

**2005**

LAPORAN TAHUNAN  
ANNUAL REPORT

**SARAWAK OIL PALMS BERHAD**

(7949-M)

No. 124-126, Jalan Bendahara,  
98000 Miri, Sarawak



SARAWAK OIL PALMS BERHAD (7949-M)

LAPORAN TAHUNAN ANNUAL REPORT 2005



**SARAWAK OIL PALMS BERHAD**

(7949-M)



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## Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the 38th Annual General Meeting of the Company will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 30 May 2006 at 10.00 am for the following purposes:-

### AGENDA

1. To receive and adopt the annual accounts for the year ended 31st December 2005 and the Reports of the Directors and Auditors thereon.
2. To declare a Final Dividend in respect of the financial year ended 31st December 2005 as recommended by the Directors.
3. To approve payment of Directors' fees in respect of the financial year ended 31st December 2005.
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

Hasbi Bin Suhaili

Edwin Lau Chung Loong

5. To appoint Messrs. Ernst & Young as the auditors of the Company and to authorise the Board of Directors to fix their remuneration.
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 Bursa Malaysia Securities Berhad, 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 8 May 2006, 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.
- 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;

**DENGAN INI DIMAKLUMKAN BAHAWA** Mesyuarat Agung Tahunan yang ketiga puluh lapan Syarikat akan diadakan di Bilik Mesyuarat, Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak pada 30 Mei 2006, jam 10.00 pagi untuk menjalankan urusan-urusan berikut:-

### AGENDA

1. Menerima dan meluluskan akaun-akaun bagi tahun kewangan berakhir 31 Disember 2005 dan Laporan-laporan Pengarah dan Juruaudit mengenainya.
2. Mengisytiharkan pembayaran dividen akhir seperti yang disyorkan oleh Lembaga Pengarah bagi tahun kewangan berakhir 31 Disember 2005.
3. Meluluskan fee Pengarah-pengarah bagi tahun kewangan berakhir 31 Disember 2005.
4. Melantik semula Pengarah-pengarah berikut yang bersara menurut Artikel 95 dan 101 Tataurus Persatuan Syarikat dan oleh kerana layak, menawarkan diri mereka untuk dilantik semula:

Datuk Ling Chiong Ho

Tang Tiong Ing

Gary Tan Yow Hoo

Hasbi Bin Suhaili

Edwin Lau Chung Loong

5. Melantik Tetuan Ernst & Young sebagai juruaudit Syarikat dan memberi kuasa kepada Lembaga Pengarah untuk menetapkan ganjaran mereka.
6. Sebagai Urusan Khas

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

Cadangan Mandat Pemegang Saham untuk Transaksi di Antara Pihak yang Berkaitan yang Kerap Berlaku, sama ada bersifat pendapatan atau perniagaan.

“Bahawa berdasarkan sentiasa kepada Kehendak Penyenaraian Bursa Malaysia Securities Berhad, kelulusan diberikan kepada Syarikat dan / atau anak syarikatnya untuk menjalankan transaksi di antara pihak yang berkaitan bagi sebarang urusiaga yang menghasilkan pendapatan dengan Pihak Berkaitan seperti yang disebutkan pada Surat Pekeliling kepada Pemegang Saham bertarikh 8 Mei 2006, di mana transaksi tersebut adalah perlu bagi operasi hariannya, tertakluk kepada syarat-syarat berikut:

- a) Bahawa transaksi tersebut dijalankan sebagai urusiaga 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 dibuat di dalam laporan tahunan Syarikat mengenai penguraian agregat nilai transaksi yang tertakluk kepada Cadangan Mandat Pemegang Saham pada tahun kewangan, yang pula akan berdasarkan kepada maklumat seperti jenis transaksi yang terbabit, nama pihak-pihak berkaitan yang terlibat serta perhubungan pihak yang terbabit dengan Syarikat.
- c) Bahawa kelulusan sedemikian terus berkuatkuasa sehingga:
  - (i) berlangsungnya Mesyuarat Agung Tahunan (“MAT”) Syarikat yang berikutnya.
  - (ii) genapnya satu tempoh selepas satu tarikh di mana MAT Syarikat harus diadakan tidak lewat dari tarikh tersebut menurut Seksyen 143(1) Akta Syarikat, 1965 (“Akta”) tetapi tidak boleh ditunda ke satu tarikh yang melebihi tempoh penundaan yang dibenarkan menurut Seksyen 143(2) Akta tersebut; atau
  - (iii) dibatal atau diubahsuai oleh resolusi yang diluluskan oleh pemegang saham di dalam mesyuarat agung, yang mana lebih awal.

## Notice Of Annual General Meeting (con't)

7. To transact any other business for which due notice shall be given.

By Order of the Board

**Eric Kiu Kwong Seng**

Secretary

Miri

8 May 2006

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, Symphony Share Registrars Sdn. Bhd. at Level 26 Menara Multi-Purpose, Capital Square, No.8 Jalan Munshi Abdullah, 50100 Kuala Lumpur.
- (ii) The Registered office of the Company at No. 124-126, Jalan Bendahara, 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 8 May 2006 for more information.



Official Handing Over of Cattle Under Pawah Programme by YB Datuk Patinggi Tan Sri Dr. George Chan Hong Nam on 16 Jan 2006 at SOPB Lambir Estate, Miri.

7. Menjalankan sebarang urusan biasa lain yang mana notis mencukupi mengenainya telah diberikan.

Dengan Perintah Lembaga Pengarah,

### Eric Kiu Kwong Seng

Setiausaha

Miri

8 Mei 2006

Nota-nota:-

1. Seorang Ahli Syarikat yang berhak untuk menghadiri dan mengundi di mesyuarat berhak juga untuk melantik seorang wakil untuk menghadiri dan mengundi bagi pihak dirinya. Seorang wakil tidak semestinya seorang Ahli Syarikat.
2. Untuk ahli korporat pula, dokumen formal yang digunakan oleh wakil hendaklah dimeterai Mohor ahli tersebut atau dilakukan oleh pihak peguam.
3. Di mana seorang ahli melantik lebih daripada seorang wakil, perlantikan tersebut dianggap tidak sah kecuali dimaklumkan mengenai pecahan hakmiliknya setiap wakil.
4. Borang Perwakilan hendaklah dihantar dan sampai pada mana-mana pejabat yang berikut tidak lewat daripada empat puluh lapan (48) jam sebelum waktu mesyuarat yang telah ditentukan;
  - (i) Pejabat Pendaftar Saham, Symphony Share Registrars Sdn Bhd, Level 26, Menara Multi Purpose, Capital Square, No.8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.
  - (ii) Pejabat Berdaftar Syarikat di No.124-126, Jalan Bendahara, 98000 Miri, Sarawak
5. Nota Mengenai Perihal Khas:

Resolusi Biasa yang dicadangkan di bawah Perkara 6, jika diluluskan, akan memberi kuasa kepada Syarikat dan / atau anak-anak syarikatnya untuk menjalankan transaksi yang berulang-ulang di antara pihak yang berkaitan, sama ada bersifat pendapatan ataupun perniagaan. Kuasa ini, jika tidak dimansuhkan atau dipinda oleh Syarikat dalam suatu Mesyuarat Agung, akan tamat tempohnya pada penghujung Mesyuarat Agung Tahunan Syarikat yang berikutnya. Sila rujuk Surat Pekeliling kepada Para Pemegang Saham bertarikh 8 Mei 2006 untuk maklumat selanjutnya.



Cattle Pawah Program is to help Sarawak to be self-sufficient in term of beef production and at the same time SOPB is able to save some chemical, labour and weeding cost.

# Statement Accompanying Notice Of The Thirty-Eighth 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)  
Hasbi Bin Suhaili (retiring pursuant to Article 101 of the Articles of Association)  
Edwin Lau Chung Loong (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 (Resigned 1 July 2005)	7/6/2000	2/3
Jamil Bin Jamaludin (Resigned 26 April 2005)	10/11/2003	2/2
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	5/6
Lai Yew Hock	24/2/2000	6/6
Wong Ngie Yong	15/6/2001	5/6
Hasbi Bin Suhaili	26/8/2005	3/3
Edwin Lau Chung Loong	24/11/2005	0/0

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
25 February 2005	10.00 am	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak.
26 April 2005	10.00 am	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak.
25 June 2005	10.45 am	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak
26 August 2005	10.30 am	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak
3 October 2005	10.30 am	Mega Room 3, 4th Floor, Mega Hotel, Lot 907, 98000 Miri
24 November 2005	10.00 am	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak

## Details of Directors standing for re-election

### DATUK LING CHIONG HO

(54 years of age - Malaysian)

- Group Executive Chairman.
- The founder and Chairman of the diversified Shin Yang Group of Companies involving in reforestation, downstream wood-based processing, domestic & international shipping, ship building, residential & commercial land development, road & bridge construction with asphalt premix, paving block & concrete products manufacturing, public transports, hypermarket & hotel business.
- He is deemed substantial shareholder of SOPB and does not have any conflict of interest with SOPB.
- In the past 10 years, he has not been convicted of any offence.



