

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2006

(The figures have not been audited)

Condensed Consolidated Balance Sheet as at 31 March 2006

	31 March 2006	31 December 2005
	RM'000	RM'000
ASSETS		
Non-current Assets		
Property, Plant & Equipment	491,732	489,030
Investment Properties	49	49
Intangible Assets	1,026	1,026
Deferred tax assets	7,337	7,337
	<u>500,144</u>	<u>497,442</u>
Current Assets		
Inventories	11,449	10,428
Trade and other receivables	6,445	10,021
Cash & bank balances	76,244	63,971
	<u>94,138</u>	<u>84,420</u>
TOTAL ASSETS	<u><u>594,282</u></u>	<u><u>581,862</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	142,452	94,968
Share premium	18,994	0
Retained earnings	156,411	153,684
Minority interest	<u>12,805</u>	<u>10,475</u>
Total equity	330,662	259,127
Non-current liabilities		
Borrowings	163,116	156,716
Deferred tax liabilities	27,411	8,532
Other deferred liabilities	8,503	27,411
	<u>199,030</u>	<u>192,659</u>
Current Liabilities		
Borrowings	25,107	48,492
Trade & other payables	39,384	81,130
Current tax payable	99	454
	<u>64,590</u>	<u>130,076</u>
Total liabilities	<u>263,620</u>	<u>322,735</u>
TOTAL EQUITY AND LIABILITIES	<u><u>594,282</u></u>	<u><u>581,862</u></u>
Net assets per share (RM)	2.32	2.73

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this report.)



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Income Statements for the period ended 31 March 2006

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended 31 March		3 months ended 31 March	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Continuing Operations				
Revenue	43,781	39,143	43,781	39,143
Cost of sales	(35,273)	(29,417)	(35,273)	(29,417)
Gross profit	8,508	9,726	8,508	9,726
Other income	597	376	597	376
Administrative expenses	(405)	(260)	(405)	(260)
Distribution costs	(1,942)	(1,861)	(1,942)	(1,861)
Finance costs	(2,417)	(2,146)	(2,417)	(2,146)
Profit before tax	4,341	5,835	4,341	5,835
Taxation	(2,284)	(3,002)	(2,284)	(3,002)
Profit for the period	<u>2,057</u>	<u>2,833</u>	<u>2,057</u>	<u>2,833</u>
Profit for the period attributable to:				
Equity holders of the parent	2,727	3,697	2,727	3,697
Minority interest	(670)	(864)	(670)	(864)
	<u>2,057</u>	<u>2,833</u>	<u>2,057</u>	<u>2,833</u>
Earning per share attributable to equity holders of the parent (Sen):				
Basic	<u>1.91</u>	<u>3.89</u>	<u>1.91</u>	<u>3.89</u>
Diluted	<u>1.88</u>	<u>3.89</u>	<u>1.88</u>	<u>3.89</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this report.)



SARAWAK OIL PALMS BERHAD

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Condensed Consolidated Statement of Changes in Equity For the three months ended 31 March 2006

	← Attributable to Equity Holders of the Parent →					
	Share Capital RM'000	Non- distributable reserves Share Premium RM'000	Distributable Reserve Retained Profits RM'000	Total Reserves RM'000	Minority Interest RM'000	Total Equity RM'000
At 1 January 2006	94,968	0	153,684	153,684	10,475	259,127
Issuance of share capital	47,484	18,994	0	18,994	3,000	69,478
Net profit for the period	0	0	2,727	2,727	(670)	2,057
Dividends	0	0	0	0	0	0
At 31 March 2006	142,452	18,994	156,411	175,405	12,805	330,662
At 1 January 2005	94,968	0	132,290	132,290	12,201	239,459
Net profit for the year	0	0	24,813	24,813	(1,726)	23,087
Dividends	0	0	(3,419)	(3,419)	0	(3,419)
At 31 December 2005	94,968	0	153,684	153,684	10,475	259,127

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this report.)



SARAWAK OIL PALMS BERHAD

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Condensed Consolidated Cash Flow Statement For the Period Ended 31 March 2006

	31 March 2006	31 March 2005
	RM'000	RM'000
Net cash (outflow)/inflow from operating activities	(26,404)	7,084
Net cash outflow from investing activities	(8,011)	(7,322)
Net cash inflow/(outflow) from financing activities	48,220	(590)
Net increase/(decrease) in cash and cash equivalents	13,805	(828)
Cash and cash equivalents at 1 January	62,439	48,794
Cash and cash equivalents at 31 March	76,244	47,966

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to this report.)



SARAWAK OIL PALMS BERHAD

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Explanatory Notes To The Interim Report – 31 March 2006

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

A1. Accounting policies

The interim financial statements of the Group 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 2005, except for the adoption of the following new and revised Financial Reporting Standards (“FRS”) which are effective for financial periods beginning 1 January 2006.

FRS 2: Share-based Payment

FRS 3: Business Combination

FRS 5: Non-current Assets Held for Sale and Discontinued Operations

FRS 101: Presentation of Financial Statements

FRS 102: Inventories

FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors

FRS 110: Events after the Balance Sheet Date

FRS 116: Property, Plant and Equipment

FRS 121: The Effects of Changes in Foreign Exchange Rates

FRS 127: Consolidated and Separate Financial Statements

FRS 128: Investments in Associates

FRS 131: Interests in Joint Ventures

FRS 133: Earnings Per Share

FRS 136: Impairment of Assets

FRS 138: Intangible Assets

FRS 140: Investment Property

The adoption of FRS 2, 3, 5, 101, 102, 108, 110, 116, 121, 127, 128, 131, 133, 136, 138 and 140 does not have a significant financial impact on the Group.

