3,310)	(8,788)	(14,945)
Profit after taxation	10,427	11,861	23,087	32,458
Add: Minority Interests	(194)	0	1,726	1,404
Net Profit for the period	10,233	11,861	24,813	33,862
Basic earnings per ordinary share (sen)	10.78	12.49	26.13	35.66
Diluted earnings per ordinary share (sen)	10.78	12.49	26.13	35.66

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SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Statement of Changes in Equity**For the year ended 31 December 2005**

	Share Capital (Non-distributable) RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2005	94,968	132,290	227,258
Net profit for the period	0	24,813	24,813
Dividends	0	(3,419)	(3,419)
At 31 December 2005	94,968	153,684	248,652
At 1 January 2004	94,968	101,847	196,815
Net profit for the year	0	33,862	33,862
Dividends	0	(3,419)	(3,419)
At 31 December 2004	94,968	132,290	227,258

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SARAWAK OIL PALMS BERHAD
(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Cash Flow Statement for the year ended 31 December 2005

	31 December 2005	31 December 2004
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	31,875	47,403
Adjustments for non-cash flow:-		
Non-cash items	22,519	16,873
Interest income	(1,088)	(1,168)
Dividend income	1	(1)
Interest expenses	8,046	6,111
Operating profit before working capital changes	61,353	69,218
Working capital changes		
Net changes in current assets	2,473	(8,315)
Net changes in current liabilities	25,212	5,159
Cash generated from operations	89,038	66,062
Tax paid	(13,817)	(17,292)
Net cash generated from operations	75,221	48,770
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(65,860)	(49,459)
Acquisition of subsidiary, net of cash required	0	(25,600)
Proceeds from disposal of property, plant and equipment	213	1,360
Dividend received	1	1
Interest received	1,088	1,168
Net cash used in investing activities	(64,558)	(72,530)
CASH FLOW FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings	44,103	57,591
Net change in revolving credits	4,100	-
Interest paid	(11,797)	(10,244)
Dividend paid	(3,419)	(3,419)
Repayment of loan	(30,005)	(15,722)
Net cash generated from financing activities	2,982	28,206
Net increase in cash and cash equivalents	13,645	4,446
Cash and cash equivalents at 1 January	48794	44,348
Cash and cash equivalents at 31 December	62,439	48,794

The notes set out on pages 5 to 6 form an integral part of, and, should be read in conjunction with, this interim financial report.



Explanatory Notes To The Interim Report – 31 December 2005

A. FRS (Financial Reporting Standards) 134 – Paragraph 16

A1. Accounting policies

The interim financial statements of the Group have been prepared using the same accounting policies and methods of computation as those used in the preparation of the last annual financial statements for the financial year ended 31 December 2004, and comply with the requirements of FRS 134 – Interim Financial Report and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

A2. Disclosure of audit report qualification and status of matters raised

There was no qualification in the audit report on the preceding annual financial statements.

A3. Seasonality or cyclicity of interim operations

The Group's performance is affected by the cropping pattern which normally reaches its peak at the second half of the year, and this is reflected accordingly in the production of the Group's plantations and mills.

A4. Unusual items affecting assets, liabilities, equity, net income, or cash flow

There were no items for which by nature or amount affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size, or incidence during the quarter 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.

A6. Issuances, Cancellations, Repurchases, Resale and Repayments of debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities except for the following:

Rights Issue for Ordinary Shares

The Company had proposed renounceable rights issue of 47,484,120 new ordinary shares of RM1.00 each together with 23,742,060 free detachable warrants at an issue price of RM1.40 each on the basis of two (2) rights shares together with one (1) free rights warrant for every four (4) existing shares held in the Company at an entitlement date of 29 November 2005. The entire exercise had been completed. The additional 47,484,120 new ordinary shares and the 23,742,060 warrant arising from the exercise were granted listing and quotation with effect from 3 February 2006.

A7. Dividends paid

Dividends paid on 28 July 2005 were declared on 25 June 2005, in respect on the year ended 31 December 2004 being the first and final dividend of 5% less 28% taxation, on 94,968,240 ordinary shares, amounting to RM3.42 million.

A8. Segment Information

No segment analysis is prepared as the Company is primarily engaged in the oil palm industry in Malaysia.