## Details of Directors standing for re-election (Continued)

**TANG TIONG ING**

(47 years of age - Malaysian)

- Holds a Bachelor in Accounting with honours and also a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants and Malaysian Institute of Taxation.
- Non-Executive Director
- Joined Shin Yang Group as a Group Accountant to oversee all the financial and accounting functions, corporate taxation, treasury, corporate planning and company secretarial function of the group.
- Has worked in Lau Hoi Chew & Co a Certified Public Accounting and was promoted to head the Miri branch in 1985 till 1990.
- 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**

(50 years of age - Malaysian)

- Holds a Bachelor of Mechanical Engineering from Portsmouth University, England and is a chartered Engineer registered in Malaysia, England, America and Australia.
- Non-Executive Director
- Currently he is the General Manager of Business Development, Project & Technical Consultancy Department of Shin Yang Group.
- Has worked in Bintulu Industrial Gas Sdn Bhd as a General Manager.
- 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.

**HASBI BIN SUHAILI**

(43 years of age - Malaysian)

- Holds a Bachelor of Accountancy and also an Executive Master in Business Administration from MARA University of Technology, Malaysia.
- A Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants.
- Non-Executive Director
- Currently he is the Manager of Investment monitoring and Evaluation Unit at Pelita Holdings Sdn Bhd.
- Has worked as a Manager Finance / HR in a transportation company and as an executive in financial institution for the past 18 years.
- 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.

**EDWIN LAU CHUNG LOONG**

(55 years of age - Malaysian)

- Holds a Bachelor of Science in Business Management from Oklahoma, USA SALCRA scholarship.
- Non-Executive Director
- Has been with the government service since 1970 and has over 30 years of working experience in plantation management.
- Currently he is the General Manager of Estet Pelita Sdn Bhd.
- 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.

## Corporate Information

### DIRECTORS

Datuk Ling Chiong Ho  
Group Executive Chairman

Datu Haji Hamzah Haji Drahman  
(resigned on 01 July 2005)

Gerald Rentap Jabu

Tang Tiong Ing

Gary Tan Yow Hoo

Fong Tshu Kwong @ Fong Tshun Kwong

Lai Yew Hock

Wong Ngie Yong

Jamil Bin Jamaludin  
(resigned on 26 April 2005)

Hasbi Bin Suhaili  
(appointed on 26 August 2005)

Edwin Lau Chung Loong  
(appointed on 24 November 2005)

### AUDIT / NOMINATION COMMITTEE

Fong Tshu Kwong @  
Fong Tshun Kwong  
Chairman  
Independent Non-Executive

Tang Tiong Ing  
Non-Executive

Lai Yew Hock  
Independent Non-Executive

### REMUNERATION COMMITTEE

Fong Tshu Kwong @  
Fong Tshun Kwong  
Chairman  
Independent Non-Executive

Lai Yew Hock  
Independent Non-Executive

Jamil Bin Jamaludin  
(resigned on 26 April 2005)  
Non-Executive

Hasbi Bin Suhaili  
(appointed on 27 February 2006)  
Non-Executive

### CHIEF EXECUTIVE

Wong Hee Kwong

### COMPANY SECRETARY

Eric Kiu Kwong Seng

### REGISTERED OFFICE

No. 124-126, Jalan Bendahara,  
98000 Miri  
Tel : (085) 436969  
Fax : (085) 432929

### SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 26 Menara Multi Purpose  
Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Malaysia.  
Tel : (03) 2721 2222  
Fax : (03) 2721 2530

### AUDITORS

Ernst & Young  
Room 300-303, 3<sup>rd</sup> Floor  
Wisma Bukit Mata Kuching  
Jalan Tunku Abdul Rahman  
93100 Kuching  
Malaysia

### PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad  
AmMerchant Bank Berhad  
Bumiputra-Commerce Bank Berhad  
Malayan Banking Berhad

### STOCK EXCHANGE LISTING

The Main Board  
Bursa Malaysia

### STOCK NAME

SOP

### STOCK CODE

5126

### DOMICILE

Malaysia



## 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

## TERM OF REFERENCE

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

## OBJECTIVES

The Committee shall assist the Board of Directors in fulfilling the following objectives on the activities of Sarawak Oil Palms Berhad and its Subsidiaries (the “Group”)

- 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 the Group.
- 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, Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements and other legislative and reporting requirements.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the work performed in fulfilling the Committee’s primary responsibilities.
- Any other activities, as authorized 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 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 Group, outside legal or other independent professional advice it considers necessary.

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 Bursa Securities Listing Requirements, the Committee shall promptly report such matter to the Bursa Securities.

**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;
- Compliance with accounting standards, disclosure and other legal requirements;
- Significant adjustments from audit; and
- Going concern assumption.

**RELATED PARTY TRANSACTION**

Review any related party transaction and conflict of interest situation that may arise within 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.
- 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 2005, four (4) 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	4/4
Lai Yew Hock	4/4
Tang Tiong Ing	4/4

**INTERNAL AUDIT FUNCTION**

The Group has established an internal audit function ("IA") to undertake independent regular 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 internal audit findings and makes appropriate recommendations on areas of concern for the Audit Committee's deliberation.

**ACTIVITIES**

During the year, the IA carried out the following activities: -

1. Analysed and assessed certain key business processes, reported findings and made recommendations to improve their effectiveness.
2. Reviewed and evaluated the adequacy and effectiveness of the internal control systems in the following areas:
  - Machine utilisation
  - Interface of computerized accounting systems with computerized checkroll and store systems
  - General workers' checkroll
  - Development expenditure
  - Fertilizer and chemical usage
  - Insurance coverage
  - Fresh fruit bunch input, crude palm oil (CPO) & palm kernel (PK) storage, CPO & PK delivery and billing

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 4 to the financial statements.
- Met with the external auditors once during the year without the presence of the Management.
- Reviewed the internal auditors' programmes and plan for the financial year 2005 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.
- Reviewed the annual report and the audited financial statements of the Group 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 Malaysian Accounting Standards Board (MASB).
- Reviewed the Group's compliance in particular the quarterly and year end financial statements with Bursa Securities Listing Requirements, MASB and other relevant legal and regulatory requirements.
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval.
- Reviewed the related party transactions entered into by the Group.
- Reviewed and assessed the risk management activities of 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 Bursa Securities Listing Requirements.

## 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 terma rujukan berikut:

Objektif Jawatankuasa akan membantu pihak Lembaga Pengarah untuk menepati objektif-objektif berikut yang berkaitan dengan aktiviti-aktiviti Sarawak Oil Palms Berhad dan anak-anak syarikat (“Kumpulan”):

- Menilai proses-proses Kumpulan berkaitan dengan risiko dan situasi kawalan;
- Memerhati laporan kewangan; dan
- Menilai proses-proses auditan dalam dan luar.

## TUGAS & TANGGUNGJAWAB

Jawatankuasa haruslah:

- Membantu Lembaga Pengarah untuk mematuhi piawaian perakaunan korporat dan tatacara laporan Kumpulan.
- Menjadi saluran komunikasi di antara Lembaga Pengarah dengan juruaudit luar dan juruaudit dalam.
- 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 Kumpulan mematuhi ketetapan syarat-syarat keperluan Akta Syarikat 1965, Bursa Malaysia Securities Berhad (“Bursa Securities”) dan perundangan serta peraturan laporan.
- Menyediakan laporan-laporan, sekiranya perlu, atau sekurang-kurangnya sekali (1) setahun, membentangkan kepada Lembaga Pengarah ringkasan tugas-tugas yang telah dijalankan untuk menepati tanggungjawab utama Jawatankuasa.
- Sebarang aktiviti yang lain seperti yang dipertanggungjawabkan oleh Lembaga Pengarah.

## HAK-HAK & 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 juruaudit luar dan juruaudit dalam serta pihak pengurusan kanan Kumpulan dan boleh bermesyuarat dengan juruaudit luar sekiranya 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 Kumpulan.

