

# SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

## INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006

(The figures have not been audited)

### Condensed Consolidated Balance Sheet as at 31 December 2006

	Note	31 December 2006 RM'000	31 December 2005 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		587,950	489,030
Other investments		49	49
Intangible assets		1,026	1,026
Deferred tax assets		7,606	7,337
		<u>596,631</u>	<u>497,442</u>
<b>Current Assets</b>			
Inventories		14,102	10,428
Trade and other Receivables		22,948	10,021
Cash and bank balances		52,882	63,971
		<u>89,932</u>	<u>84,420</u>
<b>TOTAL ASSETS</b>		<u><u>686,563</u></u>	<u><u>581,862</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	A6	142,452	94,968
Share premium		18,994	-
Retained earnings		185,604	153,684
		<u>347,050</u>	<u>248,652</u>
<b>Minority interest</b>		<u>31,569</u>	<u>10,475</u>
<b>Total equity</b>		<u>378,619</u>	<u>259,127</u>
<b>Non-current liabilities</b>			
Borrowings		150,494	156,716
Deferred tax liabilities		38,731	27,411
Other deferred liabilities		8,532	8,532
		<u>197,757</u>	<u>192,659</u>
<b>Current liabilities</b>			
Borrowings		65,365	48,492
Trade and other payables		44,822	81,130
Current tax payable		-	454
		<u>110,187</u>	<u>129,976</u>
<b>Total liabilities</b>		<u>307,944</u>	<u>322,735</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>686,563</u></u>	<u><u>581,862</u></u>
Net assets per share (RM)		2.44	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 Twelve-Months Period Ended 31 December 2006

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		12 months ended	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>					
Revenue		68,898	53,396	221,482	184,963
Cost of sales		(50,162)	(40,757)	(165,978)	(137,342)
Gross profit		18,736	12,639	55,504	47,621
Other income		570	456	2,710	1,739
Administrative expenses		(376)	(339)	(1,236)	(1,082)
Distribution costs		(4,388)	(2,244)	(12,114)	(8,357)
Finance costs		(1,994)	(1,378)	(9,380)	(8,046)
Profit before tax and reserve on consolidation		12,548	9,134	35,484	31,875
Reserve on consolidation		-	-	3,605	-
<b>Profit before tax</b>		12,548	9,134	39,089	31,875
Taxation	B5	698	2,898	(5,607)	(8,788)
<b>Profit for the period</b>		13,246	12,032	33,482	23,087
Profit for the period attributable to:					
Equity holders of the parent		12,977	11,838	34,476	24,813
Minority interest		269	194	(994)	(1,726)
		13,246	12,032	33,482	23,087
Earning per share attributable to Equity holders of the parent (Sen):					
Basic	B13	9.11	12.47	24.26	26.13
Diluted	B13	8.49	12.47	22.62	26.13

(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 Twelve-Months Period Ended 31 December 2006

	← Attributable to Equity Holders of the Parent →					
	Share Capital RM'000	Non- Distributable Reserve 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	22,088	88,566
Net profit for the period	-	-	34,476	34,476	(994)	33,482
Dilution arising from issuance of shares by a subsidiary	-	-	8	8	-	8
Dividends	-	-	(2,564)	(2,564)	-	(2,564)
At 31 December 2006	142,452	18,994	185,604	347,050	31,569	378,619
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 Twelve-Months Period Ended 31 December 2006

	31 December 2006 RM'000	31 December 2005 RM'000
<b>Net cash inflow from operating activities</b>	35,464	45,887
<b>Net cash outflow from investing activities</b>	(85,782)	(64,558)
<b>Net cash inflow from financing activities</b>	40,761	32,316
Net (decrease)/increase in cash and cash equivalents	(9,557)	13,645
<b>Cash and cash equivalents at 1 January</b>	62,439	48,794
<b>Cash and cash equivalents at 31 December</b>	52,882	62,439
Cash and cash equivalents at the end of the financial year comprised the following:		
Cash and bank balances	52,882	63,971
Bank overdrafts (included within short-term borrowings in Note B9)	-	(1,532)
	52,882	62,439

(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

(Incorporated in Malaysia – 7949-M)

## Explanatory Notes To The Interim Report – 31 December 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 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 CPO production of the Group.

#### 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 year 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.



# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 31 December 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 (B).

### 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

The amount of contingent liabilities as at 31 December 2006 is as follows:

	<b>Company RM'000</b>
Corporate guarantees favouring banks for loan granted to subsidiaries	89,000
Loan undrawn by subsidiaries	(21,000)
Contingent liabilities	<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 31 December 2006 is as follows:-

	<b>31 December 2006 RM'000</b>
Property, plant and equipment	
Authorised but not contracted for	22,672
Contracted but not provided in the financial statements	37,322
	<u>59,994</u>
Plantation Development Expenditure	
Authorised but not contracted for	11,276
Contracted but not provided in the financial statements	14,485
	<u>25,761</u>



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## Explanatory Notes To The Interim Report – 31 December 2006

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

#### **B1. Review of performance**

The Group registered a total revenue of RM221.5 million for the twelve months ended 31 December 2006 compared with RM185.0 million reported in the preceding year corresponding period. The increase of RM36.5 million or 19.7% was mainly attributable to the higher sales volume and better average CPO price realised during the period.

In tandem with the increase in total revenue, the Group's profit before taxation and reserve on consolidation for the twelve months ended 31 December 2006 increased by RM3.6 million or 11.3% to RM35.5 million. 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 RM7.2 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 RM12.5 million compared to RM11.9 million in the preceding quarter. Despite an increase in the sales volume and better average CPO price realised during the period, the profit has declined marginally as a result of the increase in cost of sales and general operating costs.