A9. Carrying Amount of Revalued Assets

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 current quarter.



Explanatory Notes To The Interim Report – 31 December 2005

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 for the incorporation of SOP Pelita Kedayan-Kelulut Plantation Sdn Bhd on 23 November 2005 to carry out a joint venture project with Pelita Holdings Sdn Bhd. The details of which is shown in B8, B(i).

A12. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2004, except for the following:-

	Company RM'000
Corporate guarantees favouring banks for loan granted to subsidiaries	89,000
Loans drawn down by subsidiaries	(68,000)
<u>Contingent liabilities</u>	<u>21,000</u>

A13. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment and for plantation development expenditure not provide for in the financial statements as at 31 December 2005 is as follows:-

	31 December 2005 RM '000
Property, Plant and Equipment	
Authorised but not contracted for	64,013
Contracted but not provided for in the financial statements	32,847
	<u>96,860</u>
Plantation Development Expenditure	
Authorised but not contracted for	36,792
Contracted but not provided for in the financial statements	0
	<u>36,792</u>

A14. Related Party Transaction

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:-

Transactions with companies in which Datuk Ling Chiong Ho, a Director, has or is deemed to have substantial interests:-

	12 months ended 31 December 2005 <u>RM '000</u>
<u>Nature of transactions</u>	
Purchase of consumables from Shin Yang Services Sdn Bhd , Shin Yang Trading Sdn Bhd , Hollystone Quarry Sdn Bhd, Shin Yang Sawmill Sdn Bhd, Perkerjaan Piasau Konkerit Sdn Bhd, Shin Yang Sdn Bhd , Scott & English Trading (S'wak) Sdn Bhd, Miri Belait Transport Co Bhd and Melinau Transport Sdn Bhd	11,755
Purchase of farm machineries and spare parts from Dai Lieng Machinery Sdn Bhd and Dai Lieng Trading Sdn Bhd	2,860
Interest charged by Shin Yang Holding Sdn Bhd	824
Purchase of fresh fruit bunches from Greenwood Estate Sdn Bhd and Jati Vista Sdn Bhd	4,334

Explanatory Notes To The Interim Report – 31 December 2005

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

B1. Review of performance

The Group registered a total revenue of RM185.0 million for the current financial year ended 31 December 2005 compared with RM168.0 million reported in the financial year ended 31 December 2004. Despite the softening of CPO and PK prices during the year, the revenue of the Group increased by RM17.0 million or 10.1% mainly due to higher CPO production.

The Group's profit before taxation for the twelve months ended 31 December 2005 decreased by RM15.5 million or 32.8% to RM31.9 million compared to the previous year as a result of lower CPO and PK prices and increase in cost of production. At the same time, losses were incurred at Subsidiary Companies where substantial parts of the oil palm estates are at early stages of maturity.

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

For the quarter under review, the Group recorded a profit before tax and minority interest of RM9.1 million compared to RM9.9 million in the preceding quarter.

B3. Commentary on Prospects

The performance of the Group is largely dependent on developments in the world edible oil market, movement of Ringgit Malaysia 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. Tax expense

	3 months ended 31 December		12 months ended 31 December	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current tax expense	542	5,862	10,882	17,304
Additional tax for YA 2004/2003	0	0	122	193
Deferred tax	(1,835)	(2,552)	(1,972)	(2,552)
	(1,293)	3,310	8,788	14,945

The Group's effective tax rate is higher than the prima facie tax rate as group relief was not available for losses incurred at the subsidiaries and the non-deductibility for tax purposes of certain expenses.

B6. Sale of Unquoted investments and properties

There is no sale of unquoted investments and/or properties for the current quarter and current financial year-to-date.

B7. Quoted investments

There is no purchase or disposal of quoted securities. The investments in quoted securities as at 31 December 2005 is as follows:-

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	87	49	24

Explanatory Notes To The Interim Report – 31 December 2005

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 following:-

(A) Joint Venture with Sarawak Economic Development Corporation (“SEDC”)

On 23 December 2004, it was announced that the Company had entered into a joint venture agreement with SEDC to develop a parcel of land into an oil palm estate. In the said agreement, both parties have also jointly agreed that a joint-venture company, namely SOP Karabungan Sdn Bhd, shall acquire the said land and carry out the development of the Land. The joint-venture exercise is still incomplete as both parties are still in the process of fulfilling the conditions precedent of the said agreement.

