

Annual Report
Laporan Tahunan
2002



SARAWAK OIL PALMS BERHAD
(7949-M)

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NOTICE IS HEREBY GIVEN THAT the Thirty-Fifth Annual General Meeting of the Company will be held at the Ballroom 1 (4th Floor), Mega Hotel, Lot 907 Jalan Merbau, 98008 Miri, Sarawak on 28th June 2003 at 10.00 am for the following purposes:-

AGENDA

1. To receive and adopt the annual accounts for the year ended 31st December 2002 and the Reports of the Directors and Auditors thereon.
2. To declare a Final Dividend in respect of the financial year ended 31st December 2002 as recommended by the Directors.
3. To approve payment of Directors' fees in respect of the financial year ended 31st December 2002.
4. To re-elect the following Directors who retire pursuant to Article 95 and 101 of the Company's Articles of Association and being eligible, offer themselves for re-election.
Datuk Ling Chiong Ho
Tang Tiong Ing
Gary Tan Yow Hoo
Abdul Rashid Bin Abdul Kassim
5. To appoint Messrs. Ernst & Young as the auditors of the Company in place of the retiring auditors, Messrs. KPMG until the conclusion of the next Annual General Meeting at a remuneration determined by the directors.

DENGAN INI DIMAKLUMKAN bahawa MESYUARAT AGUNG TAHUNAN yang Ketigapuluh lima Syarikat akan diadakan di Ballroom 1 (Tingkat 4), Mega Hotel, Lot 907 Jalan Merbau, 98008 Miri, Sarawak pada 28 Jun 2003, jam 10.00 pagi untuk menjalankan urusan-urusan berikut :-

AGENDA

1. Menerima dan meluluskan akaun-akaun yang bagi tahun kewangan berakhir 31 Disember 2002 dan Laporan-laporan Pengarah dan Juruaudit mengenainya.
2. Mengisytiharkan pembayaran dividen akhir seperti yang disyorkan oleh Para Pengarah bagi tahun kewangan berakhir 31 Disember 2002.
3. Meluluskan fee Pengarah-pengarah bagi tahun kewangan berakhir 31Disember 2002.
4. Melantik semula Para Pengarah berikut yang bersara menurut Artikel 95 dan 101 Tataurusan Persatuan Syarikat dan oleh kerana layak, menawarkan diri mereka untuk dilantik semula:
Datuk Ling Chiong Ho
Tang Tiong Ing
Gary Tan Yow Hoo
Abdul Rashid Bin Abdul Kassim
5. Melantik Tetuan Ernst & Young sebagai juruaudit Syarikat untuk menggantikan para juruaudit yang bersara, Tetuan KPMG, sehinggalah berakhirnya Mesyuarat Agung Tahunan yang berikutnya dengan ganjaran yang ditetapkan oleh para pengarah.

6. **As Special Business**

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution:-

Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature

"THAT, subject always to the Listing Requirements of the Kuala Lumpur Stock Exchange, approval be and is hereby given to the Company and/or its subsidiary companies to enter into Recurrent Related Party transactions of a revenue or trading nature with those Related Parties as stated in section 2.2 of the Circular to Shareholders dated 6 June 2003, which are necessary for its day-to-day operations subject further to the following: -

- a) That the transactions are in the ordinary course of business and are made on an arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those available to the public and not to the detriment of the minority shareholders; and
- b) That disclosure will be made in the annual report of the Company of the breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year based on information such as the type of the Recurrent Transactions made and the names of the related parties involved in each type of the Recurrent Transactions made and their relationship with the company.

6. **Sebagai Urusan Khas**

Menimbangkan, dan jika difikirkan wajar, meluluskan resolusi berikut sebagai Resolusi Biasa :-

Cadangan Mandat Pemegang Saham untuk Urusan Pihak yang Berkaitan Yang Kerap Berlaku Semasa Urusniaga Yang Menghasilkan Pendapatan

"Bahawa berdasarkan sentiasa kepada Keperluan-keperluan Penyenaraian Bursa Saham Kuala Lumpur, kelulusan diberikan kepada Syarikat dan/atau anak syarikatnya untuk menjalankan urusan-urusan pihak yang berkaitan di dalam sebarang urusniaga yang menghasilkan pendapatan dengan Pihak Berkaitan seperti yang disebutkan pada Surat Pekeliling kepada Pemegang Saham bertarikh 6 Jun 2003, di mana urusan tersebut perlu dijalankan ketika operasi hariannya tertakluk kepada syarat-syarat berikut:

- a) Bahawa urusan tersebut dijalankan semasa urusniaga biasa dan dilakukan tanpa bertelingkahan dengan kepentingan sendiri dan pilih kasih sehinggakan memberi lebih faedah kepada Pihak Berkaitan serta tidak memudaratkan kepentingan pemegang saham minoriti.
- b) Bahawa pendedahan dilakukan di dalam laporan tahunan Syarikat mengenai pengagihan agrigat nilai urusan yang dijalankan tertakluk kepada Cadangan Mandat Pemegang Saham pada tahun kewangan berdasarkan maklumat seperti Ke kerap an Urusniaga yang dijalankan dan nama pihak-pihak berkaitan yang terlibat dengan setiap Ke kerap an Urusniaga tersebut serta perhubungan pihak tersebut dengan Syarikat yang terbabit.

- c) That such approval shall continue to be in force until:-
- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company ;
 - (ii) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("Acts") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
 - (iii) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier;
7. To transact any other business for which due notice shall be given.

By Order of the Board

Eric Kiu Kwong Seng
Secretary
Miri

6 June 2003

- c. Bahawa kelulusan demikian akan terus berkuatkuasa sehingga:-
- (i) berakhirnya Mesyuarat Agung Tahunan ("MAT") Syarikat yang berikutnya;
 - (ii) tamatnya tempoh selepas tarikh yang sepatutnya MAT Syarikat yang berikutnya seharusnya dijalankan menurut Akta Syarikat, 1965 seksyen 143(1) ("Akta") tetapi tidak ditunda ke satu tarikh yang melebihi tempoh penundaan yang dibenarkan menurut Akta tersebut pada Seksyen 143(2); atau
 - (iii) dibatal atau diubahsuai oleh resolusi yang diluluskan oleh para pemegang saham di dalam mesyuarat agung, yang mana lebih awal.
7. Menjalankan sebarang urusan biasa lain yang mana notis mencukupi mengenainya telah diberikan.

Dengan Perintah Lembaga Pengarah

Eric Kiu Kwong Seng
Setiausaha
Miri

6 Jun 2003

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead, A proxy need not be a member of the Company,
2. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of its attorney.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. The Form of Proxy must be deposited to either of the following offices not less than forty-eight (48) hours before the time appointed for holding the meeting:
 - (i) The Office of the Share Registrars, Signet Share Registration Services Sdn. Bhd. at 11th Floor - Tower Block, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur.
 - (ii) The Registered office of the Company at 41KM, Miri-Bintulu Road, 98000 Miri, Sarawak.
5. Explanatory notes on Special Business:

The Ordinary Resolution proposed under item 6, if passed, will authorize the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 6 June 2003 for more information.

Nota-Nota :

1. Seorang ahli Syarikat yang berhak hadir dan mengundi dalam mesyuarat berhak melantik seorang proksi untuk hadir dan mengundi bagi pihaknya. Seorang proksi tidak seharusnya merupakan seorang ahli Syarikat.
2. Jika pihak yang melantik itu sebuah perbadanan, ianya hendaklah dibuat samada bawah meteri atau ditandatangani oleh pegawai atau wakil yang diberi kuasa.
3. Jika seorang ahli melantik lebih satu proksi, perlantikan tersebut tidak sah kecuali ahli tersebut menyatakan bahagian pegangannya yang akan diwakili oleh proksi-proksinya.
4. Semua borang proksi hendaklah dihantar tidak lewat dari empat puluh lapan jam sebelum waktu yang ditetapkan bagi mengadakan mesyuarat ke pejabat-pejabat berikut:
 - (i) Pejabat Pendaftar Saham, Signet Share Registration Services Sdn Bhd di Tingkat 11 - Tower Block, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur.
 - (ii) Pejabat Berdaftar Syarikat di 41km, Miri-Bintulu Road, 98000 Miri, Sarawak.
5. Penjelasan Kepada Urusan Khas
Resolusi Biasa yang dicadangkan di bawah Perkara 6, jika diluluskan, akan memberi kuasa kepada Syarikat atau anak-anak syarikatnya untuk menjalankan urusan-urusan pihak yang berkaitan di dalam sebarang urusanniaga yang menghasilkan pendapatan. Kuasa tersebut, kecuali jika di batal atau diubahsuai oleh Syarikat pada satu mesyuarat agung, akan tamat tempohnya pada akhir Mesyuarat Agung Tahunan Syarikat yang berikutnya. Sila rujuk Surat Pekeliling kepada Pemegang Saham bertarikh 6 Jun 2003 untuk keterangan lanjut.

OF THE THIRTY-FIFTH ANNUAL GENERAL MEETING OF SARAWAK OIL PALMS BERHAD

Directors who are standing for Re-election

Datuk Ling Chiong Ho (retiring pursuant to Article 95 of the Articles of Association)
 Tang Tiong Ing (retiring pursuant to Article 95 of the Articles of Association)
 Gary Tan Yow Hoo (retiring pursuant to Article 95 of the Articles of Association)
 Abdul Rashid Bin Abdul Kassim (retiring pursuant to Article 101 of the Articles of Association)

Details of Attendance of Directors at Board Meetings

| Name of Director | Date of appointment | Board Attendance |
|------------------------------------|---------------------|------------------|
| Datuk Ling Chiong Ho | 15/10/1995 | 6/6 |
| Datu Haji Hamzah Haji Drahman | 7/6/2000 | 3/6 |
| Polit Bin Hamzah (retired) | 24/5/2000 | 5/5 |
| Gerald Rentap Jabu | 24/5/2000 | 5/6 |
| Tang Tiong Ing | 15/6/1995 | 6/6 |
| Gary Tan Yow Hoo | 15/7/2000 | 6/6 |
| Fong Tshu Kwong @ Fong Tshun Kwong | 22/3/1996 | 6/6 |
| Lai Yew Hock | 24/2/2000 | 5/6 |
| Wong Ngie Yong | 15/6/2001 | 5/6 |
| Abdul Rashid Bin Abdul Kassim | 22/2/2003 | - |

Number of meetings attended (first figure)/number of meetings held while in office (second figure).

Details of the Board of Directors' Meeting held

Six Board Meetings were held during the year.

| Date of Meeting | Time | Place |
|------------------|------------|--|
| 28 January 2002 | 11.00 am | Ballroom 1, Mega Hotel, Jalan Merbau, 98000 Miri |
| 19 April 2002 | 9.45 am | Conference Room, Sarawak Oil Palms Berhad, 41KM Miri-Bintulu Road, 98000 Miri |
| 18 June 2002 | 2.30 pm | Ballroom 1, Mega Hotel, Jalan Merbau, 98000 Miri |
| 26 August 2002 | 10.45 am } | Conference Room, Sarawak Oil Palms Berhad, |
| 18 October 2002 | 10.15 am } | 41KM Miri-Bintulu Road, 98000 Miri |
| 20 December 2002 | 2.00 pm | Mega Room 3, Mega Hotel, Jalan Merbau, 98000 Miri |

Details of Directors standing for re-election

DATUK LING CHIONG HO (51 years of age - Malaysian)

- Is the founder and Chairman of the diversified Shin Yang Group of Companies involving in forest management, downstream wood-based processing, property development and shipping. He has been instrumental to the growth and expansion of Shin Yang Group of Companies.
- Non-Independent and Non-Executive Chairman.
- Does not hold any other directorships of public companies.
- Is deemed substantial shareholder of SOPB and does not have any conflict of interest with Sarawak Oil Palms Berhad.
- To-date, there has not been any conflict of interest with Sarawak Oil Palms Berhad.
- In the past 10 years, he has not been convicted of any offence.

Details of Directors standing for re-election (Continued)

Tang Tiong Ing (44 years of age - Malaysian)

- Holds a Bachelor in Accounting Degree with Honours from University of Malaya. He is also a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants and Malaysian Institute of Taxation.
- Non-Independent and Non-Executive Director
- Joined Lau Hoi Chew & Co., a Certified Public Accounting firm in 1984 and was promoted to head the Miri Branch in 1985 till 1990. In 1991, he joined Shin Yang Group as a Group Accountant and he is presently the Head of Finance of the Group.
- Does not hold any other directorships of public companies.
- Does not hold any shares or warrants, direct or indirect, in Sarawak Oil Palms Berhad.
- Is an appointed representative of Shin Yang Plantation Sdn. Bhd., a substantial shareholder of Sarawak Oil Palms Berhad.
- To-date, there has not been any conflict of interest with Sarawak Oil Palms Berhad.
- In the past 10 years, he has not been convicted of any offence.

Gary Tan Yow Hoo (48 years of age - Malaysian)

- Holds a Bachelor of Mechanical Engineering degree from Portsmouth University, England and is a Chartered Engineer registered in Malaysia, England, America and Australia.
- Non-Independent and Non-Executive Director.
- Is currently the General Manager of Business Development, Project & Technical Consultancy Department of Shin Yang Group. He was the General Manager of Bintulu Industrial Gas Sdn Bhd prior to joining Shin Yang Group in 1990.
- Does not hold any other directorships of public companies.
- Does not hold any shares or warrants, direct or indirect, in Sarawak Oil Palms Berhad.
- Is an appointed representative of Shin Yang Plantation Sdn. Bhd., a substantial shareholder of Sarawak Oil Palms Berhad.
- To-date, there has not been any conflict of interest with Sarawak Oil Palms Berhad.
- In the past 10 years, he has not been convicted of any offence.

Abdul Rashid Bin Abdul Kassim (33 years of age - Malaysian)

- Holds a Bachelor in Agricultural Science degree from Universiti Putra Malaysia, Malaysia.
- Non-Independent and Non-Executive Director
- Is currently the Agricultural Officer for the State Land Oil Palm Plantation Section under the Land Custody Development Authority, Sarawak.
- Does not hold any other directorships of public companies.
- Does not hold any shares or warrants, direct or indirect, in Sarawak Oil Palms Berhad.
- Is an appointed representative of Pelita Holdings Sdn. Bhd., a substantial shareholder of Sarawak Oil Palms Berhad.
- To-date, there has not been any conflict of interest with Sarawak Oil Palms Berhad.
- In the past 10 years, he has not been convicted of any offence.

**AUDIT/NOMINATION
COMMITTEE**

Fong Tshu Kwong
@ Fong Tshun Kwong

CHAIRMAN

Independent Non-Executive

Tang Tiong Ing
Non-Executive

Lai Yew Hock
Independent Non-Executive

CHIEF EXECUTIVE

Wong Hee Kwong

COMPANY SECRETARY

Eric Kiu Kwong Seng

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Arab Malaysian Merchant
Bank Berhad
Bumiputra-Commerce
Bank Berhad
Eon Bank Berhad

DIRECTORS

Datuk Ling Chiong Ho

CHAIRMAN

Datu Haji Hamzah Haji Drahman

Polit Bin Hamzah
(Resigned 20 December 2002)

Gerald Rentap Jabu

Tang Tiong Ing

Gary Tan Yow Hoo

Fong Tshu Kwong @ Fong Tshun Kwong

Lai Yew Hock

Wong Ngie Yong

Abdul Rashid Bin Abdul Kassim
(Appointed on
22 February 2003)

**STOCK EXCHANGE
LISTING**

The Main Board
Kuala Lumpur
Stock Exchange

STOCK NAME
SOP

STOCK CODE
5126

DOMICILE
Malaysia

SHARE REGISTRAR

Signet Share Registration
Services Sdn Bhd
11th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (03) 2145 4337
Fax: (03) 2142 1353

REGISTERED OFFICE

41 KM Miri-Bintulu Road
98000 Miri
Tel: (085) 481 188
Fax: (085) 481 260

AUDITORS

KPMG
Level 6, Westmore House
Twin Tower Centre
Rock Road
93200 Kuching

MEMBERS

Fong Tshu Kwong @ Fong Tshun Kwong - Chairman
(Independent Non-Executive Director)
Lai Yew Hock
(Independent Non-Executive Director)
Tang Tiong Ing
(Non-Executive Director)

SECRETARY

Eric Kiu Kwong Seng

TERMS OF REFERENCE

The Audit Committee ("Committee") was established on 9 April 1992 to serve as a Committee of the Board of Directors, with the term of reference as set out on below:

Objectives

The Committee shall assist the Board of Directors in fulfilling the following objectives on the Group activities:

- Assess the Group's processes relating to its risks and control environment;
- Oversee financial reporting; and
- Evaluate the internal and external audit processes.