Di mana Jawatankuasa berpendapat bahawa suatu hal berbangkit yang dirujuk untuk perhatian Lembaga Pengarah belum diselesaikan dengan sewajarnya sehingga melanggar syarat-syarat keperluan penyenaian di Bursa Securities, Jawatankuasa haruslah melaporkan perkara berkenaan dengan serta merta kepada pihak Bursa Securities.

**PROSEDUR KEWANGAN & LAPORAN KEWANGAN**

Mengkaji semula keputusan-keputusan suku tahunan dan penyata perakaunan akhir tahun, sebelum diluluskan oleh Lembaga Pengarah, khususnya:

- 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;
- pelarasan-pelarasan yang penting dalam audit;
- anggapan usaha berterusan

**TRANSAKSI DI ANTARA PIHAK YANG BERKAITAN**

Mengkaji semula sebarang transaksi di antara pihak yang berkaitan dan situasi yang bertelingkahan kepentingan yang mungkin timbul dalam Kumpulan, termasuk sebarang transaksi, prosedur atau kegiatan yang kecurigaan terhadap ketelusan pihak pengurusan.

**AUDITAN LUAR & DALAM**

- Bersama-sama dengan juruaudit luar, mengkaji semula skop dan pelan audit, termasuk sebarang perubahan kepada skop yang telah dirancang.
- Mengkaji semula sejauh mana wujudnya kebebasan dan objektiviti juruaudit luar dan perkhidmatan mereka, termasuk perkhidmatan bukan audit dan bayaran profesional mereka untuk mengimbangi objektiviti berbanding nilai bayaran profesional.
- Mengkaji semula sama ada skop dan pelan, fungsi serta sumber auditan dalam memadai dan ianya mempunyai bidang kuasa yang mencukupi untuk menjalankan tugasnya.
- Mengkaji semula perlantikan dan prestasi juruaudit dalam dan juruaudit luar, bayaran audit dan sebarang hal perletakan dan pengguguran jawatan sebelum membuat syor-syor kepada Lembaga Pengarah.
- Mengkaji semula laporan audit luar dan dalam untuk memastikan pihak pengurusan mengambil tindakan pemulihan yang sesuai dan cepat ke atas sebarang kekurangan utama pada sistem kawalan atau prosedur yang dikenalpasti.
- Mengkaji semula laporan audit dan maklumbalas pihak pengurusan, juruaudit luar and dalam, termasuk kedudukan cadangan-cadangan bagi audit sebelumnya.
- Mengkaji semula bantuan yang diberi oleh para pegawai Kumpulan kepada pihak juruaudit serta sebarang masalah yang dihadapi sewaktu tugas auditan termasuk sebarang ketegahan ke atas skop aktiviti atau terhadap akses kepada maklumat yang diperlukan.
- Mengkaji semula kecukupan dan ketelusan sistem kawalan dalaman termasuk sistem pengurusan risiko, sistem pengurusan maklumat dan penilaian sistem-sistem tersebut oleh juruaudit dalam dan/atau luar.

**MESYUARAT**

Pada tahun kewangan yang berakhir 31 Disember 2005, empat mesyuarat Jawatankuasa telah diadakan. Rekod kehadiran di mesyuarat-mesyuarat adalah seperti berikut:

Bilangan Kehadiran

Fong Tshu Kwong @ Fong Tshun Kwong	4/4
Lai Yew Hock	4/4
Tang Tiong Ing	4/4

**FUNGSI AUDIT DALAMAN**

Kumpulan telah mewujudkan sebuah fungsi audit dalaman (“AD”) untuk meneliti sistem kawalan secara bebas, kerap dan sistematik bagi memastikan bahawa sistem tersebut beroperasi dengan memuaskan dan efektif. AD melaporkan terus kepada Jawatankuasa Audit secara bebas dan objektif mengenai status kawalan dalaman yang terdapat pada unit-unit operasi di dalam Kumpulan.

AD juga menghadiri mesyuarat Jawatankuasa Audit untuk menyampaikan hasil auditan dan mencadangkan langkah-langkah pemulihan bagi operasi yang memerlukan tindakan lanjutan untuk pertimbangan Jawatankuasa Audit.

### AKTIVITI

Pada tahun ini, para juruaudit dalaman telah menjalankan aktiviti-aktiviti berikut:-

1. Menganalisa dan menilai proses perusahaan utama, membuat laporan audit dan cadangan untuk memperbaiki kecekapan proses yang berkenaan.
2. Mengkaji semula dan menilai sama ada sistem kawalan dalaman adalah mencukupi dan cekap bagi proses-proses berikut:
  - Penggunaan kenderaan
  - Pengantaramukaan sistem akaun berkomputer dengan system “checkroll” dan stor berkomputer
  - “Checkroll” pekerja-pekerja am
  - Perbelanjaan pembangunan
  - Penggunaan baja dan bahan-bahan kimia
  - Perlindungan insuran
  - Input buah tandan segar (FFB), penyimpanan minyak sawit mentah (CPO) & isirung sawit (PK), penghantaran dan pengebilan CPO & PK

Pada tahun 2005, Jawatankuasa Audit telah menjalankan tugas mereka menurut terma-terma rujukan yang dikenalpasti.

Ringkasan aktiviti jawatankuasa bagi tahun 2005 adalah seperti berikut:

- Mengkaji semula skop kerja dan pelan audit juruaudit luar sebelum proses auditan bermula.
- Mengkaji semula bersama-sama dengan juruaudit luar keputusan dan rumusan audit dan laporan audit.
- Mempertimbangkan dan mengesyorkan bayaran audit kepada Lembaga untuk dibayar kepada juruaudit luar seperti yang dinyatakan pada Nota 4 pada Penyata Kewangan.
- Berjumpa dengan juruaudit luar sekali pada tahun kewangan tersebut tanpa kehadiran pihak pengurusan.
- Mengkaji semula program dan pelan juruaudit dalam untuk tahun kewangan 2005 serta penilaian prestasi tahunan juruaudit dalam.
- Mengkaji semula laporan audit dalaman yang mengemukakan isu-isu audit, cadangan-cadangan dan maklumbalas 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 pembedaan selanjutnya.
- Mengkaji semula Laporan Tahunan dan Penyata Kewangan Kumpulan sebelum dipertimbangkan dan disahkan oleh Lembaga Pengarah. Ini adalah untuk memastikan Penyata Kewangan adalah disediakan menurut kehendak Akta Syarikat, 1965, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) dan perundangan serta peraturan laporan.
- Mengkaji semula sejauh mana Kumpulan telah menepati keperluan-keperluan yang ditentukan oleh syarat-syarat Penyenaraian Bursa Malaysia Securities Berhad (“Bursa Securities”), MASB dan keperluan dalam laporan kewangan suku tahun dan akhir tahun.
- Mengkaji semula pengumuman keputusan kewangan yang belum diaudit sebelum mengesyorkan supaya disahkan oleh Lembaga Pengarah.
- Mengkaji semula sebarang transaksi di antara pihak berkaitan yang boleh menyebabkan pertelingkahan kepentingan yang mungkin muncul di dalam Kumpulan.
- Mengkaji semula dan menilai aktiviti pengurusan risiko Kumpulan termasuk polisi pengurusan risiko.
- Mengkaji semula sejauh mana Kumpulan telah menepati keperluan seperti yang ditentukan di bawah Kod Pentadbiran Korporat Malaysia bertujuan untuk menyediakan Penyata Pentadbiran Korporat menurut syarat-syarat penyenaraian di Bursa Securities.





## Profile of Board of Directors

### **DATUK LING CHIONG HO**

A Malaysian citizen, aged 54, was appointed as the Non-Executive Director on 15 October 1995 and subsequently as Non-executive Chairman on 1 October 1999. He was appointed as Group Executive Chairman on 6 June 2003. He is also the founder and Chairman of the diversified Shin Yang Group of Companies involving in reforestation, downstream wood-based processing, domestic & international shipping, ship building, residential & commercial land development, road & bridge construction with asphalt premix, paving block & concrete products manufacturing, public transports, hypermarket & hotel business. 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 (Resigned on 1 July 2005)**

A Malaysian citizen, aged 59, 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 36, 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 47, has been a Non-Executive Director since 15 June 1995. Presently, he serves as a member of the Audit, Nomination and Risk Management Committees. 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 to oversee all the financial and accounting functions, corporate taxation, treasury, corporate planning and company secretarial function 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 50, 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 47, was appointed as an Independent and Non-Executive Director on 22 March 1996. Presently, he serves as a member of the Audit, Nomination, Remuneration and Risk Management Committees. 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 47, was appointed as an Independent and Non-Executive Director on 24 February 2000. Presently, he serves as a member of the Audit, Nomination, Remuneration and Risk Management Committees. He graduated from the University of Otago, New Zealand with a Bachelor of Laws Degree in 1985. He was variously admitted as a Barrister and Solicitor of the High Court of New Zealand in October 1985, as an Advocate of the High Court in Sabah and Sarawak in February 1986, and as an Advocates and Solicitor of the High Court of Malaya in October 1986. He is also a Commissioner for Oaths, a Notary Public and an Accredited Mediator. He started his own legal firm in Miri, Sarawak in May 1992. 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 56, 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 free-lance Consultant and 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.

