

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2006

(The figures have not been audited)

Condensed Consolidated Balance Sheet as at 30 June 2006

| Note | 30 June 2006 RM'000 | 31 December 2005 RM'000 |
|--|------------------------|----------------------------|
| ASSETS | | |
| Non-current Assets | | |
| Property, Plant & Equipment | 545,360 | 489,030 |
| Investment Properties | 49 | 49 |
| Intangible Assets | 1,026 | 1,026 |
| Deferred tax assets | 7,337 | 7,337 |
| | <u>553,772</u> | <u>497,442</u> |
| Current Assets | | |
| Inventories | 14,080 | 10,428 |
| Trade and other receivables | 9,254 | 10,021 |
| Cash & bank balances | 54,770 | 62,439 |
| | <u>78,104</u> | <u>82,888</u> |
| TOTAL ASSETS | <u>631,876</u> | <u>580,330</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital A6 | 142,452 | 94,968 |
| Share premium | 18,994 | - |
| Retained earnings | 161,975 | 153,684 |
| | <u>323,421</u> | <u>248,652</u> |
| Minority interest | 31,536 | 10,475 |
| Total equity | <u>354,957</u> | <u>259,127</u> |
| Non-current liabilities | | |
| Borrowings | 168,192 | 155,184 |
| Deferred tax liabilities | 35,690 | 8,532 |
| Other deferred liabilities | 7,552 | 27,411 |
| | <u>211,434</u> | <u>191,127</u> |
| Current Liabilities | | |
| Borrowings | 29,892 | 48,492 |
| Trade & other payables | 34,780 | 81,130 |
| Current tax payable | 813 | 454 |
| | <u>65,485</u> | <u>130,076</u> |
| Total liabilities | <u>276,919</u> | <u>321,203</u> |
| TOTAL EQUITY AND LIABILITIES | <u>631,876</u> | <u>580,330</u> |
| Net assets per share (RM) | 2.27 | 2.62 |

(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 Six-Months Period Ended 30 June 2006

| | Note | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|------------|---------------------------|----------------|---------------------------|----------------|
| | | 3 months ended 30 June | | 6 months ended 30 June | |
| | | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Continuing Operations | | | | | |
| Revenue | | 46,478 | 41,824 | 90,259 | 80,967 |
| Cost of sales | | (35,813) | (31,240) | (71,086) | (60,657) |
| Gross profit | | 10,665 | 10,584 | 19,173 | 20,310 |
| Other income | | 629 | 628 | 1,226 | 1,004 |
| Administrative expenses | | (96) | (133) | (501) | (393) |
| Distribution costs | | (2,225) | (1,916) | (4,167) | (3,777) |
| Finance costs | | (2,321) | (2,158) | (4,738) | (4,304) |
| Profit before tax and reserve on consolidation | | 6,652 | 7,005 | 10,993 | 12,840 |
| Reserve on consolidation | | 3,605 | - | 3,605 | - |
| Profit before tax | B5 | 10,257 | 7,005 | 14,598 | 12,840 |
| Taxation | | (2,493) | (3,716) | (4,777) | (6,718) |
| Profit for the period | | 7,764 | 3,289 | 9,821 | 6,122 |
| Profit for the period attributable to: | | | | | |
| Equity holders of the parent | | 8,128 | 4,038 | 10,855 | 7,735 |
| Minority interest | | (364) | (749) | (1,034) | (1,613) |
| | | 7,764 | 3,289 | 9,821 | 6,122 |
| Earning per share attributable to equity holders of the parent (Sen): | | | | | |
| Basic | B13 | 5.71 | 4.25 | 7.66 | 8.14 |
| Diluted | B13 | 5.60 | 4.25 | 7.52 | 8.14 |

(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

(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Statement of Changes in Equity For the Six-Months Period Ended 30 June 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 RM'000 | Minority Interest RM'000 | Total Equity RM'000 |
| At 1 January 2006 | 94,968 | - | 153,684 | 248,652 | 10,475 | 259,127 |
| Issuance of share capital | 47,484 | 18,994 | - | 66,478 | 22,095 | 88,573 |
| Net profit for the period | - | - | 10,855 | 10,855 | (1,034) | 9,821 |
| Dividends | - | - | (2,564) | (2,564) | - | (2,564) |
| At 30 June 2006 | 142,452 | 18,994 | 161,975 | 323,421 | 31,536 | 354,957 |
| At 1 January 2005 | 94,968 | - | 132,290 | 227,258 | 12,201 | 239,459 |
| Net profit for the year | - | - | 24,813 | 24,813 | (1,726) | 23,087 |
| Dividends | - | - | (3,419) | (3,419) | - | (3,419) |
| At 31 December 2005 | 94,968 | - | 153,684 | 248,652 | 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 Six-Months Period Ended 30 June 2006