Duties and Responsibilities

The Committee shall :

- Provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities relating to the corporate accounting and reporting practices for Sarawak Oil Palms Bhd (the "Company") and its subsidiaries (the "Group").

KEAHLIAN

Fong Tshu Kwong @ Fong Tshun Kwong - Pengerusi
(Pengarah Bebas Bukan Eksekutif)
Lai Yew Hock
(Pengarah Bebas Bukan Eksekutif)
Tang Tiong Ing
(Pengarah Bukan Eksekutif)

SETIAUSAHA

Eric Kiu Kwong Seng

TERMA RUJUKAN

Jawatankuasa Audit ("Jawatankuasa") telah ditubuhkan pada 9 April 1992 sebagai sebuah Jawatankuasa Lembaga Pengarah, dengan merujuk kepada syarat-syarat berikut:

Objektif

Jawatankuasa tersebut akan membantu pihak Lembaga Pengarah untuk menepati objektif objektif luar jangkaan berikut yang terdapat pada aktiviti-aktiviti Kumpulan:

- Menilai proses-proses Kumpulan berkaitan dengan risiko dan situasi kawalan;
- Memerhati laporan kewangan; dan
- Menilai proses-proses audit dalaman dan luaran.

Tugas dan Tanggungjawab

Jawatankuasa tersebut haruslah:

- Membantu Lembaga Pengarah untuk mematuhi piawaian perakaunan korporat dan tatacara laporan Sarawak Oil Palms Bhd ("Syarikat") serta anak-anak syarikatnya ("Kumpulan").
- Menjadi saluran komunikasi di antara Lembaga Pengarah serta Juruaudit Dalam dan Luar.

- Maintain a direct line of communication between the Board and the external and internal Auditors.
- Act upon the Board's request to direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, KLSE Listing Requirements and other legislative and reporting requirements.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.
- Any other activities, as authorised by the Board.

Authority

- The Committee is authorized to seek any information it requires from employees, who are required to cooperate with any request made by the Committee.
- The Committee shall have full and unlimited access to any information pertaining to the Group.
- The Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors whenever deemed necessary.
- The Committee shall have the resources that are required to perform its duties. The Committee can obtain at the expense of the Company, outside legal or other independent professional advice it considers necessary.

- Melaksanakan permintaan Lembaga Pengarah untuk menjalankan, dan di mana munasabah, menyelia sebarang projek khas atau penyiasatan yang perlu, dan mengkaji semula laporan penyiasatan mengenai kes-kes pecah amanah, penipuan dan pencurian.
- Mengkaji semula prosedur-prosedur yang sedia ada untuk memastikan supaya Kumpulan mematuhi ketetapan syarat-syarat keperluan Akta Syarikat 1965, Bursa Saham Kuala Lumpur dan perundangan serta peraturan laporan.
- Menyediakan laporan-laporan, sekiranya perlu, atau sekurang-kurangnya sekali (1) setahun, kepada Lembaga Pengarah, dengan mengupas semula tugas-tugas yang telah dijalankan untuk menepati tanggungjawab utama Jawatankuasa.
- Sebarang aktiviti yang lain seperti yang dipertanggungjawabkan oleh Lembaga Pengarah.

Hak-Hak Dan Kewibawaan

- Jawatankuasa berhak dan berwibawa untuk mendapatkan sebarang maklumat yang diperlukan daripada para pekerja, yang diharuskan pula untuk bekerjasama mematuhi sebarang permintaan yang dibuat oleh Jawatankuasa tersebut.
- Jawatankuasa haruslah memiliki hak akses mutlak kepada sebarang maklumat yang berkaitan dengan Kumpulan.
- Jawatankuasa haruslah memiliki saluran-saluran komunikasi yang terus dan telus dengan audit luar dan dalam serta pihak pengurusan kanan Kumpulan dan boleh bermesyuarat dengan juruaudit luar apabila perlu.
- Jawatankuasa haruslah mempunyai sumber-sumber yang mencukupi untuk menjalankan tugasnya. Di mana perlu, Jawatankuasa boleh mendapatkan khidmat nasihat perundangan atau pihak professional yang bebas, di mana perbelanjaannya dibiayai oleh pihak Syarikat.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the KLSE Listing Requirements, the Committee shall promptly report such matter to the KLSE

Financial Procedures And Financial Reporting

Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:

- Changes in or implementation of major accounting policy changes;
- Significant or unusual events; and
- Compliance with accounting standards, disclosure and other legal requirements;

Related Party Transactions

Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity.

External and internal Audit

- Review with the external auditors, the audit scope and plan, including any changes to the planned scope of the audit plan.
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit and that it has the necessary authority to carry out its work

Di mana Jawatankuasa berpendapat bahawa sesuatu hal berbangkit yang dirujuk untuk perhatian Lembaga Pengarah belum diselesaikan dengan sebaiknya sehingga melanggar syarat-syarat keperluan penyenaiaan di Bursa Saham Kuala Lumpur, Jawatankuasa haruslah melaporkan perkara berkenaan dengan serta merta kepada pihak Bursa.

Prosedur Kewangan dan Laporan Kewangan

Mengkaji semula keputusan-keputusan suku tahunan dan penyata perakaunan akhir tahu, sebelum diluluskan oleh Lembaga Pengarah, mengkhususkan kepada:

- Perubahan pada atau pelaksanaan polisi perakaunan yang utama;
- Perkara-perkara penting yang berbangkit atau luar biasa;
- Pematuhan kepada piawaian perakaunan, syarat-syarat laporan dan peraturan-peraturan perundangan yang lain.

Urusan Pihak Yang Berkaitan

Mengkaji semula sebarang urusan pihak yang berkaitan dan situasi yang bertelingkahan kepentingan yang mungkin terdapat di dalam Syarikat atau Kumpulan, termasuk sebarang urusan, prosedur atau kegiatan yang menimbulkan kecurigaan terhadap ketelusan pihak pengurusan.

External and internal Audit

- Bersama-sama dengan juruaudit luaran, mengkaji semula skop dan pelan audit, termasuk sebarang perubahan pada skop audit yang telah dirancang.
- Mengkaji semula sejauh mana wujudnya kebebasan dan objektiviti juruaudit luaran dan perkhidmatan mereka, termasuk perkhidmatan bukan audit dan fee professional mereka, untuk mengimbangkan di antara objektiviti dan nilai fee yang dibayar.
- Mengkaji semula sama ada skop dan pelan, fungsi serta sumber audit dalam adalah memadai dan ianya mempunyai bidang kuasa yang berkenaan untuk menjalankan tugasnya.

- Review the appointment and performance of internal and external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified.
- Review major audit findings and the management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- Review the adequacy and integrity of internal control systems, including risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems.

MEETINGS

During the financial year ended 31 December 2002, seven Committee meetings were held. A record of the attendance to these meetings is as follows :

| | No. of Meetings Attended |
|------------------------------------|--------------------------|
| Fong Tshu Kwong @ Fong Tshun Kwong | 6 |
| Lai Yew Hock | 6 |
| Tang Tiong Ing | 6 |

- Mengkaji semula perlantikan dan prestasi juruaudit dalam dan luar, fee audit dan sebarang hal perletakan atau pengguguran jawatan sebelum membuat pengesyoran kepada Lembaga Pengarah.
- Mengkaji semula laporan audit luar dan dalam untuk memastikan pihak pengurusan menjalankan tindakan pemulihan yang sesuai dan cepat ke atas sebarang kekurangan utama pada sistem kawalan atau prosedur yang dikenalpasti.
- Mengkaji semula laporan audit dan respons pihak pengurusan pada tahun kewangan bersama-sama pihak pengurusan, juruaudit luar dan dalam, termasuk status cadangan-cadangan pada audit sebelumnya.
- Mengkaji semula bantuan yang diberi oleh para pegawai Kumpulan kepada pihak juruaudit, serta sebarang masalah yang dihadapi sewaktu tugas audit, termasuk sebarang ketegahan ke atas skop aktiviti atau terhadap akses kepada maklumat yang di perlukan.
- Mengkaji semula prestask dan ketelusan sistem kawalan dalam, termasuk pengurusan risiko, sistem pengurusan maklumat, dan penilaian sistem-sistem tersebut oleh juruaudit dalam dan/atau luar.

MESYUARAT

Pada tahun kewangan yang berakhir 31 Disember 2002, tujuh mesyuarat Jawatankuasa telah diadakan. Rekod kehadiran di mesyuarat-mesyuarat tersebut adalah seperti berikut:

| | Bilangan Kehadiran |
|------------------------------------|--------------------|
| Fong Tshu Kwong @ Fong Tshun Kwong | 6 |
| Lai Yew Hock | 6 |
| Tang Tiong Ing | 6 |

INTERNAL AUDIT FUNCTION

The Group has outsourced the function of internal audit ("IA") to Ernst & Young. The principal role of the IA is to undertake independent and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. The IA reports directly to the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group.

The IA attends the Audit Committee meeting to present the audit reports on the activities and audit findings and makes appropriate recommendations on areas of concern for the audit committee's deliberation.

During the year, the internal auditors carried out the following activities based on areas that have been rated as high to moderate risk after the management and the external consultant who is also acting as IA have identified, evaluated and documented the risks inherent in the business and assigned a reasonable and fair rating of the risk identified. The principal risks and the measures taken to manage these risks had been communicated to the Audit Committee and the Board. The risk assessment reports covering the various business operations of the Company and the Group had been completed during the financial year.

- Agreed with the Audit Committee on the audit plan, strategy and scope of work.
- Analysed and assessed certain key business processes, reported findings and made recommendations to improve their effectiveness.

FUNGSI AUDIT DALAMAN

Kumpulan telah melantik Tetuan Ernst & Young ("AD") untuk menjalankan proses audit dalaman. Peranan utama AD tersebut ialah untuk menjalankan kajian semula sistem kawalan secara bebas, kerap dan sistematik bagi memastikan bahawa sistem tersebut beroperasi dengan memuaskan dan efektif. AD tersebut melapor terus kepada Jawatankuasa Audit secara bebas dan objektif mengenai status kawalan dalaman yang terdapat pada unit-unit yang beroperasi di dalam Kumpulan.

AD juga menghadiri mesyuarat Jawatankuasa Audit untuk menyampaikan hasil siasatan audit dan mencadangkan langkah-langkah pemulihan di kawasan-kawasan yang bermasalah untuk pertimbangan Jawatankuasa Audit.

Pada tahun kewangan yang sama, para juraudit dalam menjalankan aktiviti-aktiviti yang berikut berdasarkan situasi-situasi yang dianggap berisiko tinggi sehingga sederhana setelah pihak pengurusan dan perunding luar selaku AD telah mengenalpasti, menilai dan merekodkan risiko-risiko yang terdapat di dalam bisnes dan mengredkan secara munasabah dan adil mengenai risiko-risiko tersebut. Risiko-risiko utama and cara-cara untuk mengatasi risiko tersebut telah dimaklumkan kepada Jawatankuasa Audit dan Lembaga Pengarah. Laporan penilaian risiko yang merangkumi pelbagai operasi bisnes di dalam Syarikat dan Kumpulan telah disiapkan pada tahun kewangan tersebut.

- Bersetuju dengan Jawatankuasa Audit mengenai pelan, strategi dan skop tugas audit.
- Menganalisa dan menilai proses bisnes utama, membuat laporan audit dan cadangan untuk memperbaiki kecekapan proses yang berkenaan.

- The following scope of work were performed for the year 2002:
Review and evaluate the adequacy and effectiveness of the internal control systems in the following process areas:
 - Land preparation
 - Planting material selection
 - Manuring
 - Pest and diseases control
 - Harvesting and collection of FFB
 - Manpower planning
 - Estate management and security.

ACTIVITIES

The Audit Committee carried out its duties in accordance with its terms of reference during the year.

The summary of activities of the Committee during the year under review was as follows :

- Reviewed the external auditors' scope of work and audit plans for the year prior to commencement of audit.
- Reviewed with the external auditors the results of the audit and the audit report.
- Considered and recommended to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 17 to the financial statements.
- Reviewed the internal auditors' programmes and plan for the financial year under review and the annual assessment of the internal auditors' performance.
- Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Appraised the adequacy of actions and remedial measures taken by the management in resolving the audit issues reported and recommended further improvement measures.

- Skop tugas yang dijalankan pada tahun 2002 ialah:
Mengkaji semula dan menilai sama ada sistem kawalan dalaman adalah mencukupi dan cekap pada kawasan proses berikut:
 - Penyediaan tanah
 - Pemilihan bahan tanaman
 - Pembajaan
 - Kawalan serangga perosak dan penyakit
 - Penuaian dan pengumpulan FFB
 - Perancangan tenaga manusia
 - Pengurusan dan kawalan keselamatan estet

AKTIVITI

Pada tahun kewangan 2002, Jawatankuasa Audit telah menjalankan tugas mereka menurut terma-terma rujukan yang dikenalpasti.

Pada tahun 2002, ringkasan aktiviti jawatankuasa adalah seperti berikut:

- Mengkaji semula skop kerja dan pelan audit juruaudit luaran sepanjang tahun sebelum proses audit bermula.
- Mengkaji semula bersama-sama dengan juruaudit luar keputusan dan rumusan audit dan laporan audit.
- Mempertimbangkan dan mengesyorkan fee audit kepada Lembaga untuk dibayar kepada juruaudit luaran seperti yang dinyatakan pada Nota 17 pada Penyata Kewangan.
- Mengkaji semula program dan pelan juruaudit dalaman untuk tahun kewangan 2002 serta penilaian prestasi tahunan juruaudit dalaman.
- Mengkaji semula laporan audit dalaman yang mengemukakan isu-isu audit, cadangan-cadangan dan respons pihak pengurusan. Menilai sama ada tindakan dan langkah pemulihan yang diambil oleh pihak pengurusan mencukupi untuk menyelesaikan isu-isu audit yang dilaporkan dan mencadangkan langkah-langkah pembetulan selanjutnya.

- Met with the external auditors once during the year without the presence of the Management.
- Reviewed the annual report and the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards approved by the MASB.
- Reviewed the Company's compliance in particular the quarterly and year end financial statements with the Listing Requirements of the KLSE, MASB and other relevant legal and regulatory requirements.
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussions were conducted with the Chief Executive Officer and Financial Controller/Company Secretary.
- Reviewed the related party transactions entered into by the Group.
- Reviewed the report by external consultant on the high level risk assessment of the Company and the Group including internal controls.
- Reviewed the report of state of internal control readiness assessment conducted external consultant and its recommendations.
- Reviewed and assessed the risk management activities of the Company and the Group including the risk management policies.
- Reviewed the extent of the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement pursuant to the KLSE Listing Requirements.

- Berjumpa dengan juruaudit luaran sekali pada tahun kewangan tersebut tanpa kehadiran pihak pengurusan.
- Mengkaji semula laporan tahunan dan penyata kewangan Syarikat yang telah diaudit sebelum dikemukakan kepada Lembaga Pengarah untuk pertimbangan dan pengesahan mereka. Kajian semula tersebut adalah untuk memastikan bahawa penyata kewangan disediakan mengikut keperluan Akta Syarikat 1965 dan piawaian perakaunan berkenaan yang disahkan oleh MASB.
- Mengkaji semula pengumuman keputusan kewangan yang belum diaudit sebelum mengesyorkan supaya disahkan oleh Lembaga Pengarah. Kajian semula dan perbincangan tersebut telah dijalankan dengan Ketua Eksekutif dan Pengawal Kewangan/Setiausaha Syarikat.
- Mengkaji semula sebarang urusan pihak berkaitan yang boleh menyebabkan pertelingkahan kepentingan yang mungkin muncul di dalam Kumpulan.
- Mengkaji semula laporan perunding mengenal penilaian risiko tinggi termasuk kawalan dalaman Syarikat dan Kumpulan.
- Mengkaji semula laporan mengenai penilaian keadaan persediaan kawalan dalaman yang dijalankan oleh peunding luaran serta cadangan-cadangan yang dikemukakan.
- Mengkaji semula dan menilai aktiviti pengurusan risiko Syarikat dan Kumpulan termasuk polisi pengurusan risiko.
- Mengkaji semula sejauh mana Kumpulan telah menepati keperluan-keperluan seperti yang ditentukan di bawah Kod Pentadbiran Korporat Malaysia bertujuan untuk menyediakan Penyata Pentadbiran Korporat menurut syarat-syarat penyenaiaan di BSKL.