### **JAMIL BIN JAMALUDIN (Resigned on 26 April 2005)**

A Malaysian citizen, aged 45, was appointed as a Non-Executive Director on 10 November 2003. He holds a Advanced Diploma in Accountancy from MARA University of Technology, Malaysia and is a registered member of the Malaysian Institute of Accountants. He is currently the Senior Manager at the Land Custody Development Authority, Sarawak. Prior to this, he has worked in Jabatan Audit Negara, Sarawak Economic Development Corporation and Hamden & Kiu dan Rakan-Rakan. 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.

### **HASBI BIN SUHAILI**

A Malaysian citizen, aged 43, was appointed as a Non-Executive Director on 26 August 2005. He holds a Bachelor of Accountancy and also a Executive Master in Business Administration from MARA University of Technology, Malaysia. He is also a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants. He is currently the Manager of Investment Monitoring and Evaluation Unit at Pelita Holdings Sdn Bhd. Prior to this, he has worked as a Manager Finance / HR in a transportation company and as an executive in financial institution for the past 18 years. 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.

### **EDWIN LAU CHUNG LOONG**

A Malaysian citizen, aged 55, was appointed as a Non-Executive Director on 24 November 2005. He holds a Bachelor of Science in Business Management from Oklahoma City University, Oklahoma, USA under SALCRA ("Sarawak Land Consolidation and Rehabilitation Authority") scholarship. He is currently the General Manager of Estet Pelita Sdn Bhd, seconded from SALCRA to Land Custody Development Authority, Sarawak. Prior to this, he has over 30 years of working experience in plantation management and has been with the government service since 1970. 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.



On behalf of the Board of Directors, I am pleased to present the Annual Report of Sarawak Oil Palms Berhad Group (the Group) for the Financial Year ended 31 December 2005.

**REVIEW OF RESULTS**

For the financial year under review, the Group generated a turnover of RM184.96 million, an increase of 10.12% compared to the previous year due mainly to the increase in volume of Crude Palm Oil ("CPO") and Palm Kernels ("PK") production.

Despite the strong performance in terms of sales revenue, the Group's operating profit ("EBIT") declined from RM52.35 million to RM38.83 million or 25.83% primarily due to the sharp decline of 13.52% in average CPO price realized, higher fertilizer costs and other operating costs such as transportation as a result of the increase in fuel costs.

Similarly, the Group's net earning declined from RM33.86 million to RM24.81 million or 26.72%. Consequently, the earnings per share of the Group decreased from 35.66 sen to 26.13 sen.

**DIVIDEND**

In line with our Group's long term objective to sustain growth by substantially reinvesting its profits, the Board proposes a first and final dividend of 2.5% less tax at 28% per ordinary share amounting to RM2,564,142 for the Financial Year ended 31 December 2005.

**OPERATIONS REVIEW**

For the year under review, fresh fruit bunches (FFB) production from the Group increased by 24.42% to 407,640 tonnes boosted mainly by the additional 3,483 hectares of oil palms being brought into harvesting and the rise in FFB yield from the young mature areas. The average FFB per hectare remains at 17.34 tonnes per hectare. The oil per hectare improved from 3.7 tonnes to 3.91 tonnes per hectare and oil extraction rate improved by 0.2% to 21.8%. The Group's palm oil mills produced a total of 106,587 tonnes of CPO, an increase of 15.25% over the preceding year.

Total area planted with oil palms increased to 29,982 hectares, comprising of 23,503 hectares (78.39%) of mature oil palms and 6,479 hectares of (21.61%) immature oil palms. The FFB production of the Group is expected to increase over the next few years from both the immature palms coming into productive age and the young palms increasing their yield.

Age profile for oil palm as at 31/12/2005

Palms Age (Yrs)	Area (Ha)	Percentage
Immature	6,479	21.61%
Young (4-10 yrs)	16,868	56.26%
Prime (11-20 yrs)	6,429	21.44%
Old (21 & above)	206	0.69%
<b>Total</b>	<b>29,982</b>	<b>100.00%</b>

## HUMAN RESOURCES

In line with the Group's plan to expand and improve efficiencies in its business operations, the Group continues to build up its management team through training and retention program. The Group emphasizes on upgrading the skill and knowledge of its employees through an organized and structured internal training programme tailored to fulfill the needs of the changing business environment. Key Managers and Executives are also selected to go through external training programme in the areas of effective leadership and team building. The Group believes in continuous improvement of skill and knowledge of every employee in order to be competitive.

## UPDATES ON CORPORATE DEVELOPMENT

The followings are the updates of corporate development mentioned in my report last year.

- In December 2004, the Group entered into a joint venture agreement with Sarawak Economic Development Corporation ("SEDC") to develop an area of 2,023 ha of land into oil palm estate. The joint venture exercise was fully completed on 10 March 2006.
- In 2005, the Group undertook a rights issue of 47,484,120 new ordinary shares of RM1.00 each together with 23,742,060 free detachable rights warrants at an issue price of RM1.40 per rights share on the two (2) rights shares together with one (1) free rights warrants attached thereto for every four (4) existing ordinary shares of RM1.00 each held. The exercise was completed on 20 January 2006 and new shares were listed on the Bursa Malaysia on 3 February 2006.
- Upgrading of Galasah Palm Oil Mill ("POM") from 45 MT/hour to 90 MT/hour was completed at the first quarter of 2006.

During the year under review, the followings are the corporate developments undertaken by the Group:

- At the beginning of 2005, the Group announced its plan to build a 90 MT/hour POM to replace its existing 33 MT/ hour POM at Lambir Estate, Miri, Sarawak. The Group plans to relocate its existing 33 MT/hour Lambir POM to Sepakau, Belaga, Sarawak and upgrade it to 45 MT/hour. The expected completion date of Lambir POM is June 2007 whilst the relocation of POM to Sepakau is expected to be completed by second half of 2008.
- In July 2005, the Group announced the engagement of turnkey contractor to construct an advanced automated 45 MT/hour POM at Balingian, Sarawak. The construction is progressing well and is scheduled for completion by the end of 2006.

- In August 2005, the Group announced a joint venture arrangement with Pelita Holdings Sdn Bhd ("Pelita") for the development of an area at Kedayan-Kelulit under Native Customary Rights ("NCR") totaling approximately 1,000 hectares of plantable area. Pelita is in the process of creating the land bank for development.
- In December 2005, the Group announced a joint venture arrangement with Pelita for the development of an area at Bakas under NCR totaling approximately 750 hectares of plantable area. Pelita is in the process of creating the land bank for development.
- In December 2005, the Group also announced a joint venture arrangement through Conditional Share Subscription Agreement with Shin Yang Holding Sdn Bhd to develop an area of approximately 10,387 hectares into oil palms with the Group taking 65% equity stake in Danum Jaya Sdn Bhd. The exercise is pending approval from relevant authorities.

## PROSPECT

Our Group will continue to invest in the expansion of oil palms area and construction of palm oil mills. With the increase in cost of raw materials such as fertilizer, fuel and other operational costs in general, the challenge for the Group is to further improve its efficiency and productivity through maximizing the use of its existing resources. The prospect of our Group will continue to be subject to the volatility of CPO prices.

## APPRECIATION

I would like to take this opportunity to express my sincere appreciation and thanks to my fellow directors for their constant support and contributions. On behalf of the Board, I would like to extend our sincere gratitude and appreciation to our customers, business associates and shareholders who have contributed positively to our growth as well as for their unwavering confidence and endorsement. To the management and employees, I wish to express my heartfelt gratitude for their commendable and dedicated performance, loyalty and whole-hearted commitment towards the development and growth of the group.

**Datuk Ling Chiong Ho**

Group Executive Chairman



Bagi pihak Lembaga Pengarah, saya dengan sukacitanya ingin membentangkan Laporan Tahunan Kumpulan Sarawak Oil Palms Berhad (“Kumpulan”) bagi tahun kewangan berakhir 31 Disember 2005.