(B) Joint Venture with Pelita Holdings Sdn Bhd (“PHSB”)

(i) *SOP Pelita Kedayan-Kelulit Plantation Sdn Bhd*

On 17 August 2005, it was announced that the Company had entered into a joint venture agreement with PHSB to develop an area under Native Customary Rights (“**NCR**”) of approximately 2,247 hectares described as Kedayan-Kelulit, NCR Land Development Areas, Miri Division, Sarawak (“**NCR Land**”) into an oil palm plantation.

The joint venture will be undertaken by the joint venture company (“**JVC**”) to be known as SOP Pelita Kedayan-Kelulit Plantation Sdn Bhd. The issued and paid up share capital of the said JVC will be increased to RM3,428,570 comprising 3,428,570 Shares, of which SOPB will subscribe for a 55% interests or 1,885,713 shares via cash payment(s), and the remaining 45% interest will be held by Pelita (of which 35% will be held in trust by Pelita for and on behalf of the NCR owners), comprising 1,542,857 shares to be fully settled via a combination of cash payments and the disposal of the NCR Land to the JVC. The joint venture is still not completed as the PHSB is carrying out NCR land bank creation, and awaiting FIC approval.

(ii) *SOP Pelita Bekenu & Niah Plantation Sdn Bhd*

On 15 December 2005, the Company had entered into a joint venture agreement with PHSB for the proposed establishment of a joint venture company (“**JVC**”) to be named as SOP Pelita Bekenu & Niah Plantation Sdn Bhd to undertake the development of Native Customary Rights (“**NCR**”) land situated at Kuala Bakas, Sibuti, Miri Division, Sarawak containing a gross area of approximately 1,250 hectares into oil palm plantation together with such other ancillary facilities and service. The eventual shareholdings of PHSB and SOPB in the JVC are 720,000 (40%) shares of which, 540,000 (30%) shares will be held in trust on behalf of the land owners) and 1,080,000 (60%) shares respectively. The subscription of shares in the JVC will be satisfied by cash to be funded through internally generated funds and/or bank borrowings of SOPB Group. The joint venture is still not completed as PHSB is carrying out NCR land bank creation, and awaiting FIC approval.

(C) Joint Venture with Shin Yang Holding Sendirian Berhad (“SYHSB”)

On 15 December 2005, it was announced that the Company had entered into a Conditional Share Subscription Agreement (“**CSSA**”) with SYHSB to develop 6 lots of land under Provisional Leases of a joint-venture company namely Danum Jaya Sdn Bhd (“**DJSB**”).

Pursuant to the CSSA, SOPB will subscribe for a total of 19,500,000 new shares in DJSB (“**Subscription Shares**”) in three stages, with a total cash consideration of RM30 million. The subscription shares will be subscribed free from all charges, liens and other encumbrances and at a premium of RM0.54 to the par value per share.



Explanatory Notes To The Interim Report – 31 December 2005

B8. Status of corporate proposal announced (Continued)

(C) Joint Venture with Shin Yang Holding Sendirian Berhad (“SYHSB”) (Continued)

DJSB will, upon completion of Stage 1 of the subscription of the Subscription shares by SOPB, issue 2,500,000 new bonus shares and 1,000,000 new Redeemable Preference Shares (“RPS”) to SYHSB. Similarly, upon completion of stage 2 and 3, DJSB will then issue 3,500,000 new bonus shares respectively to SYHSB (the 9,500,000 new bonus shares to be issued in Stages 1,2 and 3 are collectively referred to as “Bonus Shares”). The Bonus shares and RPS will be capitalised from the share premium reserve of DJSB arising from the subscription Shares by SOPB at a premium of approximately RM0.54 per share. The joint-venture exercise is still incomplete as both parties are still in the process of fulfilling the conditions precedent of the said agreement.