DATUK LING CHIONG HO

A Malaysian citizen, aged 51, was appointed as the Non-Executive Director on 15 October 1995 and subsequently as Non-executive Chairman on 1 October 1999. He is also the founder and Chairman of the diversified Shin Yang Group of Companies involving in forest management, downstream wood-based processing, property development and shipping. He has been instrumental to the growth and expansion of Shin Yang Group of Companies. He is deemed substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

DATU HAJI HAMZAH HAJI DRAHMAN

A Malaysian citizen, aged 56, was appointed as a Non-Executive Director on 7 June 2000. He has over 25 years of working experience in various government departments and is currently the Permanent Secretary to the Ministry of Planning & Resource Management. He holds a Bachelor of Economics with Honours from University of Malaya. He also sits as Board member in various government statutory bodies. He is an appointed representative of Pelita Holdings Sdn Bhd (PHSB), a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

GERALD RENTAP JABU

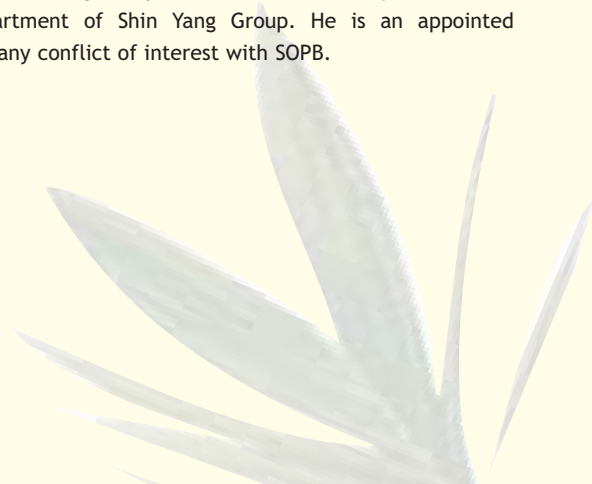
A Malaysian citizen, aged 33, was appointed as a Non-Executive Director on 24 May 2000. He graduated from the La Trobe University, Melbourne, Australia in 1993 with a Bachelor of Economics degree. He was a Licensed Dealer's Representative (Corporate Investment) in Sarawak Securities Sdn. Bhd. from 1993 to 1995 and was a Project Manager and Consultant for Sarawak Capital Sdn. Bhd. in 1995 to 1996. He is currently the Executive Director of Utahol Management Sdn. Bhd. He is an appointed representative of PHSB, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

TANG TIONG ING

A Malaysian citizen, aged 44, has been a Non-Executive Director since 15 June 1995. He was appointed as a member of the audit committee and nomination committee in 1996 and 2001 respectively. He graduated from University of Malaya with Bachelor in Accounting with Honours. He is also a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants and Malaysian Institute of Taxation. He joined Lau Hoi Chew & Co., a Certified Public Accounting firm in 1984 and was promoted to head the Miri Branch in 1985 till 1990. In 1991, he joined Shin Yang Group as a Group Accountant and he is presently the Head of Finance of the Group. He is an appointed representative of Shin Yang Plantation Sdn. Bhd. (SYPSB), a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

GARY TAN YOW HOO

A Malaysian citizen, aged 48, was appointed as a Non-Executive Director on 15 July 2000. He holds a Bachelor of Mechanical Engineering from Portsmouth University, England and is a Chartered Engineer registered in Malaysia, England, America and Australia. He was the General Manager of Bintulu Industrial Gas Sdn Bhd prior to joining Shin Yang Group in 1990. He is currently the General Manager of Business Development, Project & Technical Consultancy Department of Shin Yang Group. He is an appointed representative of SYPSB, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.



FONG TSHU KWONG @ FONG TSHUN KWONG

A Malaysian citizen, aged 44, was appointed as an Independent and Non-Executive Director on 22 March 1996. He was appointed as a member of audit committee and nomination committee in 1996 and 2001 respectively. He is a Chartered Accountant (Malaysian) and is a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and the Malaysian Institute of Corporate Governance. He started his career in Ernst & Young and has over 18 years of professional experience in accounting, secretarial, assurance and advisory business services, taxation, management consultancy & corporate advisory services. Since April 1996, he has been the Managing Director of OMG Fidelity (Malaysia) Sdn. Bhd., a wholly owned subsidiary of OM Group, Inc., USA, a NYSE listed company. He is also a Non-Executive Independent Director in Kim Hin Industry Berhad. He is not related to any director/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

LAI YEW HOCK

A Malaysian citizen, aged 44, was appointed as an Independent and Non-Executive Director of SOP on 24 February 2000. He is an Advocate, a Commissioner for Oaths, a Notary Public and an Accredited Mediator. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

WONG NGIE YONG

A Malaysian citizen, aged 53, was appointed as an Independent and Non-Executive Director on 15 June 2001. He holds a diploma in Mechanical Engineering from Technical College, Kuala Lumpur in 1972 and is a member of the Institute of Motor Industry, UK. He has over 25 years of experience in palm oil industry and engineering field, holding various positions as Mill Manager, Engineering Controller, Chief Engineer and Project Manager. He is currently a Consultant and a businessman. He is the Managing Partner of Konsultant Process (Sarawak) Sdn Bhd and is a Director of Utama Parts Trading (Sarawak) Sdn. Bhd. He is not related to any director/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

ABDUL RASHID BIN ABDUL KASSIM

A Malaysian citizen, aged 33, was appointed as a Non-Executive Director on 22 February 2003. He holds a Bachelor in Agricultural Science from Universiti Putra Malaysia, Malaysia. He is currently the Agricultural Officer for the State Land Oil Palm Plantation Section under the Land Custody Development Authority, Sarawak. He is an appointed representative of Pelita Holdings Sdn Bhd (PHSB), a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

It gives me pleasure to present, on behalf of the Board of Directors, the Annual Report of Sarawak Oil Palms Berhad Group (SOPG) for the Financial Year ended 31 December 2002.

FINANCIAL REVIEWS

The strong recovery in palm oil prices during the year resulted in an immediate rebound of the profit compared to that of last year.

Group turnover increased by 80.6% to RM66.2 million compared with RM36.7 million previously, and profit before taxation amounted to RM18.7 million, representing an increase of 339.6%. Profit after taxation and minority interests attributable to shareholders also rose by 461.3% to RM11.3 million. This was after share of loss in Associated company of RM6.5 million. As a result, the earnings per share jumped 6-fold from 2.1 sen to 11.9 sen.

DIVIDEND

The Group's objective is to sustain growth by substantially reinvesting its profits. Following the improvement of profit, the Board proposes a first and final dividend of 5% less tax at 28% per ordinary share amounting to RM3,418,857 for the Financial Year ended 31 December 2002.

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya ingin membentangkan Laporan Tahunan Kumpulan Sarawak Oil Palms Berhad (KSOP) bagi tahun kewangan berakhir 31 Disember 2002.

SOROTAN KEWANGAN

Pemulihan yang amat mengagumkan di dalam harga minyak kelapa sawit pada tahun kewangan 2002 telah menghasilkan peningkatan keuntungan yang mendadak berbanding dengan tahun kewangan sebelumnya.

Pendapatan Kumpulan melonjak naik sebanyak 80.6% kepada RM66.2 juta berbanding dengan RM36.7 juta sebelumnya, sementara keuntungan sebelum cukai berjumlah RM18.7 juta, mewakili kenaikan sebanyak 339.6%. Keuntungan selepas dikira kerugian bahagian ekuiti di dalam Syarikat Bersekutu, cukai dan faedah minoriti milik pemegang saham juga meningkat sebanyak RM461.3% kepada RM11.3 juta. Ini selepas dikira kerugian ekuiti di dalam Syarikat Bersekutu sebanyak RM6.5 juta. Hasilnya, perolehan sesaham melonjak 6 kali ganda daripada 2.1 sen ke 11.9 sen.

DIVIDEN

Objektif Kumpulan adalah untuk mempertahankan pertumbuhan melalui pelaburan semula keuntungannya. Di atas peningkatan keuntungan tersebut, Lembaga Pengarah mencadangkan dividen pertama dan akhir sebanyak 5% ditolak cukai pada 28% sesaham biasa berjumlah RM3,418,857 untuk Tahun Kewangan yang berakhir 31 Disember 2002.



OPERATIONS REVIEW

For the year under review, the crude palm oil (CPO) price has increased considerably. With the recovery of CPO price, the average CPO price realized by the Group recovered from RM823 per ton in 2001 (net off RM40 East Malaysia discount) to RM1327 per ton. The recovery of CPO price was mainly due to tight supply of soya beans and other competing oil seeds, including that of palm oil worldwide as a result of El Nino disruptions of weather patterns.

At the time of writing, the CPO price has remained comfortably stable at around RM1,350 to RM1,500 per ton level and it appears that the price will be sustainable over the next few months and this should augur well for the new financial year.

Production of fresh fruit bunches (FFB) for the year increased by 7.1% to 187,889 tonnes compared to 175,491 tonnes recorded in 2001. Total matured area increased marginally from 8,453 hectares to 8,896 hectares due to new areas coming into maturing. The last phase of replanting to replace those palms planted in the early and mid 1970's is due to be completed in year 2003.

FFB yield per ha stood at 21.12 tonnes per ha compared to last year's 20.76 tonnes per hectare, but the oil per ha increased from 4.44 tonnes to 4.66 tonnes resulting from higher extraction rate (OER) achieved at 22.08% compared to the previous figure of 21.40%. Group's palm oil mills produced a total of 44,986 tonnes of CPO, an increase of 15.20% over the preceding year. The general improvement in FFB yield and better extraction rate were due to the changing age profile of the palms, general improvement in field management and the better control on ripeness standards practiced at ground level. The new 45-tonnes palm oil mill at Galasah Estate, Miri has commenced operation towards the last quarter of the year.

The total land bank of the Group remains at 26,450 hectares. 17,469 hectares are planted with oil palms, comprising 8,896 hectares (51%) of mature oil palms and 8,573 hectares of (49%) immature oil palms. With more than 49% of the Group planted area remaining immature, it will guarantee a constant increase in FFB production over the next few years.

SOROTAN OPERASI

Untuk tahun kewangan 2002, harga minyak sawit mentah telah meningkat begitu tinggi sekali. Selepas pulihnya harga minyak sawit mentah, harga purata minyak tersebut untuk Kumpulan turut meningkat daripada RM823 setan pada 2001 (bersih setelah ditolak diskaun RM40 untuk Malaysia Timur) kepada RM1,327 setan. Pemulihan harga tersebut terutamanya disebabkan oleh kekecutan pembekalan kacang soya serta bijian minyak lain yang bersaing; ia juga dipengaruhi oleh keluaran minyak sawit di seluruh dunia yang disebabkan oleh kesan El Nino yang memburukkan keadaan cuaca.

Ketika ini, harga purata minyak sawit mentah kekal di antara RM1,300 dan RM1,500 setan dan wujud petanda yang menunjukkan bahawa harga tersebut boleh dikekalkan untuk beberapa bulan selanjutnya dan keadaan ini dijangkakan boleh memanfaatkan tahun kewangan yang berikutnya.

Keluaran "Fresh Fruit Bunches"(FFB) untuk tahun kewangan 2002 meningkat sebanyak 7.1% kepada 187,889 tan berbanding dengan 175,491 tan pada tahun 2001. Jumlah kawasan matang bertambah sedikit daripada 8,543 hektar kepada 8,896 hektar hasil daripada kawasan baru yang mula matang. Fasa terakhir untuk penanaman semula untuk mengganti pokok-pokok yang ditanam pada awal dan pertengahan 1970an dijangka beres pada tahun 2003.

Hasil FFB sehektar mencapai 21.12 tan sehektar berbanding dengan 20.76 tan sehektar tahun lepas, tetapi hasil minyak sehektar meningkat daripada 4.44 tan kepada 4.66 tan disebabkan pencapaian kadar "extraction" minyak pada 22.08% berbanding dengan 21.40% sebelum ini. Peningkatan hasil FFB dan kadar "extraction" disebabkan oleh kematangan pokok kelapa sawit, prestasi pengurusan ladang, serta kawalan rapi ke atas piawaian kemasakan buah yang diamalkan di peringkat ladang. Kilang minyak 45 tan baru di Ladang Galasah, Miri mula beroperasi pada suku terakhir tahun 2002.

Jumlah tanah Kumpulan kekal pada 26,450 hektar. Daripada 17,469 hektar yang ditanam pokok kelapa sawit, 8,896 hektar (51%) merupakan tanaman matang dan 8,573 (49%) lagi tanaman belum matang. Bahagian tanaman 49% yang belum matang ini akan menghasilkan peningkatan hasil keluaran FFB yang berterusan pada tahun-tahun selanjutnya.

HUMAN RESOURCES

As part of SOPB Group's strategy to be more competitive, the Group continues to conduct training programs through internal and external courses to upgrade the skill and knowledge of the employees.

CORPORATE DEVELOPMENT

On 12 December 2002, SOPB entered into conditional sale and purchase agreement with Rajang Wood Sdn Bhd to dispose of its entire 45% equity representing 13,320,000 ordinary shares of RM1.00 each in Keresa Plantations Sdn Bhd for a total cash consideration of RM21,300,000. As announced earlier, the disposal is part of the move to rationalize SOPB investment in company where SOPB has no control over the management.

The proposed disposal was completed on 20 May 2003.

On 21 January 2003, SOPB entered into a conditional sale and purchase agreement with Esteem Pioneer Sdn Bhd and other vendors to acquire 4,250,000 ordinary shares of RM1.00 each representing 85% of the total issued and paid-up Ordinary Shares of Shin Yang Oil palm Sdn Bhd (SYOP) for a total cash consideration of RM63.6 million and 4,250,000 cumulative preference shares of RM1.00 each representing the entire total issued and paid-up Preference Shares of SYOP for a total cash consideration of RM4.25 million (Proposed Acquisition). As explained in the announcement earlier, the Proposed Acquisition of SYOP represents an expansion of SOPB Group's existing business and will enhance the future earning potential of the Group.

The Proposed Acquisition has been approved by the Foreign Investment committee and now is pending approval of members at the coming Extra-Ordinary General Meeting on 6 June 2003.

TENAGA MANUSIA

Sebahagian daripada strategi untuk mengekalkan daya kompetitifnya, Kumpulan terus menganjurkan program-program dalaman serta luaran untuk menaiktaraf kemahiran dan pengetahuan para pekerjanya.

PEMBANGUNAN KORPORAT

Pada 12 Disember 2002, SOPB menandatangani satu Perjanjian Jual Beli Bersyarat dengan Rajang Wood Sdn Bhd untuk menjual keseluruhan 45% ekuitinya mewakili 13,320,000 saham biasa bernilai RM1.00 setiap satu dalam Keresa Plantations Sdn Bhd dengan jumlah perolehan sebanyak RM21,300,000. Seperti yang dimaklumkan terlebih dahulu, penjualan tersebut adalah satu strategi pelaburan rasional SOPB di dalam syarikat-syarikat di mana SOPB tidak mempunyai kawalan ke atas pihak pengurusannya.

Penjualan tersebut telah dikemukakan kepada pihak-pihak berkuasa yang berkenaan dalam bulan Disember 2002 untuk pertimbangan dan kelulusan pihak tersebut.

Pada 21 Januari 2003, SOPB menandatangani satu Perjanjian Jual Beli Bersyarat dengan Esteem Pioneer Sdn Bhd dan vendor-vendor lain untuk memperolehi 4,250,000 unit saham biasa bernilai RM1.00 setiap satu mewakili 85% daripada jumlah Saham Biasa Shin Yang Oil Palm Sdn Bhd (SYOP) yang diterbitkan dan berbayar dengan harga RM63.6 juta dan 4,250,000 saham pilihan bernilai RM1.00 setiap satu mewakili keseluruhan jumlah saham pilihan SYOP yang telah diterbitkan dan berbayar dengan harga RM4.25 juta (Cadangan Perolehan). Sepertimana yang dijelaskan di dalam pengumuman sebelum ini, cadangan perolehan SYOP mewakili usaha SOPB untuk mengembangkan lagi bisnesnya dan seterusnya memantapkan potensi pendapatan Kumpulan pada masa hadapan.