### SOROTAN HASIL

Bagi tahun kewangan 2005, Kumpulan mencatatkan pendapatan sebanyak RM184.96 juta, peningkatan sebanyak 10.12% berbanding tahun sebelumnya, sebahagian besar akibat peningkatan dalam pengeluaran minyak sawit mentah dan isirung kelapa sawit.

Keuntungan operasi Kumpulan menurun daripada RM52.35 juta kepada RM38.83 juta atau 25.83% walaupun pencapaian yang baik dari segi hasil penjualan, sebahagian besar akibat penurunan mendadak harga purata minyak sawit mentah sebanyak 13.52%, peningkatan kos baja dan kos operasi lain seperti pengangkutan, akibat peningkatan harga bahan api.

Perolehan bersih Kumpulan turut menurun daripada RM33.86 juta kepada RM24.81 juta atau 26.72%. Oleh yang demikian, perolehan sesaham Kumpulan menurun daripada 35.66 sen kepada 26.13 sen.

### DIVIDEN

Objektif Kumpulan adalah untuk meneruskan pertumbuhan melalui pelaburan semula keuntungannya. Maka Lembaga Pengarah mencadangkan dividen pertama dan terakhir sebanyak 2.5% ditolak cukai pada 28% sesaham biasa berjumlah RM2,564,142 untuk Tahun Kewangan yang berakhir 31 Disember 2005.

### SOROTAN OPERASI

Bagi tahun kewangan 2005, hasil keluaran “Fresh Fruit Bunches” (FFB) Kumpulan meningkat sebanyak 24.42% kepada 407,640 tan terutamanya disebabkan oleh penambahan 3,483 hektar kelapa sawit yang sedia dipetik serta peningkatan dalam hasil FFB daripada kawasan matang muda. Purata FFB sehektar kekal sebanyak 17.34 tan sehektar. Hasil minyak sehektar meningkat sedikit daripada 3.7 tan kepada 3.91 tan sehektar dan kadar ekstraksi minyak meningkat sebanyak 0.2% kepada 21.8%. Kumpulan telah mengeluarkan sebanyak 106,587 tan CPO yang merupakan peningkatan sebanyak 15.25% berbanding tahun lepas.

Jumlah kawasan yang ditanam dengan kelapa sawit meningkat kepada 29,982 hektar, merangkumi 23,503 hektar (78.39%) tanaman matang dan 6,479 hektar (21.61%) tanaman belum matang. Keluaran FFB dijangka meningkat pada tahun-tahun akan datang hasil daripada tanaman belum matang yang akan membuah hasil dan tanaman muda yang semakin meningkat hasilnya.

Profil usia bagi kelapa sawit setakat 31/12/2005

Usia (Tahun)	Kawasan (Hektar)	Peratus
Belum matang	6,479	21.61%
Muda (4-10 tahun)	16,868	56.26%
Matang (11-20 tahun)	6,429	21.44%
Tua (21 & ke atas)	206	0.69%
<b>Jumlah</b>	<b>29,982</b>	<b>100.00%</b>

### TENAGA KERJA

Sejajar dengan rancangan Kumpulan untuk memperluas dan memperbaiki kecekapan dalam operasi perniagaan, Kumpulan terus mengadakan latihan dan program bagi pihak pengurusannya. Kumpulan memberi penekanan dalam meningkatkan taraf kemahiran dan pengetahuan para pekerja melalui program latihan dalaman yang teratur yang dibentuk bagi memenuhi keperluan persekitaran perniagaan yang semakin berubah. Para pengurus serta eksekutif juga dipilih untuk mengikuti program latihan luar dalam aspek kepimpinan serta kerjasama. Kumpulan menekankan peningkatan kemahiran dan pengetahuan yang berterusan dalam setiap pekerja bagi meningkatkan daya saing.

### PEMBANGUNAN KORPORAT TERKINI

Berikut adalah pembangunan korporat yang telah dilaporkan tahun lepas:

- Pada Disember 2004, Kumpulan telah menandatangani satu perjanjian kerjasama dengan Sarawak Economic Development Corporation (“SEDC”) untuk membangunkan kawasan seluas 2,023 hektar kepada ladang kelapa sawit. Perjanjian kerjasama tersebut siap sepenuhnya pada 10 Mac 2006.
- Dalam tahun 2005, Kumpulan menawar terbitan hak sebanyak 47,484,120 saham biasa berharga RM1.00 sesaham pada nilai terbitan RM1.40 setiap saham terbitan hak, berkembar dengan 23,742,060 waran hak untuk setiap dua (2) terbitan hak dan satu (1) waran hak untuk setiap empat (4) saham biasa yang sedia ada dipegang. Usaha ini siap pada 20 Januari 2006 dan saham-saham baru disenaraikan dalam Bursa Malaysia pada 3 Februari 2006.
- Kerja-kerja peningkatan kapasiti kilang Kelapa Sawit Galasah (POM) daripada 45 tan sejam kepada 90 tan sejam telah disiapkan dalam suku pertama tahun 2006.

Berikut adalah pembangunan korporat yang dijalankan oleh Kumpulan dalam tahun 2005:

- Pada permulaan tahun 2005, Kumpulan mengumumkan rancangan bagi membina sebuah POM yang beroperasi 90 tan sejam untuk menggantikan POM sedia ada yang beroperasi 33 tan sejam di Estet Lambir, Miri, Sarawak. Kumpulan merancang untuk memindahkan POM Lambir sedia ada yang beroperasi 33 tan sejam ke Sepakau, Belaga, Sarawak dan menaiktaraf POM tersebut kepada 45 tan sejam. POM Lambir dijangka siap pada Jun 2007 manakala pemindahan POM ke Sepakau dijangka siap menjelang separuh kedua tahun 2008.
- Pada Julai 2005, Kumpulan mengumumkan pelantikan kontraktor untuk membina POM yang beroperasi 45 tan sejam secara automatik di Balingian, Sarawak. Pembinaan tersebut berkembang dengan lancar dan dijangka siap menjelang akhir tahun 2006.

- Pada Ogos 2005, Kumpulan mengumumkan satu perjanjian kerjasama dengan Pelita Holdings Sdn Bhd (“Pelita”) bagi membangunkan sebuah kawasan di Kedayan-Kelulut di bawah “Native Customary Rights” (“NCR”), merangkumi kawasan sejumlah kira-kira 1,000 hektar. Pelita kini dalam proses menjadikannya sebagai simpanan tanah bagi pembangunan.
- Pada Disember 2005, Kumpulan mengumumkan satu perjanjian kerjasama dengan Pelita bagi pembangunan sebuah kawasan di Bakas di bawah NCR merangkumi kawasan sejumlah kira-kira 750 hektar. Pelita kini dalam proses menjadikannya sebagai simpanan tanah bagi pembangunan.
- Pada Disember 2005, Kumpulan turut mengumumkan satu perjanjian kerjasama menerusi “Conditional Share Subscription Agreement” dengan Shin Yang Holding Sdn Bhd bagi membangunkan kawasan seluas kira-kira 10,387 hektar kepada ladang kelapa sawit. Kumpulan memegang kepentingan ekuiti sebanyak 65% dalam Danum Jaya Sdn Bhd. Usaha ini masih dalam proses mendapat kelulusan dari pihak-pihak berkaitan.

### PROSPEK

Kumpulan akan terus melabur dalam memperkembangkan ladang kelapa sawit dan pembinaan kilang minyak sawit. Dengan peningkatan kos bahan mentah seperti baja, bahan api dan kos operasi lain, cabaran yang perlu dihadapi oleh Kumpulan ialah untuk terus memperbaiki keberkesanan dan produktiviti Kumpulan dengan memaksimumkan penggunaan sumber sedia ada. Masa depan Kumpulan akan terus tertakluk kepada harga pasaran CPO yang tidak menentu.

### PENGHARGAAN

Saya ingin merebut peluang ini untuk merakamkan penghargaan dan ucapan terima kasih kepada para pengarah seperjuangan bagi sokongan dan sumbangan mereka yang berterusan. Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih dan seikhlas-ikhlas penghargaan kepada para pelanggan, rakan-rakan niaga serta pemilik-pemilik saham yang telah menyumbang secara positif kepada perkembangan Kumpulan. Kami amat berterima kasih atas keyakinan mereka terhadap Kumpulan serta sokongan padu yang diberikan kepada pihak pengurusan dan para pekerja kami. Setinggi-tinggi penghargaan turut ditujukan kepada para pekerja atas prestasi yang patut dipuji dan berdedikasi, kesetiaan serta komitmen sepenuhnya ke arah pembangunan dan perkembangan Kumpulan.

