

SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

(The figures have not been audited)

Condensed Consolidated Balance Sheet as at 30 September 2006

	Note	30 September 2006 RM'000	30 September 2005 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		564,661	489,030
Investment properties		49	49
Intangible assets		1,026	1,026
Deferred tax assets		7,337	7,337
		<u>573,073</u>	<u>497,442</u>
Current Assets			
Inventories		15,688	10,428
Trade and other Receivables		14,610	10,021
Cash and bank balances		51,092	62,439
		<u>81,390</u>	<u>82,888</u>
TOTAL ASSETS		<u>654,463</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		172,619	153,684
		<u>334,065</u>	<u>248,652</u>
Minority interest		<u>31,307</u>	<u>10,475</u>
Total equity		<u>365,372</u>	<u>259,127</u>
Non-current liabilities			
Borrowings		182,625	155,184
Deferred tax liabilities		37,168	8,532
Other deferred liabilities		7,552	27,411
		<u>227,345</u>	<u>191,127</u>
Current liabilities			
Borrowings		27,179	48,492
Trade and other payables		34,567	81,130
Current tax payable		-	454
		<u>61,746</u>	<u>130,076</u>
Total liabilities		<u>289,091</u>	<u>321,203</u>
TOTAL EQUITY AND LIABILITIES		<u>654,463</u>	<u>580,330</u>
Net assets per share (RM)		2.35	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 Nine-Months Period Ended 30 September 2006

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		9 months ended	
		30 September		30 September	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
Continuing Operations					
Revenue		62,325	50,600	152,584	131,567
Cost of sales		(44,730)	(35,928)	(115,816)	(96,585)
Gross profit		17,595	14,672	36,768	34,982
Other income		914	279	2,140	1,283
Administrative expenses		(359)	(350)	(860)	(743)
Distribution costs		(3,559)	(2,336)	(7,726)	(6,113)
Finance costs		(2,648)	(2,364)	(7,386)	(6,668)
Profit before tax and reserve on consolidation		11,943	9,901	22,936	22,741
Reserve on consolidation		-	-	3,605	-
Profit before tax		11,943	9,901	26,541	22,741
Taxation	B5	(1,528)	(4,968)	(6,305)	(11,686)
Profit for the period		10,415	4,933	20,236	11,055
Profit for the period attributable to:					
Equity holders of the parent		10,644	5,240	21,499	12,975
Minority interest		(229)	(307)	(1,263)	(1,920)
		10,415	4,933	20,236	11,055
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	7.47	5.52	15.14	13.66
Diluted	B13	7.25	5.52	14.65	13.66

(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 Nine-Months Period Ended 30 September 2006

	← Attributable to Equity Holders of the Parent →					
	Share Capital RM'000	Non- Distributable 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	-	-	21,499	21,499	(1,263)	20,236
Dividends	-	-	(2,564)	(2,564)	-	(2,564)
At 30 September 2006	142,452	18,994	172,619	334,065	31,307	365,372
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

(Incorporated in Malaysia – 7949-M)

Condensed Consolidated Cash Flow Statement For the Nine-Months Period Ended 30 September 2006

	30 September 2006 RM'000	30 September 2005 RM'000
Net cash inflow from operating activities	23,375	29,883
Net cash outflow from investing activities	(59,315)	(40,728)
Net cash inflow from investing activities	23,210	3,691
Net decrease in cash and cash equivalents	(12,730)	(7,154)
Cash and cash equivalents at 1 January	62,439	48,794
Cash and cash equivalents at 30 September	49,709	41,640
Cash and cash equivalents at the end of the financial period comprised the following:		
Cash and bank balances	51,092	41,640
Bank overdrafts (included within short-term borrowings in Note B9)	(1,383)	-
	49,709	41,640

(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 September 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 freehold 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 132: Financial Instruments: Disclosure and Presentation

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, 132, 133, 136, 138 and 140 does not have significant financial impact on the Group.

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 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.



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Explanatory Notes To The Interim Report – 30 September 2006

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.

A7. Dividends paid

There were no dividends 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.