Cadangan perolehan tersebut telah dikemukakan kepada pihak-pihak berkuasa yang berkenaan pada bulan Februari 2003 untuk pertimbangan dan kelulusan pihak-pihak tersebut.

PROSPECT

The present level of palm oil price is expected to be stable over next few months. The longer term outlook for palm oil price is more uncertain. However, the price is not expected to fall below RM1,200.00 per ton in 2003.

Having considered the above and barring any unforeseen circumstances, the results of the financial year 2003 are expected to be in line with the profit recorded during 2002.

APPRECIATION

It is my pleasant duty once again, on behalf of the Board, to extend our sincere gratitude and appreciation to our employees, customers, business associates and shareholders for their continued support and confidence in the Group.

Datuk Ling Chiong Ho
Chairman
26 May 2003

PROSPEK

Tahap harga minyak sawit masa kini dijangka stabil untuk beberapa bulan berikutnya. Harganya pada jangkamasa panjang diunjurkan tidak dapat dipastikan. Walau bagaimanapun, harganya dijangka tidak akan jatuh di bawah RM1,000.00 setan pada tahun 2003.

Setelah mengambilkira jangkaan-jangkaan tersebut dan jika tiada aral melintang, keputusan tahun kewangan 2003 dijangka semantap keputusan yang dicapai pada tahun 2002.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya amat berbesar hati untuk menghulurkan sekalung budi dan penghargaan kepada semua pekerja, pelanggan, rakan niaga dan pemilik saham yang telah memberi sokongan dan dorongan yang memberangsangkan di dalam Kumpulan.

Datuk Lim Chiong Ho
Pengerusi
26 Mei 2003



STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on corporate governance ("the Code") formalized in March 2000 and made mandatory with effect from June, 2001 for public-listed companies to follow, marks a milestone in the corporate scene in the country. The Code sets out the principles and best practices for adoption in an effort to raise standards of corporate governance in the country. SOPB Board recognizes that the exercise of good corporate governance in all aspects of its business dealings is vital for the Group's continued progress and success. The Board is therefore, committed to maintain a high standard of corporate governance throughout the Group.

BOARD OF DIRECTORS

An effective Board sets the policies which will enable them to lead and guide the Company to achieve its goals. The Board currently has nine members and all of them are Non-Executive Directors. The Independent Non-Executive Directors are Fong Tshu Kwong @ Fong Tshun Kwong, Lai Yew Hock and Wong Ngie Yong. Therefore, pursuant to the KLSE Listing Requirements, one third of the Board consists of Independent Directors. Together, the Directors bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, law, business acumen and management. A brief profile of each director is presented on pages 15 to 16. For the financial year ended 31 December 2002, the Board held 6 meetings. Directors' attendance to these meetings are as follows :-

| Name of Director | Board Attendance |
|--|------------------|
| Datuk Ling Chiong Ho | 6/6 |
| Datu Haji Hamzah Haji Drahan | 3/6 |
| Polit Bin Hamzah (retired) | 5/5 |
| Genrald Rentap Jabu | 5/6 |
| Tang Tiong Lng | 6/6 |
| Gary Tan Yow Hoo | 6/6 |
| Fong Tshu Kwong @ Fong Tshun Kwong | 6/6 |
| Lai Yew Hock | 5/6 |
| Wong Ngie Tong | 5/6 |
| Abdul Rashid Bin Abdul Kassim (Appointed on 22/2/2003) | |

Number of meetings attended (first figure)/ member of meetings held while in office (second figure).

At Board Meetings, strategies and performance of the Company are being reviewed and evaluated in the light of any changing circumstances whether economic, social or political. Although all the Directors have an equal responsibility for the Company's operations, the pivotal role played by the independent Non-Executive Directors is vital to ensure that strategies formulated or transactions proposed by management are amply discussed in an unbiased and independent manner, taking into account the interests not only of the Group but also the shareholders, employees, customers, suppliers, environment and community at large.

In discharging its fiduciary duty, the Board is assisted by Board Committees, namely the Audit Committee and the Nomination Committee. The terms of reference of each Committee have been approved by the Board and are in compliance with the recommendations of the Code.

In addition, where necessary, the Board may call in outside expert professionals in their respective fields to express their views on specific matters.

AUDIT COMMITTEE

The composition and terms of reference of this Committee together with its report are presented on pages 8 to 14 of the Annual Report.

NOMINATION COMMITTEE

The Committee, formed on 3 May 2001, is responsible for recommending the right candidate with the necessary skills, experience and competencies to fill in the Board. The Committee is also responsible for assessing the performance of each existing Director. The members of the Nomination Committee are as follows :

Fong Tshu Kwong @ Fong Tshun Kwong - Chairman, Independent Non-Executive Director
Lai Yew Hock - Independent Non-Executive Director
Tang Tiong Ing - Non-Executive Director

DIRECTORS' REMUNERATION

The Company pays its Directors annual fees which are approved annually by the shareholders. In addition, its Directors and members to the Board Committee are paid a meeting allowance for each meeting they attend. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company.

The details of the Directors' remuneration from the Company and its subsidiary companies for the financial year ended 31 December 2002 are as follows :

| | Non-Executive Directors RM | No | Fees (RM) |
|------|-------------------------------|----|-----------|
| SOPB | 0-20,000 | 9 | 129,000 |

There are no contracts of service between any Director and the Company or its subsidiaries.

RE-ELECTION OF DIRECTORS

The Articles of Association provide that at least one-third of the Board are subject to retirement by rotation at each Annual General Meeting. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. These provide an opportunity for the shareholders to renew their mandates. The election of each Director is voted on separately. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act 1965.

SUPPLY OF INFORMATION TO BOARD MEMBERS

Board Meetings are structured with a pre-set agenda. Board papers for the Agenda are circulated to Directors well before the meeting date to give Directors time to deliberate on the issues to be raised at the meeting. Quarterly reports on the financial performance of the Company and Group are also circulated to the Directors for their views and comments. All proceedings of Board Meetings are minuted and signed by the Chairman of the Meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

At other times, Directors have direct access to the Senior Management and the service of the Company Secretary. Directors, especially newly appointed ones, are encouraged to visit the Group's operating centers to familiarize themselves with the various operations of the Group.

All the Directors have attended and completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIAM), an affiliate company of Kuala Lumpur Stock Exchange. Other than Abdul Rashid Bin Abdul Kassim, who will attend the MAP by end of July 2003.



RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Company recognizes the importance of communicating with its shareholders and does this through the Annual Report, Annual General Meeting (AGM) and analyst meetings. The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete a picture of the Company's performance and position as possible.

The key elements of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from both private and institutional shareholders on all issues relevant to the Company at the AGM. It has also been the Company's practice to send the Notice of the Annual General Meeting and related papers to shareholders at least fourteen (14) working days before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed and about the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholders with a written answer after the AGM. The Chairman of the Board also addresses the shareholders on the review of the Group's operations for the financial year and outlines the prospects of the Group for the subsequent financial year.

FINANCIAL REPORTING

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Audited Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

INTERNAL CONTROLS

The Statement on Internal Control is set out on page 25 to 26 of the Annual Report.

RELATIONSHIP WITH THE AUDITORS

Key features underlying the relationship of the Audit Committee with the external Auditors are included in the Audit Committee's term of reference as detailed on page 8 to 14 of the Annual Report.



COMPLIANCE WITH THE CODE

Save as disclosed below, the Group has substantially complied with the Principles and Best Practices of the Code :-

- (a) The Company does not have a Remuneration Committee as all Directors are Non-Executive Directors and the determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman are a matter for the Board as a whole.

OTHER INFORMATION

Options warrants and convertible securities

The Company has not issued any warrants and convertible securities during the financial year.

Sanctions and/or penalties

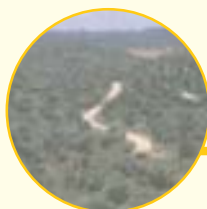
There were no material sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

Profit guarantee

During the financial year, there was no profit guarantee issued by the Company.

Material contracts

Material contracts for the Company and its subsidiaries involving Directors either subsisting at the end of the financial year or entered into since the end of the previous financial year are disclosed in Note 26 to the financial statements under "Related Party Transactions" on page 59-61.



Paragraph 15.27 (b) of the Kuala Lumpur Stock Exchange Listing Requirements requires the Board of Directors of public listed companies to include in its annual report a “statement about the state of internal control of the listed issue as a group”.

Set out below is the Board’s Internal Control Statement which outlines the nature and state of internal control of the Company and the Group during the year.

Board Responsibility

The Board acknowledges its responsibility for the Company’s and the Group’s system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the system could provide only reasonable but not absolute assurance against material misstatement, operational failures, fraud or loss.

Risk management Framework

The Board fully supports the contents of the “Statement on Internal Control : Guidance of Directors of Public Listed Companies” and the Board has engaged an external consultant to conduct high level risk assessment to identify and evaluate the principal business risks in critical areas of the Company and the subsidiaries of the Group, assessing the likelihood of material exposures and identifying the measures taken to manage these risks. This was done through desktop reviews, interviews with Senior Management and workshop reviews. In addition, the Board has also engaged an external consultant to conduct an internal control readiness assessment to review the present internal control system of the Group and to recommend areas that need to be further improved.

The Board has initiated an ongoing process of identifying, evaluating, and managing significant risks encountered by the Company and the Group in a structured manner. This would entail establishing procedures for reporting and monitoring of risks and controls. Regular reviews will be conducted on a yearly basis with additional reviews to be carried out as and when required.

These initiatives would ensure that the Company and the Group have in place a formalized ongoing process to identify, measure and manage the significant risks affecting the achievement of its business objectives.

Other key components of internal control system

The other key components of the Company’s internal control systems are described below :

Board Meetings

The Board meets at least quarterly and has a formal agenda on matters for discussion. The CEO leads the presentation of board papers and provide comprehensive explanation of pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Company’s and the Group’s activities and operations on a regular basis.

Organizational structure with formally defined responsibility lines and delegation of authority

There is in place an organizational structure with formally defined responsibility lines and authorities to facilitate quick response to changes in the evolving business environment and accountability for operation performance. Capital and non-capital expenditures and acquisition and disposal of investment interest are subject to appropriate approval processes.

Performance Management framework

Comprehensive management reports are generated on a regular and consistent basis to facilitate the Board to review the Company's and the Group's financial and operating performance. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

The company and the Group have in place a detailed and well-controlled budgeting process that provides a responsibility accounting framework.

Operational policies and procedures

The documented policies and procedures form an integral part of the internal control system to safeguard the Company's and the Group's assets against material losses and ensure complete and accurate financial information. The documents consist of memoranda, circulars, manuals and handbooks that are continuously being revised and updated to meet operational needs.

Weaknesses in internal control

Continuous Management efforts are in place to improve the internal control systems. No material losses were incurred during the year due to the weaknesses in the internal control system.



Additional Compliance Information

In compliance with the Kuala Lumpur Stock Exchange Listing Requirements, the following information is provided:-

1. Non-Audit fees

The amount of non-audit fees paid to SOPB Group's external auditors is mainly for the tax advisory and accounting services rendered for the financial year ended 31 December 2002. The breakdown of the fees are as follows:

| Name of Auditor | Fees (RM) |
|-----------------|---------------|
| KPMG | 9,765 |
| Ernst & Young | 26,250 |
| | <u>36,015</u> |

2. Material Contracts

There were no material contracts involving the interest of Directors and major shareholders pursuant to paragraph 20, Part A, Appendix 9C of the KLSE Listing Requirements entered into by the SOPB Group since the end of the previous financial year up to 31 December 2002.

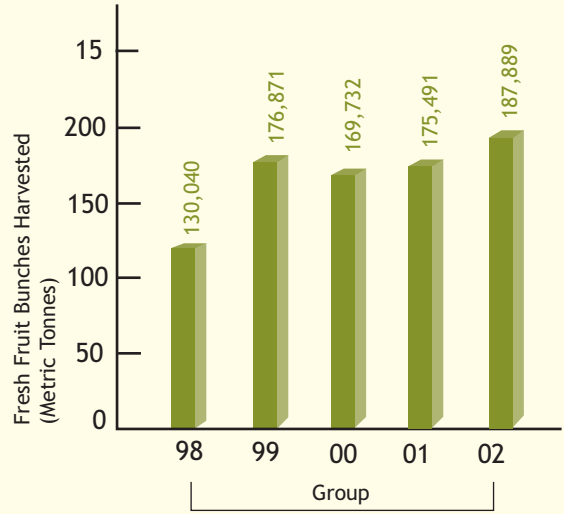
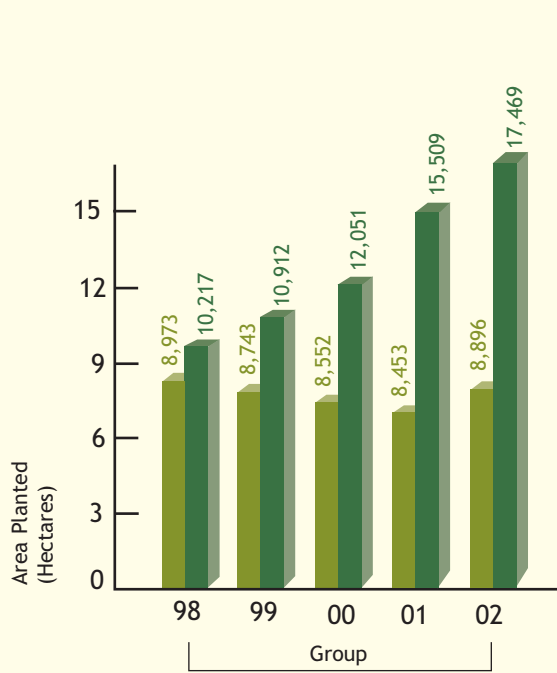
3. Recurrent Related Party Transactions of a Revenue or Trading nature ("RRPT")

The RRPTs entered into by SOPB Group during the financial year ended 31 December 2002 were as follows:-

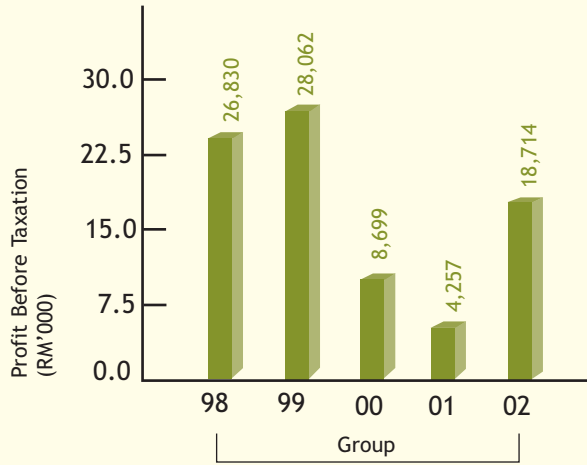
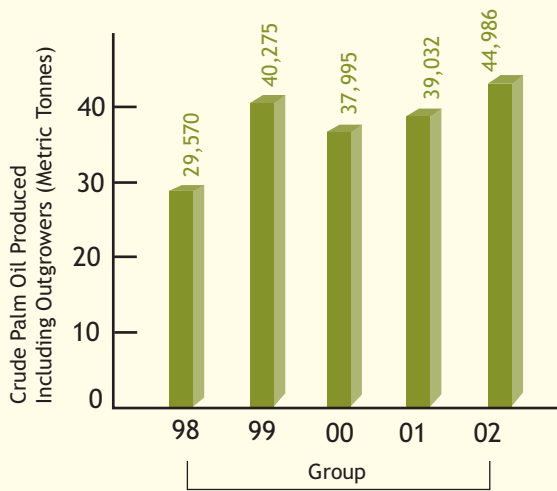
| Name of Transacting Party | Nature of Transaction | Related Party # | Year 2002 Actual (RM'000) |
|---------------------------|---|--|---------------------------|
| Shin Yang Services | Supplies diesel and petrol to oil palm estates of SOPB Group | Datuk Ling Chiong Ho(1) Tang Tiong Ing(2). Gary Tan Yow Hoo(2) | 1,006 |
| Shin Yang Trading | Supplies lubricant, spare parts and tyres for the tractors and machinery of the Group | Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Gary Tan Yow Hoo(2) | 166 |
| SYSB | Provides land clearing and development services to SOPB Group's estates | Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Gary Tan Yow Hoo(2) | 4,886 |

Note

- # (1) Datuk Ling Chiong Ho is the Non-Executive Chairman of SOPB and is also the major shareholder of Shin Yang Services and SYSB and Director and shareholder of Shin Yang Trading.
- (2) Messrs. Tang Tiong Ing and Gary Tan Yow Hoo, the Directors of SOPB are also the employees of the Mandated Related Parties and are deemed persons connected to Datuk Ling Chiong Ho.