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

There were 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 affecting assets, liabilities, equity, net income, or cash flows that were unusual in nature, size, or incidence during the financial 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.

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 completed the renounceable rights issue of 47,484,120 new ordinary shares of RM1.00 each together with 23,742,060 free detachable warrants (“additional ordinary shares and 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 additional ordinary shares and warrants were granted listing and quotation with effect from 3 February 2006.



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A7. Dividends paid

There were no dividend paid during the financial 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 for the incorporation of SOP Pelita Bekenu & Niah Plantations Sdn Bhd on 29 March 2006 for the purpose of carrying out a joint venture project with native land-owners and Pelita Holdings Sdn Bhd.

The above subsidiary company had not commenced business operation.

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 2005, 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)
Contingent liabilities	21,000

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 March 2006 is as follows:-

	31 March 2006 RM'000
Property, Plant and Equipment	
Authorised but not contracted for	73,353
Contracted but not provided for in the financial statements	30,188
	103,541
Plantation Development Expenditure	
Authorised but not contracted for	29,045
Contracted but not provided for in the financial statements	2,313
	358



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

B1. Review of performance

The Group registered a total revenue of RM43.8 million for the three months ended 31 March 2006 compared with RM39.1 million reported in the preceding year corresponding quarter. The revenue of the Group increased by RM4.6 million or 11.8% mainly due to the higher sales volume and average CPO price realized for the first quarter in 2006.

The Group's profit before taxation for the three months ended 31 March 2006 decreased by RM1.5 million or 25.6% to RM4.3 million compared to the previous year corresponding period as a result of increase in operation costs.

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 RM4.3 million compared to RM11.2 million in the preceding quarter. This was due to the substantially higher sales volume achieved for the preceding quarter. This was expected as the FFB production for the first half of the year is normally lower than the second half of the year as mentioned in A3 above.

B3. Prospects for the current financial year

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. Taxation

	3 months ended 31 March		3 months ended 31 March	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax expense	2,284	3,002	2,284	3,002
Deferred tax	0	0	0	0
	2,284	3,002	2,284	3,002

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

B6. Unquoted Investments and Properties

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

B7. Quoted investments

There was no purchase or disposal of quoted securities. The investments in quoted securities as at 31 March 2006 is as follows:-

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	87	49	28



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Explanatory Notes To The Interim Report – 31 March 2006

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 10 March 2006, it was announced that all the conditions precedent of the joint venture agreement signed between the Company and SEDC had been fulfilled.

(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.

A new joint venture company (“JVC”) known as SOP Pelita Kedayan-Kelulit Plantation Sdn Bhd had been incorporated on 23 November 2005. 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 still 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 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 still carrying out NCR land bank creation and awaiting FIC approval. The JVC, SOP Pelita Bekenu & Niah Plantations Sdn Bhd, had been incorporated on 29 March 2006.

(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.

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.

On 19 April 2006, FIC has approved the Proposed JV.



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Explanatory Notes To The Interim Report – 31 March 2006

B8. Status of corporate proposal announced (Continued)

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

The Members of the Company had approved the above-mentioned joint venture in an Extraordinary General Meeting on 30 May 2006.

(D) Rights Issue for Ordinary Shares

The Company had completed the renounceable rights issue of 47,484,120 new ordinary shares of RM1.00 each together with 23,742,060 free detachable warrants (“additional ordinary shares and 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 additional ordinary shares and warrants were granted listing and quotation with effect from 3 February 2006.

Status of Utilisation of Proceeds

The gross proceeds raised from the Rights Issue with Warrants amounted to approximately RM66.48 million and as of 27 May 2006, the status of the utilization of the proceeds as compared to its expected utilization is as follows:-

Purposes	Approved Amount (RM'000)	Applied Amount (RM'000)
(a) Construction and upgrading of palm oil mills		
New 90 mt Lambir Mill	24,500	1,027
Upgrade of Galasah Mill 45 mt to 90 mt	10,000	10,000
New 45 mt Balingian mill	11,500	3,013
	46,000	14,040
(b) New area under development		
Sepakau 3	2,300	2,300
Tibus	1,700	1,700
Karabungan	4,000	4,000
	8,000	8,000
(c) Working capital	11,930	11,066
(d) Expenses for the exercise	550	521
TOTAL	66,480	33,627



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Explanatory Notes To The Interim Report – 31 March 2006

B13. Earnings per share (Continued)

Diluted earnings per share

The diluted earning per share for the quarter is based for the quarter is based on the profit attributable to equity holders of the parent of RM2.7 million and on the weighted average number of ordinary shares of RM1 each in issue during the year of 145,015,251.

	3 months ended		3 months ended	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	2,727	3,697	2,727	3,697
	3 months ended		3 months ended	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	145,015	94,968	145,015	94,968
	3 months ended		3 months ended	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005
	Sen	Sen	Sen	Sen
Diluted earning per share	1.88	3.89	1.88	3.89

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 30 May 2006.

By Order of the Board

Eric Kiu Kwong Seng

Company Secretary

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30 May 2006