**Datuk Ling Chiong Ho**  
Pengerusi Eksekutif Kumpulan

# Statement On Corporate Governance

## STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance (“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

The Group is led by an effective Board which sets the policies to enable them to lead and guide the Group to achieve its goals. The Board currently has nine members with only one Executive Director. The other eight members are Non-Executive Directors. The independent Non-Executive Directors are Fong Tshu Kwong @ Fong Tshun Kwong, Lai Yew Hock and Wong Ngie Yong. Therefore, the Group has met the Bursa Securities Listing Requirements which requires one third of the Board to be 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, management and operations. For the financial year ended 31 December 2005, the Board held six (6) meetings. Directors’ profiles and attendance to these meetings can be found in the profiles of Directors on page 16 to 17.

At Board Meetings, strategies and performance of the Group 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 Group operations, the role played by the independent Non- Executive Directors is vital to ensure that strategies formulated or transactions proposed by management are amply discussed in 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 duty, the Board is assisted by Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference of each committee have been approved by the Board.

## AUDIT COMMITTEE

The composition and terms of reference of this Committee together with its report are presented on page 9 to 14 of the Annual Report.

## NOMINATION COMMITTEE

The Committee, formed on 16 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 to systematically assess the effectiveness of the Board, its Committees and the performance of each individual Director annually. 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

The Committee met three (3) times during the financial year.

## REMUNERATION COMMITTEE

The Committee was established in June 2003. It is responsible for recommending the remuneration framework for Directors as well as the remuneration package of Executive Director to the Board for approval.

The members of the Remuneration Committee are as follows:

Fong Tshu Kwong @ Fong Tshun Kwong	- Chairman, Independent Non- Executive Director
Lai Yew Hock	- Independent Non- Executive Director
Jamil Bin Jamaludin (resigned on 26 April 2005)	- Non- Executive Director
Hasbi Bin Suhaili	- Non- Executive Director

The Committee met once during the financial year.



## DIRECTORS' REMUNERATION

The Group pays its Non- Executive 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 attended. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Group.

The policy practiced by the Group is to provide remuneration package necessary to attract, retain and motivate Directors. The structure of remuneration package of Executive Director is also linked to corporate and individual performance. The Board also takes into consideration information provided by independent consultants or survey data on comparable companies in determining the remuneration package.

The aggregate and range of the Directors' remuneration for the Group for the financial year ended 31 December 2005 are as follows: -

Aggregate of remuneration	Directors	
	Executive RM000	Non-Executive RM000
Fees	24	280
Salaries	420	
Bonus	192	
Other Emoluments	70	
Total	706	
<b>Number Of Directors Range of remuneration</b>	<b>Executive</b>	<b>Non- Executive</b>
0 to RM50,000		8
RM650,001 to RM700,000	1	

There are no contracts of service between any Directors and the Group other than the Group Executive Chairman, Datuk Ling Chiong Ho, whose term will expire on 30 June 2006.

## 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 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.

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 Bursa Malaysia Training Sdn Bhd. The directors are also attending the Continuing Education Programme ("CEP") organized by accredited organizations as and when necessary to keep abreast with the latest development that are relevant to the Group.

### RELATIONS WITH SHAREOLDERS AND INVESTORS

The Group 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 Group is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete a picture of the Group's performance and position as possible.

The key elements of the Group's dialogue with its shareholders is the opportunity to gather view of and answer questions from both private and institutional shareholders on all issues relevant to the Group at the AGM. It has also been the Group'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

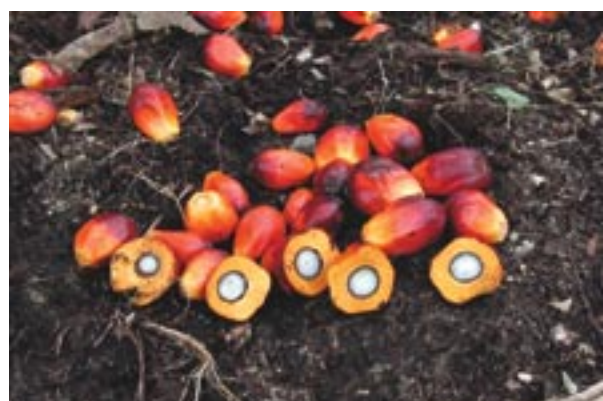
The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Audit 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 26 to 27 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 terms of reference as detailed on page 9 to 14 of the Annual Report.



### COMPLIANCE WITH THE CODE

The Group has substantially complied with the Principles and Best Practices of the Code.

### OTHER INFORMATION

#### Options warrants and convertible securities

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

#### Sanctions and/or penalties

There were no material sanctions and/or penalties imposed on the Group, 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 Group.

#### Material contracts

Material contracts for the Group 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 28 to the financial statements under "Significant Related Party Transactions" on page 68 to 69.



Internal Training conducted for New Staff

## Statement On Internal Control

The Board of Directors strongly supports the need for good corporate governance and is committed to maintaining a sound system of internal control to safeguard shareholders' interests and Group's assets. The Board is pleased to set out below the Internal Control Statement which outlines the nature and state of internal control of the Group during the year pursuant to Paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

The external Auditors have reviewed this Statement and have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Internal Control intended to be included in the Annual Report is inconsistent with their understanding of the process the Board of Directors has adopted in the review of the adequacy and integrity of internal control of the Group.

### Board Responsibility

The Board acknowledges its responsibility for 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 failure, fraud and loss.

### Risk management Framework

There is in place a formal and on-going process of identifying, evaluating and managing significant risks affecting the achievement of the Group's business objectives in a structured manner. The Group has established procedures for reporting and monitoring of risks and controls. Regular reviews are conducted on yearly basis with additional reviews to be carried out as and when required.

The Group Audit Committee ("GAC") has been delegated to oversee the risk management activities and approve appropriate risk management procedures and measurement methodologies across the Group.

The on-going process is monitored by the Risk Management Committee, which consists of Chief Executive Officer ("CEO") and Heads of Department within the Group and report quarterly to GAC.

### Other key components of internal control system

The other key components of the Group's internal control system are described below:

#### Board Meetings

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Group Executive Chairman together with CEO leads the presentation of board papers and provides 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 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 subjected 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 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 Group has 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 control system to safeguard the Group 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.



Germany Ambassador's visit to SOPB Lambir Estate and Oil Palm Mill on 24 Oct 2005.



Group photo with Germany Ambassador

## Additional Compliance Information

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the following information is provided:-

### 1. NON-AUDIT FEES

The amount of non-audit fees paid in the financial year ended 31 December 2005 to SOPB Group’s external auditors is mainly for the tax advisory and accounting services. The breakdown of the fees is as follows:

Name of Auditor	Fees (RM)
Ernst & Young	43,992
KPMG	17,157
	61,149

### 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 Listing Requirements of Bursa Malaysia entered into by the SOPB Group since the end of the previous financial year up to 31 December 2005 except for the followings:-

### 3. Recurrent Related Party Transactions of a Revenue or Trading nature (“RRPT”)

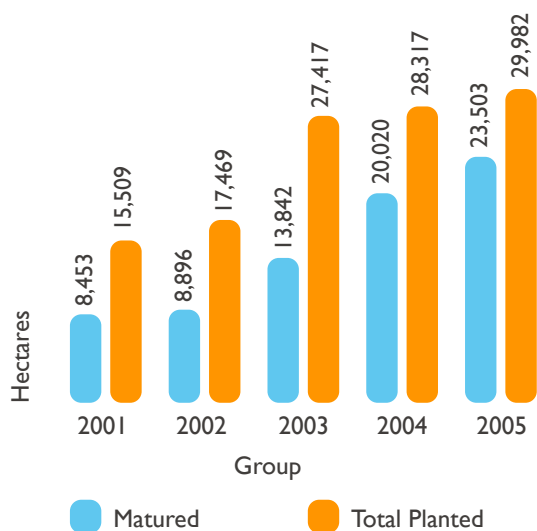
The RRPTs entered into by SOPB Group during the financial year ended 31 December 2005 were as follows:-