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Financial



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Directors' report for the year ended 31 December 2002

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2002.

Principal activities

The principal activities of the Company are the cultivation of oil palms and the operation of palm oil mills whilst the principal activities of its subsidiaries are stated in Note 4 to the financial statements. There has been no significant change in the nature of these principal activities during the financial year.

Results

| | Group RM'000 | Company RM'000 |
|-------------------------|-----------------|-------------------|
| Net profit for the year | 11,338 ===== | 18,943 ===== |

Dividends

Since the end of the previous financial year, the Company paid a first and final dividend of 3% less tax totalling RM2,051,314 in respect of the year ended 31 December 2001 on 18 July 2002.

The Directors recommend a first and final dividend of 5% less tax totalling RM3,418,857 in respect of the year ended 31 December 2002.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the year except as disclosed in the financial statements.

Directors of the Company

Directors who served since the date of the last report are:

Datu Haji Hamzah Haji Drahman
Abdul Rashid Bin Abdul Kassim (appointed on 22.2.2003)
Gerald Rentap Jabu
Polit Bin Hamzah (resigned on 20.12.2002)
Datuk Ling Chiong Ho
Tang Tiong Ing
Fong Tshu Kwong @ Fong Tshun Kwong
Lai Yew Hock
Gary Tan Yow Hoo
Wong Ngie Yong

In accordance with the Articles of Association, Datuk Ling Chiong Ho, Tang Tiong Ing and Gary Tan Yow Hoo retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with the Articles of Association, Abdul Rashid Bin Abdul Kassim, who was appointed to the Board since the last Annual General Meeting, now retires and being eligible, offers himself for re-election.

Directors' interests in shares

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares of RM1.00 each | | | |
|---------------------------------|--|---------|------|------------------|
| | At 1.1.2002 | Bought | Sold | At 31.12.2002 |
| Sarawak Oil Palms Berhad | | | | |
| <u>Direct interest</u> | | | | |
| Datu Haji Hamzah Haji Drahman | 5,000 | - | - | 5,000 |
| Lai Yew Hock | 10,000 | - | - | 10,000 |
| Datuk Ling Chiong Ho | - | 974,000 | - | 974,000 |
| <u>Deemed interest</u> | | | | |
| Datuk Ling Chiong Ho | 23,749,982 | - | - | 23,749,982 |

By virtue of Datuk Ling Chiong Ho's interest in the shares of Sarawak Oil Palms Berhad, his deemed interest in the shares of the subsidiaries at the end of the year are as follows:

| | Number of ordinary shares of RM1.00 each | | | |
|--|--|--------|------|------------------|
| | At 1.1.2002 | Bought | Sold | At 31.12.2002 |
| SOP Plantations (Balingian) Sdn. Bhd. | 4,800,000 | - | - | 4,800,000 |
| SOP Plantations (Niah) Sdn. Bhd. | 6,000,000 | - | - | 6,000,000 |
| SOP Plantations (Suai) Sdn. Bhd. | 1,700,000 | - | - | 1,700,000 |

None of the other Directors holding office at 31 December 2002 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i. all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii. all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i. that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii. that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv. not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i. any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii. any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any Company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, will not be seeking re-appointment at the forthcoming Annual General Meeting.

Signed in accordance with a resolution of the Directors:

.....
Fong Tshu Kwong @ Fong Tshun Kwong

.....
Tang Tiong Ing

Miri,

Date: 23 April 2003

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 37 to 66 are drawn up in accordance with applicable approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2002 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

.....
Fong Tshu Kwong @ Fong Tshun Kwong

.....
Tang Tiong Ing

Miri,

Date: 23 April 2003

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Wong Hee Kwong, the officer primarily responsible for the financial management of Sarawak Oil Palms Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 66 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Miri in the State of Sarawak on 23 April 2003

.....
Wong Hee Kwong

Before me:

Dominic Lai Yew Hock
Commissioner For Oaths (No. Q047)
Lot 273, 2nd Floor,
Jalan Nahkoda Gampar,
98000 Miri, Sarawak

Report of the auditors to the members of Sarawak Oil Palms Berhad

We have audited the financial statements set out on pages 37 to 66. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We have conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i. the state of affairs of the Group and of the Company at 31 December 2002 and of the results of their operations and cash flows for the year ended on that date; and
 - ii. the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company.

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comments made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Chin Chee Kong
Partner
Approval Number: 1481/1/05 (J)

Kuching,

Date: 23 April 2003

Balance sheets at 31 December 2002

| | Note | Group | | Company | |
|-------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Property, plant and equipment | 3 | 220,578 | 175,090 | 114,792 | 96,894 |
| Investment in subsidiaries | 4 | - | - | 15,500 | 15,500 |
| Investment in an associate | 5 | 4,549 | 11,039 | 13,320 | 13,320 |
| Amount due from subsidiaries | 6 | - | - | 40,904 | 24,324 |
| Current assets | | | | | |
| Inventories | 7 | 5,709 | 5,340 | 3,404 | 3,011 |
| Trade and other receivables | 8 | 4,828 | 4,826 | 4,514 | 4,421 |
| Cash and cash equivalents | 9 | 32,645 | 19,758 | 31,979 | 19,575 |
| | | 43,182 | 29,924 | 39,897 | 27,007 |
| Current liabilities | | | | | |
| Trade and other payables | 10 | 22,380 | 16,228 | 9,960 | 4,429 |
| Borrowings | 11 | 11,600 | 4,600 | 11,600 | 4,600 |
| Taxation | | 1,645 | - | 1,645 | - |
| | | 35,625 | 20,828 | 23,205 | 9,029 |
| Net current assets | | 7,557 | 9,096 | 16,692 | 17,978 |
| | | 232,684 | 195,225 | 201,208 | 168,016 |

Balance sheets at 31 December 2002

(con't)

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Financed by: | | | | | |
| Capital and reserves | | | | | |
| Share capital | 12 | 94,968 | 94,968 | 94,968 | 94,968 |
| Revaluation reserves | 13 | 4,454 | 4,454 | 4,454 | 4,454 |
| Retained profits | | 69,297 | 60,010 | 79,486 | 62,594 |
| | | <u>168,719</u> | <u>159,432</u> | <u>178,908</u> | <u>162,016</u> |
| Minority shareholders' interests | 14 | 2,765 | 2,937 | - | - |
| | | <u>171,484</u> | <u>162,369</u> | <u>178,908</u> | <u>162,016</u> |
| Long term and deferred liabilities | | | | | |
| Other payable | 10 | - | 2,256 | - | - |
| Borrowings | 11 | 50,900 | 24,600 | 12,000 | - |
| Deferred taxation | 15 | 10,300 | 6,000 | 10,300 | 6,000 |
| | | <u>232,684</u> | <u>195,225</u> | <u>201,208</u> | <u>168,016</u> |
| | | ===== | ===== | ===== | ===== |

The financial statements were approved and authorised for issue by the Board of Directors on 23 April 2003.

The notes set out on pages 43 to 66 form an integral part of, and should be read in conjunction with, these financial statements.

Income statements for the year ended 31 December 2002

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Revenue | 16 | 66,228 | 36,675 | 66,228 | 36,675 |
| Cost of sales | | (37,421) | (29,783) | (36,747) | (29,783) |
| Gross profit | | 28,807 | 6,892 | 29,481 | 6,892 |
| Distribution costs | | (3,525) | (1,576) | (3,525) | (1,576) |
| Administrative expenses | | (739) | (476) | (349) | (222) |
| Other operating income | | 282 | 720 | 504 | 692 |
| Operating profit | 17 | 24,825 | 5,560 | 26,111 | 5,786 |
| Interest income | | 523 | 792 | 517 | 792 |
| Interest expense | | (144) | - | (137) | - |
| Share of loss of an associate | | (6,490) | (2,095) | - | - |
| Profit before taxation | | 18,714 | 4,257 | 26,491 | 6,578 |
| Tax expense | 19 | (7,548) | (2,276) | (7,548) | (2,276) |
| Profit after taxation | | 11,166 | 1,981 | 18,943 | 4,302 |
| Minority interests | | 172 | 39 | - | - |
| Net profit for the year | | 11,338 | 2,020 | 18,943 | 4,302 |
| Basic earnings per ordinary share (sen) | 20 | 12.0 | 2.1 | | |
| Dividend per ordinary share - gross (sen) | 21 | 5.0 | 3.0 | | |

The notes set out on pages 43 to 66 form an integral part of, and should be read in conjunction with, these financial statements.

Statement of changes in equity for the year ended 31 December 2002

| | Share capital RM'000 | (Non-distributable) Revaluation reserve RM'000 | (Distributable) Retained profits RM'000 | Total RM'000 |
|--------------------------------|-------------------------|--|---|-----------------|
| Group | | | | |
| At 1 January 2001 | 94,968 | 4,454 | 61,409 | 160,831 |
| Net profit for the year | - | - | 2,020 | 2,020 |
| Dividend - 2000 final(Note 20) | - | - | (3,419) | (3,419) |
| At 31 December 2001 | 94,968 | 4,454 | 60,010 | 159,432 |
| Net profit for the year | - | - | 11,338 | 11,338 |
| Dividend - 2001 final(Note 20) | - | - | (2,051) | (2,051) |
| At 31 December 2002 | 94,968 | 4,454 | 69,297 | 168,719 |
| | ===== | ===== | ===== | ===== |
| | | (Note 13) | | |
| Company | | | | |
| At 1 January 2001 | 94,968 | 4,454 | 61,711 | 161,133 |
| Net profit for the year | - | - | 4,302 | 4,302 |
| Dividend - 2000 final(Note 20) | - | - | (3,419) | (3,419) |
| At 31 December 2001 | 94,968 | 4,454 | 62,594 | 162,016 |
| Net profit for the year | - | - | 18,943 | 18,943 |
| Dividend - 2001 final(Note 20) | - | - | (2,051) | (2,051) |
| At 31 December 2002 | 94,968 | 4,454 | 79,486 | 178,908 |
| | ===== | ===== | ===== | ===== |
| | | (Note 13) | (Note 22) | |

The notes set out on pages 43 to 66 form an integral part of, and should be read in conjunction with, these financial statements.

Cash flow statements for the year ended 31 December 2002

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 18,714 | 4,257 | 26,491 | 6,578 |
| Adjustments for: | | | | |
| Amortisation of discount on acquisition of an associate | (32) | (32) | - | - |
| Depreciation and amortisation of property, plant and equipment | 7,259 | 6,985 | 7,031 | 6,985 |
| Loss/(Gain) on disposal of property, plant and equipment | 251 | (333) | (127) | (323) |
| Interest income | (523) | (830) | (517) | (822) |
| Interest expense | 145 | - | 137 | - |
| Share of loss retained in an associate | 6,522 | 2,127 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Operating profit before working capital changes | 32,336 | 12,174 | 33,015 | 12,418 |
| (Increase)/Decrease in working capital: | | | | |
| Inventories | (369) | 877 | (393) | 120 |
| Trade and other receivables | (853) | 19 | (17,524) | (18,610) |
| Trade and other payables | 1,959 | 763 | 3,670 | (254) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash generated from/(used in) operations | 33,073 | 13,833 | 18,768 | (6,326) |
| Income taxes paid | (752) | (2,086) | (752) | (2,086) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash generated from/(used in) operating activities | 32,321 | 11,747 | 18,016 | (8,412) |
| | ===== | ===== | ===== | ===== |

Cash flow statements for the year ended 31 December 2002 (con't)

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment (excluding loan interest and depreciation charge capitalised) | (48,961) | (39,310) | (23,092) | (7,088) |
| Proceeds from disposal of property, plant and equipment | 413 | 469 | 263 | 423 |
| Interest received | 523 | 830 | 517 | 822 |
| Net cash used in investing activities | (48,025) | (38,011) | (22,312) | (5,843) |
| Cash flows from financing activities | | | | |
| Repayment of loans | (3,300) | - | (3,300) | - |
| Proceeds from loans | 36,600 | 17,870 | 22,300 | 4,600 |
| Dividend paid | (2,051) | (3,419) | (2,051) | (3,419) |
| Interest paid | (2,658) | (1,511) | (249) | (22) |
| Net cash generated from financing activities | 28,591 | 12,940 | 16,700 | 1,159 |
| Net increase/(decrease) in cash and cash equivalents | 12,887 | (13,324) | 12,404 | (13,096) |
| Cash and cash equivalents at beginning of year | 19,758 | 33,082 | 19,575 | 32,671 |
| Cash and cash equivalents at end of year | 32,645 | 19,758 | 31,979 | 19,575 |

Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Fixed deposits | 30,875 | 17,807 | 30,875 | 17,807 |
| Cash and bank balances | 1,770 | 1,951 | 1,104 | 1,768 |
| | 32,645 | 19,758 | 31,979 | 19,575 |

The notes set out on pages 43 to 66 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the financial statements

1. General information

The principal activities of the Company are the cultivation of oil palms and the operation of palm oil mills. The principal activities of its subsidiaries are disclosed in Note 4.

The Company is a limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Kuala Lumpur Stock Exchange.

2. Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the adoption of the following:

- (i) MASB 19, Events After Balance Sheet Date whereby the comparative figures have been restated to reflect the impact of the non-recognition of dividends proposed after the balance sheet date (see Notes 21 and 30);
- (ii) MASB 20, Provisions, Contingent Liabilities and Contingent Assets and MASB 21, Business Combination which are applied retrospectively. Comparative figures are not affected by the adoption of these standards; and
- (iii) MASB 23, Impairment of Assets, and MASB 24, Financial Instruments: Disclosure and Presentation, which have been adopted prospectively.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of the associate on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associate which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associate. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill/Discount on acquisition is calculated based on the fair value of net assets acquired.

(d) Property, plant and equipment

- (i) Certain long-term leasehold land and plantation development expenditure were revalued in 1991 (Note 3) and are stated in the financial statements at valuation less amortisation. All other property, plant and equipment and additions to these properties subsequent to their revaluation are stated in the financial statements at cost less depreciation/amortisation and accumulated impairment losses.

Surplus arising from the revaluation was dealt with in the revaluation reserve account.

It is the Group's policy to state its property, plant and equipment at cost. The revaluation of the long-term leasehold land and plantation development expenditure in 1991 was not intended to effect a change in accounting policy to one of revaluation of assets. Consequently, in accordance with the transitional provisions issued by the Malaysian Accounting Standards Board, the values of these properties have not been updated and they continue to be stated at their carrying values less accumulated depreciation/amortisation.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

- (ii) New planting expenditure incurred on land clearing, upkeep of immature oil palms and interest incurred during the pre-maturity period (pre-cropping costs) is capitalised under plantation development expenditure. Upon maturity, all subsequent maintenance expenditure is charged to revenue and the capitalised pre-cropping cost is amortised on a straight line basis over 25 years, the expected useful life of oil palms. Oil palm is considered mature 36 months after the month of planting.

All replanting expenditure is also capitalised under plantation development expenditure and amortised on the above-mentioned basis.

Depreciation

Leasehold land is amortised in equal instalments over the period of the respective leases ranging from 58 to 90 years. Capital work-in-progress is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis to write off the cost or valuation of the assets over the term of their estimated useful lives at the following principal annual rates:

| | |
|--------------------------------------|-----------|
| Buildings | 5% - 20% |
| Furniture and office equipment | 10% - 20% |
| Motor vehicles | 20% - 25% |
| Plant, machinery and field equipment | 10% - 25% |

Capital

work-in-progress

Expenditure incurred on the construction/extension of buildings and the installation of plant and machinery is capitalised as capital work-in-progress until the buildings/plant are fully completed and operational.

(e) Investments

Long term investments in subsidiaries and associates are stated at cost in the Company, less impairment loss where applicable.

(f) Inventories

Processed inventories comprising crude palm oil and palm kernel and nursery inventories, comprising seedlings remaining in nursery for eventual field planting, are valued at the lower of cost, determined on the weighted average basis, and net realisable value. Cost of processed inventories and nursery inventories includes cost of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

Stores and spares are valued at the lower of cost of purchase, determined on the weighted average cost basis, and net realisable value.