A12. Changes in contingent liabilities and contingent assets

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

	Company RM'000
Corporate guarantees favouring banks for loan granted to subsidiaries	89,000
Loan undrawn by subsidiaries	(21,000)
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Contingent liabilities	68,000
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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 September 2006 is as follows:-

	30 September 2006 RM'000
Property, plant and equipment	
Authorised but not contracted for	30,110
Contracted but not provided in the financial statements	50,943
	<hr/>
	81,053
	<hr/> <hr/>
Plantation Development Expenditure	
Authorised but not contracted for	13,905
Contracted but not provided in the financial statements	20,250
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	34,155
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BMSB Listing Requirements (Part A of Appendix 9B)

B1. Review of performance

The Group registered a total revenue of RM152.6 million for the nine months ended 30 September 2006 compared with RM131.6 million reported in the preceding year corresponding period. The increase of RM21.0 million or 16.0% was mainly attributable 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 nine months ended 30 September 2006 decreased by RM0.2 million or 0.9% 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 Sdn. Bhd., the Group's profit before taxation increased by RM3.8 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 and minority interest of RM11.9 million compared to RM10.3 million in the preceding quarter. The increase is mainly due to the higher sales volume and better average CPO price.

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 and 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 30 September		9 months ended 30 September	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax expenses	49	5,090	5,141	11,808
Tax reversal for prior years	-	(122)	-	(122)
Deferred tax	1,479	-	1,164	-
	<u>1,528</u>	<u>4,968</u>	<u>6,305</u>	<u>11,686</u>

During the period under review, reinvestment allowance is available to offset against the chargeable income due to the expected commissioning of a new palm oil mill. As a result, the Group's effective tax rate is lower than the prima facie tax rate.

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 September 2006

B7. Quoted investments

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

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	87	49	33

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, 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 1,250 hectares described as Kuala Bakas, NCR Land Development Areas, Sibuti, Miri Division, Sarawak (“NCR Land”) into an oil palm plantation.

A new joint venture company (“JVC”) known as SOP Pelita Bekenu & Niah Plantations Sdn Bhd had been incorporated on 23 November 2005. 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 the PHSB is still carrying out NCR land bank creation and awaiting FIC approval.



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Explanatory Notes To The Interim Report – 30 September 2006

B8. Status of corporate proposal announced (Continued)

(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.

Status of Utilisation of Proceeds

The gross proceeds raised from the Rights Issue with Warrants amounted to RM66.48 million and as of 1 November 2006, the status of the utilization of the proceeds as compared to its expected utilization is as follows:-

	Approved Amount (RM'000)	Applied Amount (RM'000)
(a) Construction and Upgrading of palm oil mills		
New 90mt Lambir Mill	24,500	6,466
Upgrade of Galasah Mill 45mt to 90 mt	10,000	10,000
New 45mt Balingian Mill	11,500	11,500
	46,000	27,966
(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	11,959
(d) Expenses for the exercise	550	521
TOTAL	66,480	48,446



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Explanatory Notes To The Interim Report – 30 September 2006

B9. Borrowing and debt securities

	30 September 2006 RM'000
Current	
Secured	20,351
Unsecured	6,828
Non-current	
Secured	176,933
Unsecured	5,692
	209,804

The above borrowings are denominated in Ringgit Malaysia.

B10. Off balance sheet financial instruments

During the financial year to date, 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 September 2006 (30 September 2005 – 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 RM21.5 million and on the weighted average number of ordinary shares of RM1 each in issue during the year of 141,960,061.

	3 months ended		9 months ended	
	30.9.2006 RM'000	30.9.2005 RM'000	30.9.2006 RM'000	30.9.2005 RM'000
Profit attributable to ordinary equity holders of the parent	10,644	5,240	21,499	12,975
	3 months ended		9 months ended	
	30.9.2006 '000	30.9.2005 '000	30.9.2006 '000	30.9.2005 '000
Weighted average number of Ordinary shares in issue	142,452	94,968	141,960	94,968
	3 months ended		9 months ended	
	30.9.2006 Sen	30.9.2005 Sen	30.9.2006 Sen	30.9.2005 Sen
Basic earning per share	7.45	5.52	15.14	13.66



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Explanatory Notes To The Interim Report – 30 September 2006

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 RM21.5 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 146,740,506.

	3 months ended		9 months ended	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	10,644	5,240	21,499	12,975
	3 months ended		9 months ended	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	146,740	94,968	146,740	94,968
	3 months ended		9 months ended	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
	Sen	Sen	Sen	Sen
Diluted earning per share	7.25	5.52	14.65	13.66

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 16 November 2006.

By Order of the Board

Eric Kiu Kwong Seng

Company Secretary

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16 November 2006