(D) Rights Issue for Ordinary Shares

On 26 April 2005, AmMerchant Bank had, on behalf on the Board of Directors announced that the Company proposed to implement the following:-

- (i) a proposed renounceable rights issue of 47,484,120 new ordinary shares of RM1.00 each together with 23,742,060 free detachable warrants at an issue price of RM1.40 each on the basis of two (2) rights shares together with one (1) free rights warrant for every four (4) existing shares held in the Company at an entitlement date of 29 November 2005.
- (ii) a proposed exemption sought by Datuk Ling Chiong Ho (“DLCH”) and parties acting in concert with DLCH, namely, Ling Chiong Pin, Ling Chiong Sing, Ling Chiong Sieng, Shin Yang Plantation Sdn Bhd and Shin Yang Holding Sendirian Berhad (Collectively known as “parties acting in concert”) for an exemption under practice note 2.9.1 of the Malaysian code on take-overs and mergers, 1998 from the obligation to undertake a mandatory offer for the remaining shares in SOPB not already owned by DLCH and parties acting in concert with him upon the completion of the proposed rights issue with warrants (“Proposed Exemption”).

On 9 September 2005, the abovementioned proposals were approved by the SC.

The Company announced that the book closure date for the Rights Issues with warrants was on 10 November 2005. On 5 December 2005, the Company had issued an Abridged Prospectus (“AP”) together with the Notice of Provisional Allotment of Rights Share with Rights Warrants (“NPA”) and Rights Subscription Form (“RSF”).

The allotment and issuance of securities was on 20 January 2006. The additional 47,484,120 new ordinary shares and the 23,742,060 warrant arising from the exercise was granted listing and quotation with effect from 3 February 2006.

Status of Utilisation of Proceeds

The gross proceeds to be raised from the Proposed Rights Issue with Warrants amounting to approximately RM66.48 million are to be utilised in the following manner:-

Purposes	Amount (RM'000)
(a) Construction and upgrading of palm oil mills	46,000
(b) Oil Palm development	8,000
(c) Working capital	11,930
(d) Estimated expenses for the Proposals	550
Total	66,480

Explanatory Notes To The Interim Report – 31 December 2005

B8. Status of corporate proposal announced (Continued)

(D) Rights Issue for Ordinary Shares (Continued)

As at 27 February 2006, the status of the utilisation of proceeds are as follows:-

	<i>Approved Amount (RM'000)</i>	<i>Applied Amount (RM'000)</i>
(i) Construction and upgrading of palm oil mills		
New 90 mt Lambir Mill	24,500	-
Upgrade of Galasah Mill 45 mt to 90 mt	10,000	7,100
New 45 mt Balingian mill	11,500	1,800
	46,000	8,900
(ii) New area under development		
Sepakau 3	2,300	2,300
Tibus	1,700	1,700
Karabungan	4,000	4,000
	8,000	8,000
(iii) Working capital	11,930	4,369
(iv) Estimated expenses for the proposals	550	485
TOTAL	66,480	21,754

B9. Borrowing and debt securities

	31 December 2005 RM'000
Current	
Secured	19,782
Unsecured	12,500
Non-current	
Secured	160,124
Unsecured	12,802
	205,208

The above borrowings are denominated in Ringgit Malaysia.

B10. Off balance sheet financial instruments

During the financial year todate, the Group did not enter into any contract involving off balance sheet financial instruments.

Explanatory Notes To The Interim Report – 31 December 2005

B11. Changes in material litigation

SOP Plantations (Suai) Sdn Bhd (“SOP (Suai)”)

On 14 May 2004, SOP (Suai) obtained an order from the High Court, Miri to recover possession of Lot 931 Niah Land District (“Lot 931”) totalling 1,054 hectares against seven (7) defendants comprising six (6) named individuals and every other person in occupation of Lot 931. An appeal against the High Court order dated 14 May 2004 was filed.

On 16 January 2006, the appellants concerned had filed the Notice of Withdrawal in respect of the said appeal.

B12. Dividends

No interim ordinary dividend has been declared for the financial period ended 31 December 2005 (31 December 2004 – nil).

B13. Earnings per share

Basic/Diluted earnings per share

The calculation of basic/diluted earnings per share for the quarter is based on the net profit attributable to ordinary shareholders of RM10.3 million and the number of ordinary shares outstanding during the quarter of 94,968,240.

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 February 2006.

By Order of the Board
Eric Kiu Kwong Seng
Company Secretary
Miri
27 February 2006