(g) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

The carrying amount of the Group's assets, other than inventories [refer Note 2(f)] and financial assets (other than investments in subsidiaries and associates) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. An impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case it is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

(j) Liabilities

Borrowings and trade and other payables are stated at cost.

(k) Capitalisation of borrowing costs

Borrowing costs incurred on plantation development expenditure and capital work-in-progress are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific capital work-in-progress or plantation development expenditure, in which case the actual borrowing cost incurred on that borrowing less any investment income from the temporary investment of that borrowing will be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

(l) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all significant timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is reasonable expectation of realisation in the near future.

(m) Revenue

i) Good sold

Revenue from sale of crude palm oil and palm kernel is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to buyers.

(ii) Interest income

Interest income is recognised in the income statement as it accrues, taken into account the effective yield on the asset.

(n) Interest expense

All interest and other costs incurred in connection with borrowings other than those capitalised in accordance with Note 2(k), are expensed as incurred.

3. Property, plant and equipment

| GROUP | Long-term leasehold land and plantation development expenditure RM'000 | Buildings RM'000 | Furniture and office equipment RM'000 | Motor vehicles RM'000 | Plant, machinery and field equipment RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|-------------------------|--|------------------------------|--|--|---------------------|
| Cost/Valuation | | | | | | | |
| Opening balance | 191,844 | 29,265 | 2,635 | 5,565 | 34,931 | 2,380 | 266,620 |
| Additions | 30,028 | 7,528 | 194 | 505 | 15,164 | 1,224 | 54,643 |
| Disposals/Write-offs | (21,929) | (10) | (205) | (280) | (2,032) | - | (24,456) |
| Transfers | - | 1,758 | (1) | - | 570 | (2,327) | - |
| Closing balance | 199,943 | 38,541 | 2,623 | 5,790 | 48,633 | 1,277 | 296,807 |
| Representing items at: | | | | | | | |
| Cost | 139,356 | 31,663 | 2,623 | 5,790 | 48,633 | 1,277 | 229,342 |
| Valuation - 1991 | 60,587 | 6,878 | - | - | - | - | 67,465 |
| Closing balance | 199,943 | 38,541 | 2,623 | 5,790 | 48,633 | 1,277 | 296,807 |
| Depreciation | | | | | | | |
| Opening balance | 47,735 | 14,530 | 2,043 | 3,090 | 24,132 | - | 91,530 |
| Charge for the year | 3,248 | 1,880 | 147 | 777 | 2,693 | - | 8,745 |
| Disposals/Write-offs | (21,750) | (9) | (196) | (215) | (1,876) | - | (24,046) |
| Closing balance | 29,233 | 16,401 | 1,994 | 3,652 | 24,949 | - | 76,229 |
| Net book value | | | | | | | |
| At 31 December 2002 | 170,710 | 22,140 | 629 | 2,138 | 23,684 | 1,277 | 220,578 |
| At 31 December 2001 | 144,109 | 14,735 | 592 | 2,475 | 10,799 | 2,380 | 175,090 |
| Depreciation charge for the year ended 31 December 2001 | 3,266 | 1,696 | 163 | 758 | 2,472 | - | 8,355 |

3. Property, plant and equipment (con't)

| <u>COMPANY</u> | Long-term leasehold land and plantation development expenditure RM'000 | Buildings RM'000 | Furniture and office equipment RM'000 | Motor vehicles RM'000 | Plant, machinery and field equipment RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|--|------------------|---------------------------------------|-----------------------|---|---------------------------------|--------------|
| Cost/Valuation | | | | | | | |
| Opening balance | 118,306 | 27,093 | 2,423 | 4,559 | 31,964 | 2,318 | 186,663 |
| Additions | 2,503 | 7,024 | 143 | 505 | 14,060 | 1,047 | 25,282 |
| Disposals/Write-offs | (21,751) | (10) | (204) | (183) | (1,996) | - | (24,144) |
| Transfers | - | 1,711 | - | - | 555 | (2,266) | - |
| Closing balance | 99,058 | 35,818 | 2,362 | 4,881 | 44,583 | 1,099 | 187,801 |
| Representing items at: | | | | | | | |
| Cost | 38,471 | 28,940 | 2,362 | 4,881 | 44,583 | 1,099 | 120,336 |
| Valuation -1991 | 60,587 | 6,878 | - | - | - | - | 67,465 |
| Closing balance | 99,058 | 35,818 | 2,362 | 4,881 | 44,583 | 1,099 | 187,801 |
| Depreciation | | | | | | | |
| Opening balance | 47,521 | 14,015 | 2,007 | 2,721 | 23,505 | - | 89,769 |
| Charge for the year | 2,911 | 1,414 | 123 | 573 | 2,227 | - | 7,248 |
| Disposals/Write-offs | (21,751) | (9) | (194) | (183) | (1,871) | - | (24,008) |
| Closing balance | 28,681 | 15,420 | 1,936 | 3,111 | 23,861 | - | 73,009 |
| Net book value | | | | | | | |
| At 31 December 2002 | 70,377 | 20,398 | 426 | 1,770 | 20,722 | 1,099 | 114,792 |
| At 31 December 2001 | 70,785 | 13,078 | 416 | 1,838 | 8,459 | 2,318 | 96,894 |
| Depreciation charge for the year ended 31 December 2001 | 3,051 | 1,350 | 143 | 547 | 2,126 | - | 7,217 |

3. Property, plant and equipment (con't)

Included in the plantation development expenditure, building, plant and machinery and capital work-in-progress are the following expenses incurred during the year:

| | Group | | Company | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Loan interest | 2,623 | 1,540 | 146 | - |
| Depreciation | 1,486 | 1,370 | 217 | 232 |
| Hire of heavy equipment | 385 | 270 | 346 | 186 |
| | ===== | ===== | ===== | ===== |

| | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2002 % | 2001 % | 2002 % | 2001 % |
| Average rate of interest capitalised per annum | 7.36 | 8.19 | 5.34 | - |
| | ===== | ===== | ===== | ===== |

Depreciation and amortisation charge for the year is allocated as follows:

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Income statement (Note 17) | 7,259 | 6,985 | 7,031 | 6,985 |
| Plantation development expenditure | 1,486 | 1,370 | 217 | 232 |
| | <u>8,745</u> | <u>8,355</u> | <u>7,248</u> | <u>7,217</u> |
| | ===== | ===== | ===== | ===== |

Certain of the leasehold land and plantation development expenditure of the Group and the Company were revalued by a firm of professional valuers using the investment method of valuation for planted fields and the cost method of valuation for the other areas of the plantations. The valuation, as adjusted and approved by the Capital Issues Committee on 29 April 1991, was incorporated in the financial statements in 1991. Subsequent additions to property, plant and equipment are included at cost.

Had the revalued assets of the Group and the Company been carried at historical cost less accumulated depreciation or amortisation, the carrying amount of the assets concerned that would have been included in the financial statements at the end of the year would be as follows:

| | Group and Company | |
|---|----------------------|----------------------|
| | 31.12.2002 RM'000 | 31.12.2001 RM'000 |
| Long-term leasehold land and plantation development expenditure | 18,032 | 19,258 |
| | ===== | ===== |

Certain leasehold land of the subsidiaries costing RM7,582,000 (2001: RM7,582,000) is charged to a bank to secure banking facilities granted (Note 11).

The documents of title to certain leasehold land belonging to a subsidiary stated at a cost of RM4,917,276 (2001: RM4,917,276) have yet to be issued by the Land and Survey Department, Sarawak. The subsidiary has capitalised in full the land premium payable to the said Department. The first instalment of RM983,456 for the land premium has been paid to the Department while the remaining balance of RM3,933,820 has been accrued for. The accrued land premium will only be paid by the subsidiary upon issuance of the provisional lease titles by the Department.

4. Investment in subsidiaries

| | 2002 RM'000 | Company 2001 RM'000 |
|---------------------------|-----------------|---------------------------|
| Unquoted shares - at cost | 15,500 ===== | 15,500 ===== |

The particulars of the subsidiaries are:

| Name | Effective ownership interest | | Principal activities | Country of incorporation |
|---------------------------------------|------------------------------|-----------|---|--------------------------|
| | 2002 % | 2001 % | | |
| SOP Plantations (Balingian) Sdn. Bhd. | 80 | 80 | Cultivation of oil palms | Malaysia |
| SOP Plantations (Niah) Sdn. Bhd. | 80 | 80 | Cultivation of oil palms | Malaysia |
| SOP Plantations (Suai) Sdn. Bhd. | 85 | 85 | Cultivation and harvesting of oil palms | Malaysia |

5. Investment in associate

| | Group | | Company | |
|---|-----------------------|------------------------|------------------------|------------------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Unquoted shares - at cost | 13,320 | 13,320 | 13,320 | 13,320 |
| Share of post acquisition losses | (8,835) | (2,313) | - | - |
| Amortisation of discount on acquisition | 64 | 32 | - | - |
| | <u>4,549</u> ===== | <u>11,039</u> ===== | <u>13,320</u> ===== | <u>13,320</u> ===== |

Represented by:

| | | | | |
|---|-----------------------|------------------------|-------------------|-------------------|
| Group's share of net assets other than goodwill | 4,805 | 11,327 | - | - |
| Discount on acquisition less amortisation | (256) | (288) | - | - |
| | <u>4,549</u> ===== | <u>11,039</u> ===== | <u>-</u> ===== | <u>-</u> ===== |

The discount on acquisition is amortised through the Group income statement over 10 years.

5. Investment in associate (con't)

The particulars of the associates are:

| Name | Effective ownership interest | | Principal activities | Country of incorporation |
|-----------------------------|------------------------------|-----------|------------------------------------|--------------------------|
| | 2002 % | 2001 % | | |
| Keresa Plantation Sdn. Bhd. | 45 | 45 | Cultivation of rattan and oil palm | Malaysia |
| Ebal Plantation Sdn. Bhd. | 50 | - | Dormant | Malaysia |

A conditional sale and purchase agreement dated 12 December 2002 was entered into by the Company to dispose of its 45% equity interest in Keresa Plantation Sdn. Bhd. for a total cash consideration of RM21,300,000 (see Note 28).

As the newly acquired associate, Ebal Plantation Sdn. Bhd., has yet to commence operations, there are no results to be equity accounted for.

6. Amount due from subsidiaries

Included in the amount due from subsidiaries is an unsecured amount of RM8,200,000 (2001: RM4,600,000) comprising revolving credits obtained by the Company and on-lent to the subsidiaries. The interest on the borrowings is recharged to the subsidiaries (Notes 11 and 26). The amount due from subsidiaries is not repayable during the next twelve months except in so far as such repayment will not adversely affect the ability of the respective companies to meet their liabilities when due.

7. Inventories

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Processed inventories (crude palm oil and palm kernel) | 1,023 | 704 | 1,023 | 704 |
| Stores and spares | 3,113 | 2,791 | 2,143 | 2,150 |
| Nursery inventories | 1,573 | 1,845 | 238 | 157 |
| | <u>5,709</u> | <u>5,340</u> | <u>3,404</u> | <u>3,011</u> |
| | ===== | ===== | ===== | ===== |

Group and Company

Processed inventories of RM Nil (2001: RM291,000) were carried at net realisable value.

8. Trade and other receivables

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Trade receivables | 3,235 | 1,796 | 3,235 | 1,796 |
| Associate | 5 | 5 | 5 | 5 |
| Deposits | 24 | 57 | 23 | 56 |
| Prepayments | 243 | 537 | 205 | 479 |
| Other receivables | 1,321 | 1,580 | 1,046 | 1,234 |
| Tax refundable | - | 851 | - | 851 |
| | <u>4,828</u> | <u>4,826</u> | <u>4,514</u> | <u>4,421</u> |
| | ===== | ===== | ===== | ===== |

Included in other receivables are unsecured amounts of RM374,000 (2001: RM564,000) and RM295,000 (2001: RM446,000) due from staff of the Group and the Company respectively. These amounts bear interest at 6.00% (2001: 6.00%) per annum and are repayable in accordance with agreed repayment schedules.

9. Cash and cash equivalents

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Fixed deposits placed with licensed banks | 30,875 | 17,807 | 30,875 | 17,807 |
| Cash and bank balances | 1,770 | 1,951 | 1,104 | 1,768 |
| | <u>32,645</u> | <u>19,758</u> | <u>31,979</u> | <u>19,575</u> |
| | ===== | ===== | ===== | ===== |

10. Trade and other payables

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Current: | | | | |
| Trade payables | 5,120 | 4,699 | 2,608 | 1,706 |
| Other payables and accrued expenses | 17,260 | 11,529 | 7,352 | 2,723 |
| | <u>22,380</u> | <u>16,228</u> | <u>9,960</u> | <u>4,429</u> |
| Long-term: | | | | |
| Other payable - land premium | - | 2,256 | - | - |
| | <u>22,380</u> | <u>18,484</u> | <u>9,960</u> | <u>4,429</u> |
| | ===== | ===== | ===== | ===== |

Other payables and accrued expenses consist of the following:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Land premium payable | 5,207 | 4,223 | - | - |
| Retention sums payable to contractors | 1,845 | 1,771 | 958 | 193 |
| Staff remuneration payable | 1,488 | 1,327 | 1,368 | 1,147 |
| Other creditors and accruals | 8,720 | 4,208 | 5,026 | 1,383 |
| | <u>17,260</u> | <u>11,529</u> | <u>7,352</u> | <u>2,723</u> |
| | ===== | ===== | ===== | ===== |

11. Borrowings

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Current | | | | |
| Revolving credits | | | | |
| - unsecured | 11,600 | 4,600 | 11,600 | 4,600 |
| Non-current | | | | |
| Long-term loans | | | | |
| - secured | 38,900 | 24,600 | - | - |
| - unsecured | 12,000 | - | 12,000 | - |
| | <u>50,900</u> | <u>24,600</u> | <u>12,000</u> | <u>-</u> |
| | 62,500 | 29,200 | 23,600 | 4,600 |
| | ===== | ===== | ===== | ===== |

Terms and debt repayment schedule

| <u>Group</u> | Total RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | Over 5 years RM'000 |
|--|-----------------|---------------------------|--------------------------|--------------------------|---------------------------|
| <i>Unsecured revolving credits</i> | | | | | |
| - interest variable at 1.0% to 1.50% per annum above cost of funds (2001: 0.8% to 1.0% per annum above base lending rate or cost of funds as the case may be) | 11,600 | 11,600 | - | - | - |
| <i>Unsecured term loan</i> | | | | | |
| - interest variable at 1.25% per annum above cost of funds | 12,000 | - | 1,944 | 10,056 | - |
| <i>Secured term loans</i> | | | | | |
| - interest variable at 1.25% to 1.75% per annum above base lending rate or cost of funds as the case may be (2001: 1.25% to 1.50% per annum above base lending rate) | 38,900 | - | - | 23,250 | 15,650 |
| | ===== | ===== | ===== | ===== | ===== |

11. Borrowings (con't)

| <u>Company</u> | <u>Total</u> RM'000 | <u>Under</u> <u>1 year</u> RM'000 | <u>1 - 2</u> <u>years</u> RM'000 | <u>2 - 5</u> <u>years</u> RM'000 | <u>Over</u> <u>5 years</u> RM'000 |
|--|------------------------|---|--|--|---|
| <i>Unsecured revolving credits</i> | | | | | |
| - interest variable at 1% to 1.50% per annum above cost of funds (2001: 0.80% to 1% per annum above base lending rate or cost of funds as the case may be) | 11,600 | 11,600 | - | - | - |
| <i>Unsecured term loan</i> | | | | | |
| - interest variable at 1.25% (2001: Nil) per annum above cost of funds | 12,000 ===== | - ===== | 1,944 ===== | 10,056 ===== | - ===== |

The long-term loans are secured by fixed charges over the subsidiaries' leasehold land (Note 3) and corporate guarantees from the Company.