| | 30 June 2006 | 30 June 2005 |
|---|--------------|--------------|
| | RM'000 | RM'000 |
| Net cash inflow from operating activities | 10,196 | 18,081 |
| Net cash outflow from investing activities | (38,692) | (25,533) |
| Net cash inflow from financing activities | 20,827 | 4,408 |
| Net decrease in cash and cash equivalents | (7,669) | (3,044) |
| Cash and cash equivalents at 1 January | 62,439 | 48,794 |
| Cash and cash equivalents at 30 June | 54,770 | 45,750 |

(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 – 30 June 2006

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 long term leasehold land included within property, plant and equipment.

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 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 as disclosed in Note B8.



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Explanatory Notes To The Interim Report – 30 June 2006

A7. Dividends paid

A first and final dividend of 2.5% less 28% taxation on 142,452,360 ordinary shares in respect of the financial year ended 31 December 2005 amounting to RM2,564,143 was declared on 30 May 2006 and paid on 28 June 2006.

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

Acquisition of a Subsidiary

On 8 May 2006, the Group acquired 65% equity interest in Danum Jaya Sdn. Bhd. (“Danum Jaya”), an unlisted company incorporated in Malaysia which is involved in oil palm cultivation.

The cost of acquisition comprised the following:

RM'000

Purchase consideration satisfied by cash 30,000

The acquired subsidiary has contributed to the following results to the Group:

RM'000

Loss for the period 10

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiary is as follows:

| | |
|-------------------------------|-----------------|
| Property, plant and equipment | 38,661 |
| Inventories | 105 |
| Other receivables | 20,178 |
| Cash and bank balances | 2,903 |
| Trade and other payables | (554) |
| Deferred tax liabilities | (8,593) |
| Redeemable preference shares | (1,000) |
| Total net assets | <u>51,700</u> |
| Less: Minority Interest | <u>(18,095)</u> |
| Group's share of net assets | 33,605 |
| Reserve on consolidation | <u>(3,605)</u> |
| Total consideration | 30,000 |
| Less: Consideration payable | <u>(20,000)</u> |
| | <u>10,000</u> |

The cash outflow on acquisition is as follows:

| | |
|--|----------------|
| Purchase consideration satisfied by cash | 10,000 |
| Cash and cash equivalents of subsidiary acquired | <u>(2,903)</u> |
| Net cash outflow of the Group | <u>7,097</u> |



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A12. Changes in contingent liabilities and contingent assets

The amount of contingent liabilities as at 30 June 2006 is as follows:

| | Company RM'000 |
|---|---------------------------|
| Corporate guarantees favouring banks for loan granted to subsidiaries | 89,000 |
| Loan undrawn by subsidiaries | (21,000) |
| <u>Contingent liabilities</u> | <u>68,000</u> |

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 2006 is as follows:-

| | 30 June 2006 RM'000 |
|---|--------------------------------|
| Property, Plant and Equipment | |
| Authorised but not contracted for | 57,006 |
| Contracted but not provided for in the financial statements | 34,637 |
| | <u>91,643</u> |
| Plantation Development Expenditure | |
| Authorised but not contracted for | 29,430 |
| Contracted but not provided for in the financial statements | 13,142 |
| | <u>42,572</u> |



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

B1. Review of performance

The Group registered a total revenue of RM90.3 million for the six months ended 30 June 2006 compared with RM81.0 million reported in the preceding year corresponding period. The revenue of the Group increased by RM9.3 million or 11.5% mainly due to the higher sales volume and better average CPO price realised during the period.

The Group's profit before taxation and reserve on consolidation for the six months ended 30 June 2006 decreased by RM1.8 million or 14.4% as a result of increase in operation costs due to higher diesel cost. With the recognition of reserve on consolidation amounting to RM3.6 million in the consolidated income statement of the Group resulting from the acquisition of Danum Jaya as mentioned in A11, the Group's profit before taxation increased by RM1.8 million or 13.7% to RM14.6 million compared to the previous year.