#### **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 31 December		12 months ended 31 December	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Current tax expenses	(1,153)	(926)	3,988	10,882
Tax reversal for prior years	(840)	-	(840)	(122)
Deferred tax	1,295	(1,972)	2,459	(1,972)
	<u>(698)</u>	<u>(2,898)</u>	<u>5,607</u>	<u>8,788</u>

During the period under review, reinvestment allowance is available to offset against the chargeable. 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.



# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 31 December 2006

### B7. Quoted investments

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

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investments	87	49	44

### 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, the Company entered into a joint venture agreement (“**Joint Venture Agreement 1**”) with PHSB to develop an area under Native Customary Rights (“**NCR**”) of approximately 2,247 hectares (of which an estimated 1,000 hectares are plantable) described as Kedayan-Kelulit, NCR Land Development Areas, Miri Division, Sarawak (“**NCR Land 1**”) into an oil palm plantation. The joint venture will be undertaken by the formation of a new joint venture company (“**JVC 1**”) to be known as SOP Pelita Kedayan-Kelulit Plantation Sdn Bhd which was incorporated on 23 November 2005. The eventual issued and paid up share capital of JVC 1 will be RM3,428,570 comprising 3,428,570 ordinary shares of RM1.00 each (“**JV 1 Shares**”), of which SOPB will subscribe for a 55% interests or 1,885,713 JV 1 Shares via cash payment(s), and the remaining 45% interest will be held by PHSB (of which 35% will be held in trust by PHSB for and on behalf of the NCR owners), comprising 1,542,857 JV 1 Shares to be fully settled via a combination of cash payments and the disposal of the NCR Land 1 to the JVC 1. The Company was still awaiting the approval of the Foreign Investment Committee (“**FIC**”) for the joint-venture; and

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

On 15 December 2005, the Company entered into a joint venture agreement (“**Joint Venture Agreement 2**”) with PHSB to develop an area under NCR of approximately 1,250 hectares situated at Kuala Bakas, NCR Land Development Areas, Sibuti, Miri Division, Sarawak (“**NCR Land 2**”) into an oil palm plantation. A new joint venture company (“**JVC 2**”) known as SOP Pelita Bekenu & Niah Plantations Sdn Bhd was incorporated on 23 November 2005. The eventual shareholdings of PHSB and SOPB in the JVC 2 will be 720,000 (40%) ordinary shares of RM1.00 each (“**JV 2 Shares**”) (of which 30% JV 2 Shares will be held in trust on behalf of the land owners) and 1,080,000 (60%) JV 2 Shares respectively. The subscription of JV 2 Shares in the JVC 2 will be satisfied via cash to be funded through internally generated funds and/or bank borrowings of SOPB Group. The Company was still awaiting approval of the FIC for the joint-venture.





# SARAWAK OIL PALMS BERHAD

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## Explanatory Notes To The Interim Report – 31 December 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 31 January 2007, the status of the utilization of the proceeds as compared to its expected utilization is as follows:-

	<b>Approved Amount (RM'000)</b>	<b>Applied Amount (RM'000)</b>
<b>(a) Construction and Upgrading of palm oil mills</b>		
New 90mt Lambir Mill	24,500	10,852
Upgrade of Galasah Mill 45mt to 90 mt	10,000	10,000
New 45mt Balingian Mill	11,500	11,500
	<b>46,000</b>	<b>32,352</b>
<b>(b) New area under development</b>		
Sepakau 3	2,300	2,300
Tibus	1,700	1,700
Karabungan	4,000	4,000
	<b>8,000</b>	<b>8,000</b>
<b>(c) Working capital</b>	<b>11,930</b>	<b>11,959</b>
<b>(d) Expenses for the exercise</b>	<b>550</b>	<b>521</b>
<b>TOTAL</b>	<b>66,480</b>	<b>52,832</b>



# SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

## Explanatory Notes To The Interim Report – 31 December 2006

### B9. Borrowing and debt securities

31 December 2006  
RM'000

Current	
Secured	46,006
Unsecured	19,359
Non-current	
Secured	150,494
Unsecured	-
	<hr/>
	215,859

The above borrowings are denominated in Ringgit Malaysia.

### B10. Off balance sheet financial instruments

During the financial year, 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 disclosed for the quarter under review.

### B12. Dividends

No interim ordinary dividend has been declared for the financial year ended 31 December 2006 (31 December 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 RM34.5 million and on the weighted average number of ordinary shares of RM1 each in issue during the year of 142,085,496.

	3 months ended		12 months ended	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	12,977	11,839	34,476	24,813
	3 months ended	12 months ended	31.12.2006	31.12.2005
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	142,452	94,968	142,085	94,968
	3 months ended	12 months ended	31.12.2006	31.12.2005
	Sen	Sen	Sen	Sen
Basic earning per share	9.11	12.47	24.26	26.13



# SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

## Explanatory Notes To The Interim Report – 31 December 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 RM34.5 million and on the weighted average number of ordinary shares of RM1 each in issue during the period of 152,436,659.

	3 months ended		12 months ended	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the parent	12,977	11,839	34,476	24,813
	3 months ended	12 months ended	31.12.2006	31.12.2005
	31.12.2006	31.12.2005	'000	'000
	'000	'000	'000	'000
Weighted average number of Ordinary shares in issue	152,889	94,968	152,437	94,968
	3 months ended	12 months ended	31.12.2006	31.12.2005
	31.12.2006	31.12.2005	Sen	Sen
	Sen	Sen	Sen	Sen
Diluted earning per share	8.49	12.47	22.62	26.13

### 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 15 February 2007.

*By Order of the Board*  
Eric Kiu Kwong Seng  
Company Secretary  
Miri  
27 February 2007