The unutilised banking facilities available to the Group and the Company as at 31 December 2002 comprise:

| | <u>Group</u> RM'000 | <u>Company</u> RM'000 |
|-----------------------------|------------------------|--------------------------|
| Overdraft/Revolving credits | 4,400 | 4,400 |
| Term loans | 37,100 | 8,000 |
| | <u>41,500</u> ===== | <u>12,400</u> ===== |

12. Share capital

| | <u>Group and Company</u> | |
|--------------------------------|--------------------------|-----------------------|
| | <u>2002</u> RM'000 | <u>2001</u> RM'000 |
| Ordinary shares of RM1.00 each | | |
| Authorised | | |
| Opening and closing balances | 110,100 ===== | 110,100 ===== |
| Issued and fully paid | | |
| Opening and closing balances | 94,968 ===== | 94,968 ===== |

13. Revaluation reserves

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Revaluation reserves - non distributable | 4,454 ===== | 4,454 ===== | 4,454 ===== | 4,454 ===== |

The revaluation reserves represent the surplus on the revaluation of long-term leasehold land and plantation development expenditure in 1991 and are not distributable by way of dividends.

Deferred tax in respect of the revaluation reserves has not been provided for as the properties are held for long term use.

14. Minority shareholders' interests

This consists of minority shareholders' proportion of share capital and reserves of subsidiaries.

15. Deferred taxation

| | Group and Company | |
|---|------------------------|-----------------------|
| | 2002 RM'000 | 2001 RM'000 |
| Balance at beginning of year | 6,000 | 5,500 |
| Current year's provision | 4,300 | 500 |
| Balance at end of year | <u>10,300</u> ===== | <u>6,000</u> ===== |
| There is a potential deferred taxation liability in respect of the excess of capital allowances over depreciation | 5,419 ===== | 8,419 ===== |

No provision for the potential deferred taxation has been made as the timing differences are expected to continue for the foreseeable future.

16. Revenue

The revenue of the Group and the Company comprises sales of crude palm oil and palm kernel.

17. Operating profit

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Operating profit is arrived at after crediting: | | | | |
| Gain on disposal of property, plant and equipment | - | 333 | 127 | 323 |
| Rental income from land and buildings | 40 | 40 | 38 | 40 |
| Reversal of allowance for doubtful debts | 21 | - | - | - |
| | ===== | ===== | ===== | ===== |
| and after charging: | | | | |
| Allowance for doubtful debts | 10 | 104 | - | - |
| Audit fee | 34 | 34 | 25 | 25 |
| Directors' fees | 147 | 113 | 114 | 113 |
| Depreciation (Note 3) | 7,259 | 6,985 | 7,031 | 6,985 |
| Loss on disposal of property, plant and equipment | 251 | - | - | - |
| | ===== | ===== | ===== | ===== |

18. Employee information

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Staff costs | | | | |
| - charged to income statement | 11,872 | 10,617 | 11,729 | 10,617 |
| - capitalised into plantation development expenditure | 4,277 | 3,685 | 516 | 459 |
| | ===== | ===== | ===== | ===== |
| | 16,149 | 14,302 | 12,245 | 11,076 |
| | ===== | ===== | ===== | ===== |
| Number of employees(excluding Directors) at the end of financial year | | | | |
| | 2,058 | 2,344 | 1,456 | 1,742 |
| | ===== | ===== | ===== | ===== |

19. Tax expense

| | Group | | Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Current tax expense | | | | |
| - current | 3,200 | 2,200 | 3,200 | 2,200 |
| - prior years | 48 | (424) | 48 | (424) |
| Deferred tax expense | | | | |
| - current | 4,300 | 500 | 4,300 | 500 |
| | <u>7,548</u> | <u>2,276</u> | <u>7,548</u> | <u>2,276</u> |
| | ===== | ===== | ===== | ===== |

The Group's tax charge is higher than the prima facie tax calculated at 28% as the share of losses of an associate is not deductible for tax purposes.

20. Basic earnings per ordinary share - Group

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM11,338,000 (2001: RM2,020,000) and on the number of ordinary shares of RM1 each in issue during the year of 94,968,000 (2001: 94,968,000).

21. Dividends

| | Group and Company | |
|-------------------------------------|-------------------|----------------|
| | 2002 RM'000 | 2001 RM'000 |
| Ordinary | | |
| Proposed dividend paid | | |
| 2001 - 3% per share less tax (2000: | | |
| 5% per share less tax) | 2,051 | 3,419 |
| | ===== | ===== |

The proposed final dividend of 5% less tax for the current year totalling RM3,418,857 has not been accounted for in the financial statements.

22. Tax credit - Company

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax exempt income and Section 108 tax credit to distribute all its retained profits at 31 December 2002 as dividends.

23. Segment analysis

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

24. Contingent liabilities - unsecured

| | Company | |
|--|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 |
| Corporate guarantees favouring banks for loans granted to subsidiaries | 68,000 | 68,000 |
| Loans yet to be drawn down by subsidiaries | (29,100) | (43,400) |
| | <u>38,900</u> | <u>24,600</u> |
| | ===== | ===== |

25. Capital commitments

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Plantation development expenditure | | | | |
| Authorised but not contracted for | 34,803 | 41,528 | 3,560 | 3,133 |
| Other property, plant and equipment | | | | |
| Contracted but not provided for in the financial statements | 2,141 | 16,039 | 1,833 | 16,039 |
| Authorised but not contracted for | 14,126 | 12,638 | 9,487 | 10,238 |
| | <u>16,267</u> | <u>28,677</u> | <u>11,320</u> | <u>26,277</u> |
| | <u>51,070</u> | <u>70,205</u> | <u>14,880</u> | <u>29,410</u> |
| | ===== | ===== | ===== | ===== |

26. Related parties

Identity of related parties

The Company has no controlling related party relationship other than with its subsidiaries as disclosed in Note 4.

Significant transactions with related companies

| | Company | |
|-------------------------------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 |
| <i>Non-trade transaction</i> | | |
| Interest recharged to subsidiaries* | 184 | 52 |
| | ===== | ===== |

* Interest on the revolving credits of RM8,200,000 (2001: RM4,600,000) obtained by the Company and on-lent to the subsidiaries is recharged to the latter (Note 6).

26. Related parties (con't)

Other related party transactions

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

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

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| <i>Nature of transactions</i> | | | | |
| Purchase of consumables from Pekerjaan Piasau Konkerit Sdn. Bhd., Shin Yang Trading Sdn. Bhd., Shin Yang Services Sdn. Bhd., Hollystone Quarry Sdn. Bhd. and Dai Lieng Machinery Sdn. Bhd. | 1,214 | 1,078 | 1,172 | 1,077 |
| Purchase of property, plant and equipment from Dai Lieng Trading Sdn. Bhd. (2001: Piasau Slipways Sdn. Bhd. and Shin Yang Shipyard Sdn. Bhd.) | 729 | 234 | 337 | 54 |
| Sale of seedlings to Shin Yang Oil Palms Sdn. Bhd. and Greenwood Estate Sdn. Bhd. | - | (12) | - | - |
| Purchase of fresh fruit bunches from Greenwood Estate Sdn. Bhd. and Shin Yang Oil Palms Sdn. Bhd. | 548 | - | 548 | - |
| | ===== | ===== | ===== | ===== |

(b) Transactions with a company in which Wong Ngie Yong, a Director, has or is deemed to have substantial interests:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Purchase of consumables from Utama Parts Trading (Sarawak) Sdn. Bhd. | 115 | 115 | 115 | 111 |
| | ===== | ===== | ===== | ===== |

- (c) Transactions with a company in which Yayasan Sarawak, a shareholder of a subsidiary, SOP Plantations (Niah) Sdn. Bhd., has or is deemed to have substantial interests:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Construction of Infrastructure by Petronesa Engineering Sdn. Bhd. | 236 ===== | 1,283 ===== | - ===== | - ===== |

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

There are no significant balances in respect of non-trade transactions at the year end.

27. Financial instruments

Financial risk management objectives and policies

Exposure to credit and interest rate risk arises in the normal course of the Group and the Company's business. The Group and the Company have written risk management policies and guidelines which set out their overall business strategies, their tolerance to risk and their general risk management philosophy. Such written policies are reviewed periodically by the Board of Directors.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit is extended to customers of palm products and information technology services. Credit evaluations are performed on certain customers requiring credit over a certain amount. The Group and the Company do not require collateral in respect of financial assets except for the trading of palm products for which a bank guarantee for the amount of RM250,000 is held to safeguard against non-performance. The Company sells crude palm oil and palm kernel to only one customer. Consequently, the Company's credit risk is significantly concentrated on a single debtor. The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amount of each financial asset.

Interest rate risk

The Group and the Company adopt a policy of monitoring their exposure to changes in interest rates on bank loans and deposits on a timely basis. The changes in the interest rate environment is reviewed on a three-month advance cycle by the Management.

Foreign currency risk

As a matter of policy, all sales, purchases and borrowings of the Company and Group are denominated in Ringgit Malaysia. Hence, the Group and the Company incur little or no foreign currency risk.

Effective interest rates and repricing analysis

The following table shows information about exposure to interest rate risk.

| Group | Effective interest rate % | Total RM'000 | Within 1 year RM'000 |
|---|---------------------------|-----------------|----------------------|
| 2002 | | | |
| Financial assets | | | |
| Fixed deposits placed with licensed banks | 2.15 - 3.20 ===== | 30,875 ===== | 30,875 ===== |

27. Financial instruments (con't)

| Group | Effective interest rate % | Total RM'000 | Within 1 year RM'000 |
|---|---------------------------|--------------|----------------------|
| 2002 | | | |
| Financial liabilities | | | |
| Unsecured revolving credits | 4.41- 4.88 | 11,600 | 11,600 |
| Term loans - unsecured | 6.31 | 12,000 | 12,000 |
| - secured | 5.05 | 38,900 | 38,900 |
| | ===== | ===== | ===== |
| 2001 | | | |
| Financial assets | | | |
| Fixed deposits placed with licensed banks | 3.20 - 3.25 | 17,807 | 17,807 |
| | ===== | ===== | ===== |
| Financial liabilities | | | |
| Unsecured revolving credits | 6.70 - 7.20 | 4,600 | 4,600 |
| Secured term loans | 7.65 | 24,600 | 24,600 |
| | ===== | ===== | ===== |
| Company | | | |
| 2002 | | | |
| Financial assets | | | |
| Interest bearing balances due from subsidiaries | 4.58 - 4.70 | 8,200 | 8,200 |
| Fixed deposits placed with licensed banks | 2.15 - 3.20 | 30,875 | 30,875 |
| | ===== | ===== | ===== |

27. Financial instruments (con't)

| Company | Effective rate % | interest Total RM'000 | Within 1 year RM'000 |
|---|----------------------|-----------------------------|----------------------------|
| 2002 | | | |
| Financial liabilities | | | |
| Unsecured revolving credits | 4.41 - 4.88 | 11,600 | 11,600 |
| Unsecured term loans | 6.31 ===== | 12,000 ===== | 12,000 ===== |
| 2001 | | | |
| Financial assets | | | |
| Interest bearing balances due from subsidiaries | 6.70 - 7.20 | 4,600 | 4,600 |
| Fixed deposits placed with licensed banks | 3.20 - 3.25 ===== | 17,807 ===== | 17,807 ===== |
| Financial liabilities | | | |
| Unsecured revolving credits | 6.70 - 7.20 ===== | 4,600 ===== | 4,600 ===== |

All of the above financial assets and liabilities yield or bear interest at floating rates and will be repriced whenever the financial institutions change their interest rates within the next twelve months.

Fair values

Recognised financial instruments

The carrying amounts in respect of cash and cash equivalents, borrowings, trade and other receivables and trade and other payables approximate fair value due to the relatively short-term nature of these financial instruments.

27. Financial instruments (con't)

The aggregate fair values of the other financial liabilities carried on the balance sheet as at 31 December are shown below:

| | 2002 | | 2001 | |
|------------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| Financial liabilities | | | | |
| - Group | | | | |
| Unsecured revolving credits | 11,600 | 11,600 | 4,600 | 4,600 |
| Term loans | | | | |
| - unsecured | 12,000 | 12,000 | - | - |
| - secured | 38,900 | 38,900 | 24,600 | 24,600 |
| | <u>62,500</u> | <u>62,500</u> | <u>29,200</u> | <u>29,200</u> |
| | ===== | ===== | ===== | ===== |
| Financial liabilities | | | | |
| - Company | | | | |
| Unsecured revolving credits | 11,600 | 11,600 | 4,600 | 4,600 |
| Unsecured term loans | 12,000 | 12,000 | - | - |
| | <u>23,600</u> | <u>23,600</u> | <u>4,600</u> | <u>4,600</u> |
| | ===== | ===== | ===== | ===== |

Unrecognised financial statements

There were no unrecognised financial instruments as at 31 December 2001 and 2002.

28. Acquisition of a subsidiary and disposal of an associate

Acquisition of Shin Yang Oil Palm Sdn. Bhd. (SYOP)

On 21 January 2003, the Company entered into an agreement with the following parties:

- (i) Esteem Pioneer Sdn. Bhd., a related party, for the acquisition of 4,250,000 ordinary shares, representing 85% of the total issued and paid up ordinary shares of SYOP for a total cash consideration of RM63,600,000; and
- (ii) Shin Yang Corporation Sdn. Bhd., a related party, and Halimah binti Othman for the acquisition of 4,250,000 preference shares representing the entire total issued and paid-up preference shares of SYOP for a total cash consideration of RM4,250,000.

28. Acquisition of a subsidiary and disposal of an associate (con't)

The proposed acquisition is subject to the approval of the Foreign Investment Committee and members in a general meeting.

The proposed acquisition is expected to be completed in the second half of 2003.

Disposal of the Company's equity in Keresia Plantations Sdn. Bhd.

The Company has on 12 December 2002 entered into a conditional agreement to dispose of its entire 45% equity in Keresia Plantations Sdn. Bhd. to Rajang Wood Sdn. Bhd. for a total cash consideration of RM21,300,000.

The agreement is subject to and conditional upon the approval of the Foreign Investment Committee.

The disposal would result in a gain of RM16.75 million and RM7.98 million to the Group and to the Company, respectively, had the disposal been completed on 31 December 2002.

The disposal is expected to be completed in the second half of 2003.

29. Material litigations

(a) Land disputes

SOP Plantations (Suai) Sdn Bhd, an 85% owned subsidiary of the Company, had in 1998 accepted an offer of alienation of nine rovisional land leases for oil palm plantation purpose comprising Lot 157, Suai Land District; Lots 931 and 932, Niah Land District; and Lots 73 to 78, Sawai Land District totaling 6,586 hectares.

Out of the land alienated, the subsidiary has developed an area of 883 hectares. An additional 400 hectares is still under development. The development on the remaining areas has been deferred due to land disputes and claims of native customary rights over the land.

Among the claimants are five individuals who have sued the Superintendent of Lands and Surveys, Sarawak, the State Government of Sarawak and the Company, claiming to have native customary rights over the lands in the area at Rumah Lasan and Rumah Timboo, Sungai Galasah, Suai, Niah, Miri Division, Sarawak, as delineated in a map attached to the Statement of Claim dated 25 May 1998 forming part of the said Lot 78, Sawai Land District, Sarawak.

These five individuals claim to sue on behalf of themselves and all other proprietors, occupiers, holders or claimants of Native Customary Rights Lands situated at Rumah Lasan and Rumah Timboo, Sungai Galasah, Suai, Niah.

There is no further development other than the pre-trial case management which was first fixed for hearing on 28 March 2002 and heard on 16 October 2002. A second pre-trial case management hearing was held on 19 March 2003.

(b) Associate

The Company has instituted legal action against Rajang Wood Sdn. Bhd. ("RWSB"), the majority shareholder of Keresia Plantations Sdn. Bhd. ("Keresia"). Keresia is a joint venture company owned by RWSB and the Company with 55% and 45% shareholding respectively. Keresia's main activity is the cultivation of oil palms and rattan. Keresia has approximately 4,000 hectares of oil palm and 1,500 hectares of rattan planted. The Company in its Statement of Claim claims that RWSB is in breach of its obligation under the joint venture agreement.

Currently, there is an application filed by the defendant, RWSB, for a stay of the action pursuant to Section 6 of the Arbitration Act, 1952 and this application which was fixed for hearing on 2 July 2002 was first adjourned to 26 September 2002 and subsequently to 17 December 2002.

29. Material litigations (con't)

(b) Associate (con't)

The Company had on 12 December 2002 announced that they had entered into a Conditional Sale and Purchase Agreement ("Agreement") to dispose of its entire 45% equity interest representing 13,320,000 ordinary shares of RM1.00 each in Keresa to RWSB for a total cash consideration of RM21.3 million ("Proposed Disposal"). The Proposed Disposal is now pending the approval of the Foreign Investments Committee. Following the execution of the Agreement, both the Company and RWSB have applied for the hearing to be further adjourned and the matter is now adjourned to 8 July 2003.