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2005 Actual (RM'000)
1. SOPB Group	Group Purchase of diesel and petrol to oil palm estates of SOPB Group from Shin Yang Services Sdn Bhd (“SY Services”)	Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Ir. Gary Tan Yow Hoo(2)	3,724
2. SOPB Group	Purchase of lubricant, spare parts and tyres for the tractors and machinery from Shin Yang Trading Sdn Bhd (“SY Trading”)	Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Ir. Gary Tan Yow Hoo(2)	403
3. SOPB Group	Provision of land clearing and development services by Shin Yang Sdn Bhd (“SYSB”)	Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Ir. Gary Tan Yow Hoo(2)	2,173
4. SOPB Group	Purchase of gravel from Hollystone Quarry Sdn Bhd (“HQ”)	Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Ir. Gary Tan Yow Hoo(2)	3,337
5. SOP Plantations (Borneo) Sdn Bhd**	Interest charged by SYHSB for advances at a fixed rate of 5% per annum.	Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Ir. Gary Tan Yow Hoo(2)	824
6. SOPB Group	Provision of maintenance services and supply of lubricants, spare parts and tyres for the tractors and machinery by Dai Lieng Trading Sdn Bhd (“DLT”)	Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Ir. Gary Tan Yow Hoo(2)	1,252
7. SOPB	Purchase of fresh fruit bunches from Greenwood Estate Sdn Bhd (“GWE”)	Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Ir. Gary Tan Yow Hoo(2)	1,401
8. SOPB	Purchase of fresh fruit bunches from Jati Vista Sdn Bhd (“JVS”)	Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Ir. Gary Tan Yow Hoo(2)	2,933
9. SOPB Group	Land Transportation Services from Melinau Transport Sdn Bhd (“MTSB”)	Datuk Ling Chiong Ho(1) Tang Tiong Ing(2) Ir. Gary Tan Yow Hoo(2)	326

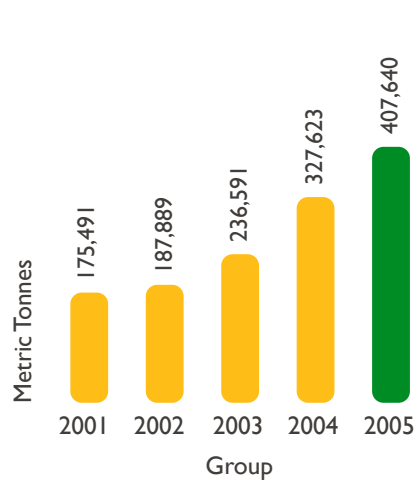
Note

- # (1) Datuk Ling Chiong Ho is the Group Executive Chairman of SOPB and is also the shareholder and director of SY Services, SY Trading and SYHSB and he is a director of and has indirect interest in HQ and SYSB. He has substantial indirect interest in GWE, DLT and JVS.
- (2) Messrs. Tang Tiong Ing and Gary Tan Yow Hoo, the Non-Executive Directors of SOPB are also the employees of the Mandated Related Parties and are deemed persons connected to Datuk Ling Chiong Ho.

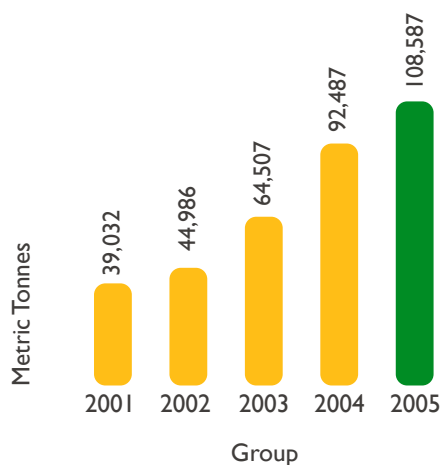
### AREA PLANTED



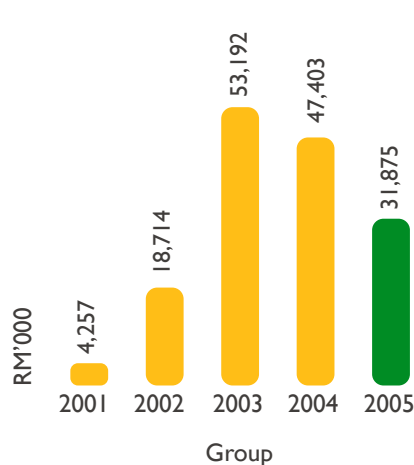
### FRESH FRUIT BUNCHES HARVESTED



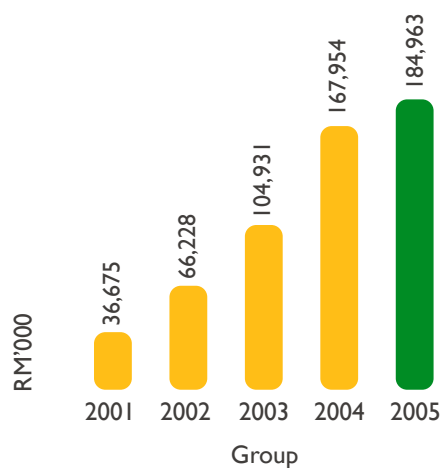
### CRUDE PALM OIL PRODUCED INCLUDING OUTGROWERS



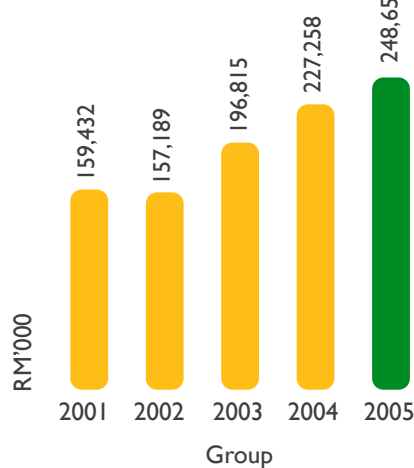
### PROFIT BEFORE TAXATION



### REVENUE



### SHAREHOLDER FUND





**SARAWAK OIL PALMS BHD**



## FINANCIAL STATEMENT

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# Directors' Report For The Year Ended 31 December 2005

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are the cultivation of oil palms and the operations of palm oil mills. There have been no significant changes in the nature of the principal activities during the financial year.

The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

## RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit after taxation	23,087	33,674
Loss attributable to minority interest	1,726	-
Net profit for the year	<u>24,813</u>	<u>33,674</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statement of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDEND

The amount of dividend paid by the Company since 31 December 2004 was as follows:

In respect of the financial year ended 31 December 2004 as reported in the Directors' report of that year	<b>RM'000</b>
First and final dividend of 5% less tax, paid on 28 July 2005	<u>3,419</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 2.5% less 28% taxation on 142,452,360 ordinary shares, amounting to a dividend payable of RM2,564,142 (1.8 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2006.

## DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Ling Chiong Ho	
Datu Haji Hamzah Haji Drahman	(Resigned on 1.7.2005)
Gerald Rentap Jabu	
Tang Tiong Ing	
Gary Tan Yow Hoo	
Fong Tshu Kwong @ Fong Tshun Kwong	
Lai Yew Hock	
Wong Ngie Yong	
Jamil Bin Jamaludin	(Resigned on 26.4.2005)
Hasbi Bin Suhaili	(Appointed on 26.8.2005)
Edwin Lau Chung Loong	(Appointed on 24.11.2005)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	1 January 2005	Bought	Sold	31 December 2005
The Company				
<b>Direct interest</b>				
Datuk Ling Chiong Ho	4,959,800	-	-	4,959,800
Tang Tiong Ing	5,000	-	-	5,000
Fong Tshu Kwong @ Fong Tshun Kwong	10,000			10,000
<b>Deemed interest</b>				
Datuk Ling Chiong Ho	25,451,582	-	-	25,451,582
Lai Yew Hock	10,000	-	-	10,000

Datuk Ling Chiong Ho by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## OTHER STATUTORY INFORMATION

- a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
- i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- b) At the date of this report, the Directors are not aware of any circumstances which would render:
- i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent; and
  - ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- e) At the date of this report, there does not exist:
- i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- f) In the opinion of the Directors:
- i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and
  - ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## SIGNIFICANT EVENTS

### I. Rights Issue with Warrant

On 26 April 2005, the Company announced its proposal for a renounceable rights issue of 47,484,120 new ordinary shares of RM1.00 each ("Rights Shares") together with 23,742,060 free detachable rights warrants ("Rights Warrants") at an issue price of RM1.40 per Rights Share on the basis of two Rights Shares together with one free Rights Warrant attached thereto for every four existing ordinary shares of RM1.00 each held. All approvals have been obtained. The Rights Shares were allotted and issued subsequent to the financial year.

The proceeds to be raised from the Rights Shares will be used for the construction and upgrading of palm oil mills, oil palm development and for additional working capital of the Group.

The Rights Shares and the new shares arising from the exercise of the Rights Warrants shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company.