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, reserve on consolidation and minority interest of RM6.7 million compared to RM4.3 million in the preceding quarter. The increase is mainly due to the higher sales volume during the quarter. With the recognition of reserve on consolidation amounting to RM3.6 million in the Consolidated Income Statements of the Group resulting from the acquisition of Danum Jaya as mentioned above, the Group profit before tax and minority interest increased to RM10.3 million.

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

| | 2006 RM'000 | 3 months ended 30 June 2005 RM'000 | 2006 RM'000 | 6 months ended 30 June 2005 RM'000 |
|---------------------|----------------|---|----------------|---|
| Current tax expense | 2,808 | 3,716 | 5,092 | 6,718 |
| Deferred tax | (315) | - | (315) | - |
| | <u>2,493</u> | <u>3,716</u> | <u>4,777</u> | <u>6,718</u> |

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.



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Explanatory Notes To The Interim Report – 30 June 2006

B7. Quoted investments

There was no purchase or disposal of quoted securities. The investments in quoted securities as at 30 June 2006 is as follows:-

| | Cost RM'000 | Book Value RM'000 | Market Value RM'000 |
|--------------------------|----------------|----------------------|------------------------|
| Total quoted investments | 87 | 49 | 32 |

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 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.

(B) 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 granted listing and quotation with effect from 3 February 2006.



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Explanatory Notes To The Interim Report – 30 June 2006

B8. Status of corporate proposal announced (Continued)

Status of Utilisation of Proceeds

The gross proceeds raised from the Rights Issue with Warrants amounted to RM66.48 million and as of 21 August 2006, the status of the utilization of the proceeds as compared to its expected utilization is as follows:-

| | <i>Approved Amount</i> | <i>Applied Amount</i> |
|---|----------------------------|---------------------------|
| | (RM'000) | (RM'000) |
| (a) Construction and Upgrading of palm oil mills | | |
| New 90mt Lambir Mill | 24,500 | 4,022 |
| Upgrade of Galasah Mill 45mt to 90 mt | 10,000 | 10,000 |
| New 45mt Balingian Mill | 11,500 | 11,500 |
| | 46,000 | 25,522 |
| (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 | 11,930 |
| (d) Expenses for the exercise | 550 | 521 |
| TOTAL | 66,480 | 45,973 |

B9. Borrowing and debt securities

| | 30 June 2006 RM'000 |
|-------------|------------------------|
| Current | |
| Secured | 16,737 |
| Unsecured | 13,155 |
| Non-current | |
| Secured | 162,500 |
| Unsecured | 5,692 |
| | 198,084 |

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.

B11. Changes in material litigation

There are no material litigation which need to be disclose for the quarter under review.

B12. Dividends

No interim ordinary dividend has been declared for the financial period ended 30 June 2006 (30 June 2005 – nil).



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

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

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 RM7.3 million and on the weighted average number of ordinary shares of RM1 each in issue during the year of 141,708,442.

| | 3 months ended | | 6 months ended | |
|--|----------------|-----------|----------------|-----------|
| | 30.6.2006 | 30.6.2005 | 30.6.2006 | 30.6.2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit attributable to ordinary equity holders of the parent | 8,128 | 4,038 | 10,855 | 7,735 |
| | 30.6.2006 | 30.6.2005 | 30.6.2006 | 30.6.2005 |
| | '000 | '000 | '000 | '000 |
| Weighted average number of Ordinary shares in issue | 142,452 | 94,968 | 141,708 | 94,968 |
| | 30.6.2006 | 30.6.2005 | 30.6.2006 | 30.6.2005 |
| | Sen | Sen | Sen | Sen |
| Basic earning per share | 5.71 | 4.25 | 7.66 | 8.14 |

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 RM7.3 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 144,316,280.

| | 3 months ended | | 6 months ended | |
|--|----------------|-----------|----------------|-----------|
| | 30.6.2006 | 30.6.2005 | 30.6.2006 | 30.6.2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit attributable to ordinary equity holders of the parent | 8,128 | 4,038 | 10,855 | 7,735 |
| | 30.6.2006 | 30.6.2005 | 30.6.2006 | 30.6.2005 |
| | '000 | '000 | '000 | '000 |
| Weighted average number of Ordinary shares in issue | 145,061 | 94,968 | 144,316 | 94,968 |
| | 30.6.2006 | 30.6.2005 | 30.6.2006 | 30.6.2005 |
| | Sen | Sen | Sen | Sen |
| Diluted earning per share | 5.60 | 4.25 | 7.52 | 8.14 |

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 28 August 2006.

By Order of the Board

Eric Kiu Kwong Seng

Company Secretary

Miri

16 November 2006