30. Comparative figures

The following comparatives have been restated to reflect the treatment of proposed dividends in accordance with MASB 19 on Events After Balance Sheet Date.

| | Group | | Company | |
|---|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| | As restated RM'000 | As previously stated RM'000 | As restated RM'000 | As previously stated RM'000 |
| Balance sheets | | | | |
| Proposed dividend | - | 2,051 | - | 2,051 |
| Reserves | 64,464 | 62,413 | 67,048 | 64,997 |
| | ===== | ===== | ===== | ===== |
| Statements of changes in equity | | | | |
| Retained profits at 1 January 2001 | 61,409 | 57,990 | 61,711 | 58,292 |
| Retained profits at 31 December 2001 | 60,010 | 57,959 | 62,594 | 60,543 |
| Dividend | - | (2,051) | - | (2,051) |
| Dividend - 2000 final | (3,419) | - | (3,419) | - |
| | ===== | ===== | ===== | ===== |

Five years financial record

| | Group | | | | |
|---|---------|---------|---------|---------|---------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| RESULTS | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
| Turnover | 62,690 | 66,587 | 40,274 | 36,675 | 66,228 |
| Profit before taxation | 26,830 | 28,062 | 8,699 | 4,257 | 18,714 |
| Profit after taxation | 15,668 | 25,062 | 5,338 | 2,020 | 11,338 |
| Total Shareholders' Fund | 133,871 | 155,493 | 157,412 | 159,432 | 168,719 |
| Total assets | 162,652 | 194,854 | 198,329 | 216,053 | 268,309 |
| Total borrowing | - | - | 11,330 | 29,200 | 62,500 |
| Issued & paid -up capital | 94,968 | 94,968 | 94,968 | 94,968 | 94,968 |
| Dividend (Net of tax) | 3,419 | 3,419 | 3,419 | 2,051 | 3,419 |
| FINANCIAL STATISTICS | | | | | |
| Profit before taxation/turnover (%) | 42.8 | 42.1 | 21.6 | 11.6 | 28.3 |
| Gross Dividend (sen/share) | 5.0 | 5.0 | 5.0 | 3.0 | 5.0 |
| Net Earnings per share of RM 1 each (sen) | 16.5 | 26.4 | 5.6 | 2.1 | 12.0 |
| Net tangible assets of RM 1 each (RM) | 1.41 | 1.64 | 1.65 | 1.68 | 1.78 |

Five years crop record (con't)

PLANTED HECTARAGE, PRODUCTION AND PRODUCE PRICES

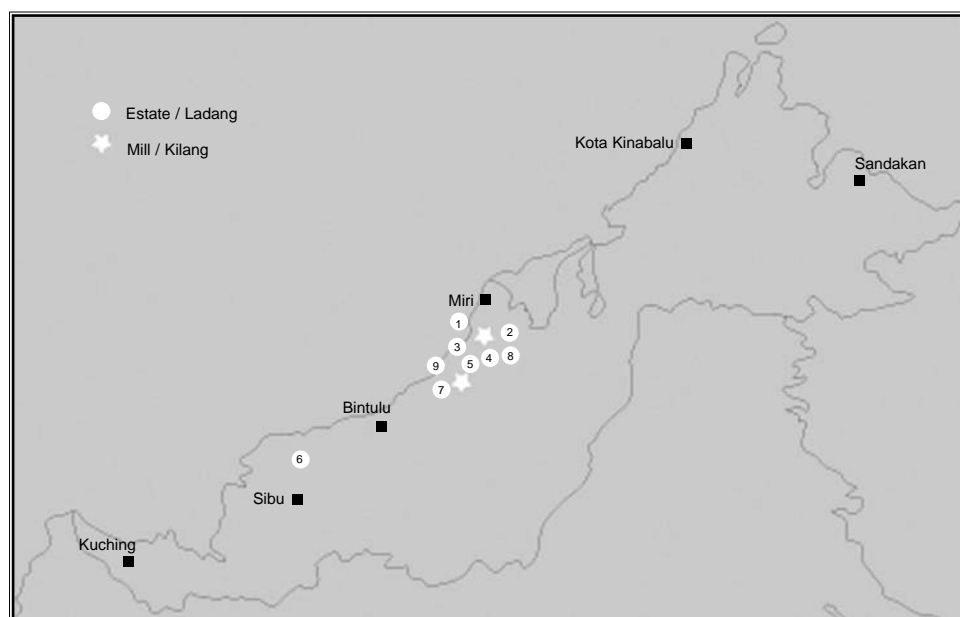
| | 1998 Ha. | 1999 Ha. | 2000 Ha. | 2001 Ha. | 2002 Ha. |
|--|----------------|----------------|----------------|----------------|----------------|
| OIL PALMS | | | | | |
| Mature | 8,973 | 8,743 | 8,552 | 8,453 | 8,896 |
| Immature | 1,244 | 2,169 | 3,499 | 7,056 | 8,573 |
| Total | 10,217 | 10,912 | 12,051 | 15,509 | 17,469 |
| Reserves, Unplanted, Building sites, etc | 13,865 | 15,538 | 14,399 | 10,941 | 8,981 |
| Total Area Under Lease | 24,082 | 26,450 | 26,450 | 26,450 | 26,450 |
| | Tonnes | Tonnes | Tonnes | Tonnes | Tonnes |
| FFB CROP | | | | | |
| Estate Crop | 130,040 | 176,871 | 169,732 | 175,491 | 187,889 |
| Outside Crop | 3,542 | 3,096 | 3,072 | 7,186 | 16,236 |
| | 133,582 | 179,967 | 172,804 | 182,677 | 204,125 |
| Crude Palm Oil | 29,570 | 40,275 | 37,995 | 39,032 | 44,986 |
| Palm Kernels | 6,837 | 9,436 | 9,567 | 10,185 | 11,068 |
| YIELD PER HECTARE | | | | | |
| Tonnes FFB/Mature palms | 14.49 | 20.23 | 19.85 | 20.76 | 21.12 |
| Crude Palm Oil/FFB | 22.14% | 22.38% | 22.02% | 21.40% | 22.08% |
| Palm Kernels/FFB | 5.12 | 5.24% | 5.55% | 5.59% | 5.43% |
| AVERAGE PRICES | | | | | |
| FOB Bintulu/Miri | | | | | |
| Crude Palm Oil | 1,831 | 1,320 | 906 | 823 | 1,327 |
| Palm Kernels | 1,045 | 922 | 548 | 377 | 610 |

Properties of the group

AS AT 31 DECEMBER 2002

| Location of Property Sarawak | Tenure | Year of Expiry | Size Hectares | Net Book Value As At 31 Dec 2002 Description | Age of Building (RM Million) | (Years) |
|----------------------------------|-----------------------------|----------------|---------------|--|------------------------------|---------|
| 1. Kebuloh Estate, Miri | Leasehold 87 to 97 years | 2067 | 1,841 | Oil Palm Estate & Oil Mill | 91,873 | 1 to 32 |
| 2. Luak Estate, Miri | Leasehold 87 to 97 years | 2067 | 2,785 | Oil Palm Estate | | |
| 3. Telabit Estate, Miri | Leasehold 99 years | 2085 | 2,762 | Oil Palm Estate | | |
| 4. Pinang Estate, Miri | Leasehold 99 years | 2090 | 1,482 | Oil Palm Estate | | |
| 5. Galasah Estate, Miri | Leasehold 99 years | 2084 | 1,907 | Oil Palm Estate | | |
| 6. Balingian Estate 1, Balingian | Leasehold 60 years | 2057 | 1,669 | Land under Oil Palm Development | 33,927 | 1 to 4 |
| Balingian Estate 2, Balingian | Leasehold 60 years | 2059 | 2,368 | Land for Oil Palm Development | | |
| 7. Sengah Estate, Miri* | - | - | 2,725 | Land for Oil Palm Development | 13,309 | 1 to 5 |
| 8. Lamous Estate, Miri* | - | - | 3,911 | Land under Oil Palm Development | | |
| 9. Niah Estate, Miri 60 years | Leasehold | 2059 | 5,000 | Land under Oil Palm Development | 50,515 | 1 to 4 |

*Pending for the issue of provisional lease.



Shareholdings statistics as at 05 May 2003

SHARE CAPITAL

| | | |
|-----------------------|---|--|
| Authorised | : | 110,100,000 Ordinary Shares of RM1.00 each |
| Issued and Fully Paid | : | 94,968,240 Ordinary Shares of RM1.00 each |
| Voting Rights | : | One Vote Per Share |

BREAKDOWN OF SHAREHOLDINGS

| Size of Holdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Issued Capital |
|--|---------------------|-------------------|-------------------|---------------------|
| Less than 1,000 | 884 | 13.20 | 227,187 | 0.24 |
| 1,000 - 10,000 | 5,362 | 80.09 | 13,463,201 | 14.18 |
| 10,001 - 100,000 | 413 | 6.17 | 10,503,800 | 11.06 |
| 100,001 to less than 5% of issued shares | 33 | 0.50 | 17,343,612 | 18.26 |
| 5% and above of issued shares | 3 | 0.04 | 53,430,440 | 56.26 |
| Total | 6,695 | 100.00 | 94,968,240 | 100.00 |

Substantial Shareholders

| | No of Shares Held | % of Issued Capital |
|---------------------------------|-------------------|---------------------|
| 1. Pelita Holdings Sdn Bhd | 24,334,458 | 25.62 |
| 2. Shin Yang Plantation Sdn Bhd | 23,749,982 | 25.01 |
| 3. Perra Group Ltd | 5,346,000 | 5.63 |
| Total | 53,430,440 | 56.26 |

Directors' Interests In Shares

| Size of Holdings | Direct Interest | | Deemed Interest | |
|--|-----------------|---------------------|-----------------|---------------------|
| | No. of shares | % of Issued capital | No. of shares | % of Issued capital |
| In the company | | | | |
| Datuk Ling Chiong Ho | 1,356,000 | 1.43 | 23,749,982 | 25.01 |
| Datu Haji Hamzah Haji Drahman | 5,000 | * | - | - |
| Lai Yew Hock | 10,000 | 0.01 | - | - |
| In Subsidiary Companies | | | | |
| SOP Plantations (Balingian) Sdn Bhd | | | | |
| Datuk Ling Chiong Ho ** | - | - | 4,800,000 | 80 |
| SOP Plantations (Niah) Sdn Bhd | | | | |
| Datuk Ling Chiong Ho ** | - | - | 6,000,000 | 80 |
| SOP Plantations (Suai) Sdn Bhd | | | | |
| Datuk Ling Chiong Ho ** | - | - | 1,700,000 | 85 |

* negligible

** by virtue of his interest in the shares of Sarawak Oil Palms Berhad

Thirty Largest Shareholders

| | Name | No. of | Shares % |
|-----|--|------------|----------|
| 1. | Pelita Holdings Sdn. Bhd. | 24,334,458 | 25.62 |
| 2. | AMMB Nominees (Tempatan) Sdn. Bhd. AM International (L) Ltd for Shin Yang Plantation Sdn. Bhd. | 23,749,982 | 25.01 |
| 3. | HSBC Nominees (Asing) Sdn. Bhd. HRBS SG for Perra Group Ltd | 5,346,000 | 5.63 |
| 4. | Ling Lu Kuang | 2,300,000 | 2.42 |
| 5. | Vision Classic Holdings Limited | 1,940,000 | 2.04 |
| 6. | HSBC Nominees (Asing) Sdn. Bhd. HSBC Trustee SG Ltd for Millionasia Properties Ltd. | 1,873,000 | 1.97 |
| 7. | HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak | 1,538,800 | 1.62 |
| 8. | Datuk Ling Chiong Ho | 1,356,000 | 1.43 |
| 9. | Pekan Megah Sdn. Bhd. | 1,208,000 | 1.27 |
| 10. | Citicorp Nominees (Asing) Sdn. Bhd. MLPFS for Shea Kin Kwok | 993,400 | 1.05 |
| 11. | Libra Capital Markets Sdn. Bhd. Euphorex Corporation Sdn. Bhd. | 449,000 | 0.47 |
| 12. | Ki Yien Ping | 439,000 | 0.46 |
| 13. | RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for UT Securities Sdn. Bhd. | 437,000 | 0.46 |
| 14. | HDM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for LSM Enterprises Sdn. Bhd. | 422,000 | 0.44 |
| 15. | Menteri Kewangan Malaysia Section 29 (SICDA) | 379,612 | 0.40 |
| 16. | Wong Ing Yung | 321,000 | 0.34 |
| 17. | Citicorp Nominees (Asing) Sdn. Bhd. MLPFS for Shea Kin Kwok | 316,000 | 0.33 |
| 18. | AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pheim Asset Management Sdn. Bhd. for Employees Provident Fund | 310,000 | 0.33 |
| 19. | Universal Trustee (Malaysia) Berhad Alliance First Fund | 261,000 | 0.27 |
| 20. | HLG Nominee (Asing) Sdn. Bhd. UOB Kay Hian Pte Ltd for Quek Leng Chye | 240,000 | 0.25 |
| 21. | Ling Pien Huoi @ Ling Beng Hui | 236,800 | 0.25 |
| 22. | HDM Nominees (Asing) Sdn. Bhd. Kim Eng Ong Asia Securities Pte Ltd for Global Bridge Venture Ltd. | 220,000 | 0.23 |
| 23. | Eow Cheng Siew | 214,000 | 0.23 |
| 24. | Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Ing Kee | 200,000 | 0.21 |
| 25. | Ha Diong Ing | 165,000 | 0.17 |
| 26. | Mayban Securities Nominees (Asing) Sdn. Bhd. OCBC Securities Private Ltd for Tan How Nguang | 160,000 | 0.17 |
| 27. | Libra Capital Markets Sdn. Bhd. Chemical Company of Malaysia Berhad | 151,000 | 0.16 |
| 28. | Lee Yoke Wan | 150,000 | 0.16 |
| 29. | Ricojaya Sdn. Bhd. | 150,000 | 0.16 |
| 30. | HSBC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for LHG Holdings Sdn. Bhd. | 145,000 | 0.15 |
| | | 70,006,052 | 73.72 |

SARAWAK OIL PALMS BERHAD
 (Company No. 7949-M)
 (Incorporated in Malaysia)

| |
|----------------------------|
| No of ordinary shares held |
| |

PROXY FORM

I/We, _____
 of _____
 being a member/members of the above Company, hereby appoint * Chairman of the meeting or

_____ of _____
 or failing him _____
 of _____

as *my/our proxy to attend and vote for * me/us and on * my/our behalf at the Thirty-Fifth Annual General Meeting of the Company, to be held at the Ballroom 1 (4th Floor) Mega Hotel Lot 907 Jalan Merbau 98000 Miri Sarawak on the 28th day of June 2002 at 10.00 a.m. and, at every adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Annual General Meeting as indicated with an "X" in the appropriate spaces.

| Resolution No. | For | Against |
|---|-----|---------|
| 1. Adoption of Annual Accounts and Reports of the Directors and Auditors | | |
| 2. Declaration of Final Dividend. | | |
| 3. Approval of Directors' fees. | | |
| 4. Re-election of retiring directors:- Datuk Ling Chiong Ho Tang Tiong Ing Gary Tan Yow Hoo Abdul Rashid Bin Abdul Kassim | | |
| 5. Appointment of Auditors | | |
| 6. Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature | | |

(Please indicate with an "X" in the space provided above on how you wish your proxy to vote. If no instruction is given this form will be taken to authorise the proxy to vote at his/her discretion)

Dated this _____ day of _____ 2003

 Signature and/or Common Seal of Shareholders

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his instead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one (1) proxy, the proportion of his shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Pursuant to paragraph 7.22 of the Listing Requirements of Kuala Lumpur Stock Exchange, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy or proxies shall be in writing (in the common and usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy or proxies must be either under seal or under the hand of an office or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at either of the following offices not less than forty-eight (48) hours before the time appointed for the holding of the meeting:
 - a) The Office of the Share Registrars, Signet Share Registration Services Sdn. Bhd. At 11th Floor- Tower Block, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur
 - b) The Registered Office of the Company at 41KM, Miri-Bintulu Road, 98000 Miri, Sarawak.