## SIGNIFICANT EVENTS (Continued)

### 2. Joint Venture with Shin Yang Holding Sendirian Berhad ("SYHSB")

On 15 December 2005, the Company announced that it had entered into a Conditional Share Subscription Agreement ("CSSA") with Shin Yang Holding Sendirian Berhad, a major shareholder of the Company, to develop six lots of leasehold plantation land of approximately 10,387 hectares in a joint-venture company, Danum Jaya Sdn Bhd ("DJSB"), into oil palm plantation with basic infrastructure.

Pursuant to the CSSA, the Company will subscribe in three stages for a total of 19,500,000 new shares in DJSB for cash consideration of RM30,000,000 at a premium of RM0.54 to the par value per share. DJSB will issue 9,500,000 bonus shares and 1,000,000 redeemable preference shares to SYHSB out of the share premium reserve.

The eventual shareholdings of the Company and SYHSB upon completion of the three stages will be 19,500,000 shares (65%) and 11,500,000 shares (35%) respectively.

The proposed joint venture is expected to be completed within three years from the date of the CSSA.

### 3. Land disputes

A suit was filed by five individuals who claimed to have native customary rights over Lot 78, Sawai Land District, Sarawak, for which a subsidiary of the Company, SOP Plantations (Suai) Sdn. Bhd., had been offered a provisional land lease for oil palm plantation purpose. The Superintendent of Lands and Surveys, Sarawak, the State Government of Sarawak, and the Company, were named as defendants in the suit. The reliefs sought by the plaintiffs include a declaration that the plaintiffs have native customary rights over the land and an order to cancel the alienation of the said land. The plaintiffs have now discontinued the suit against the Company on condition that the Company agrees to be bound by the final outcome of the suit and any appeal thereon. These matters are stated in a Court Order dated 24 August 2005.

A suit was filed by sixteen individuals who claimed to have native customary rights over Lot 931, Niah Land District for which a provisional land lease had been issued to SOP Plantations (Suai) Sdn. Bhd.. SOP Plantations (Suai) Sdn. Bhd. filed an application to strike out the suit. On 16 August 2005, the Court ordered that the suit be struck out.

On 14 May 2004, the Company has obtained an order from High Court to recover possession of Lot 931 from six individuals who are also members of the sixteen individuals mentioned above. An appeal was filed against the High Court Order. The appeal was subsequently withdrawn on 16 January 2006.

## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in  
accordance with a resolution of the Directors

**FONG TSHU KWONG @  
FONG TSHUN KWONG**

**TANG TIONG ING**

Miri, Malaysia  
Date: 27 February 2006

## Statement By Directors Pursuant To Section 169 (15) Of The Companies Act, 1965

We, **FONG TSHU KWONG @ FONG TSHUN KWONG** and **TANG TIONG ING**, being two of the Directors of **SARAWAK OIL PALMS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 38 to 71 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in  
accordance with a resolution of the Directors

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SARAWAK OIL PALMS BERHAD

**FONG TSHU KWONG @  
FONG TSHUN KWONG**

**TANG TIONG ING**

Miri, Malaysia  
Date: 27 February 2006

## Statutory Declaration Pursuant To Section 169 (16) Of The Companies Act, 1965

I, **WONG HEE KWONG**, being the officer primarily responsible for the financial management of **SARAWAK OIL PALMS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 38 to 71 are in my opinion 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  
above named **WONG HEE KWONG** at  
Miri in the State of Sarawak on

**WONG HEE KWONG**

Before me,

**LEE CHUAN ANN**  
Commissioner For Oaths (No. Q046)  
Lot 809, 1st Floor,  
Bintang Jaya Commercial Centre,  
Jalan Bintang, 98000 Miri, Sarawak

# Report Of The Auditors To The Members Of Sarawak Oil Palms Berhad - 7949-M

(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 38 to 71. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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 auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

**Ernst & Young**  
AF: 0039  
Chartered Accountants

**Yong Voon Kar**  
1769/4/06 (J/PH)  
Partner

Miri, Malaysia  
Date: 27 February 2006

## Income Statements For The Year Ended 31 December 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	3	184,963	167,954	173,608	163,106
Cost of sales		(137,342)	(105,259)	(118,132)	(93,221)
Gross profit		47,621	62,695	55,476	69,885
Other operating income		651	856	763	856
Administrative expenses		(934)	(989)	(441)	(556)
Other operating expenses		(148)	(146)	-	-
Distribution costs		(8,357)	(10,070)	(8,357)	(10,070)
Profit from operations	4	38,833	52,346	47,441	60,115
Finance costs, net	7	(6,958)	(4,943)	(2,133)	(1,606)
Profit before taxation		31,875	47,403	45,308	58,509
Taxation	8	(8,788)	(14,945)	(11,634)	(17,697)
Profit after taxation		23,087	32,458	33,674	40,812
Minority interests		1,726	1,404	-	-
Net profit for the year		24,813	33,862	33,674	40,812
Basic earnings per ordinary shares (sen)	9	26.1	35.7		
Dividend per ordinary shares - gross (sen)	10	5.0	5.0		

The accompanying notes form an integral part of the financial statements.



## Balance Sheets As At 31 December 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	11	489,030	435,925	139,706	118,228
Investment in subsidiaries	12	-	-	84,337	84,337
Other investment	13	49	49	-	-
Amounts due from subsidiaries	14	-	-	46,500	39,800
Goodwill on consolidation	15	1,026	1,173	-	-
Deferred tax assets	25	7,337	4,491	-	-
		<b>497,442</b>	<b>441,638</b>	<b>270,543</b>	<b>242,365</b>
<b>CURRENT ASSETS</b>					
Inventories	16	10,428	13,564	5,389	9,085
Trade receivables	17	4,632	6,361	3,854	5,993
Other receivables	18	5,389	2,999	3,631	1,749
Amounts due from subsidiaries	14	-	-	62,618	41,564
Cash and bank balances	19	63,971	51,432	61,676	49,772
		<b>84,420</b>	<b>74,356</b>	<b>137,168</b>	<b>108,163</b>
<b>CURRENT LIABILITIES</b>					
Borrowings	20	48,492	37,806	31,210	29,543
Trade payables	21	29,538	23,983	15,539	7,553
Other payables	22	51,592	12,485	30,716	5,915
Taxation		454	3,511	454	3,511
		<b>130,076</b>	<b>77,785</b>	<b>77,919</b>	<b>46,522</b>
<b>NET CURRENT (LIABILITIES)/ ASSETS</b>					
		<b>(45,656)</b>	<b>(3,429)</b>	<b>59,249</b>	<b>61,641</b>
		<b>451,786</b>	<b>438,209</b>	<b>329,792</b>	<b>304,006</b>

## Balance Sheets As At 31 December 2005 (con't)

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>FINANCED BY:</b>					
Share capital	23	94,968	94,968	94,968	94,968
Retained profits	24	153,684	132,290	172,158	141,903
<hr/>					
Shareholders' equity		248,652	227,258	267,126	236,871
Minority interests		10,475	12,201	-	-
<hr/>					
		259,127	239,459	267,126	236,871
<hr/>					
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	20	156,716	150,310	39,092	44,435
Other payables	22	8,532	21,903	-	-
Deferred tax liabilities	25	27,411	26,537	23,574	22,700
<hr/>					
		192,659	198,750	62,666	67,135
<hr/>					
		451,786	438,209	329,792	304,006
<hr/>					

The accompanying notes form an integral part of the financial statements.

# Statement Of Changes In Equity For The Year Ended 31 December 2005

	<b>Share Capital RM'000</b>	<b>Retained Profits RM'000</b>	<b>Total RM'000</b>
<b>Group</b>			
<b>At 1 January 2004</b>	94,968	101,847	196,815
Net profit for the year	-	33,862	33,862
Dividend – 2004 final (Note 10)	-	(3,419)	(3,419)
<b>At 31 December 2004</b>	94,968	132,290	227,258
Net profit for the year	-	24,813	24,813
Dividend – 2005 final (Note 10)	-	(3,419)	(3,419)
<b>At 31 December 2005</b>	94,968	153,684	248,652
<b>Company</b>			
<b>At 1 January 2004</b>	94,968	104,510	199,478
Net profit for the year	-	40,812	40,812
Dividend – 2004 final (Note 10)	-	(3,419)	(3,419)
<b>At 31 December 2004</b>	94,968	141,903	236,871
Net profit for the year	-	33,674	33,674
Dividend – 2005 final (Note 10)	-	(3,419)	(3,419)
<b>At 31 December 2005</b>	94,968	172,158	267,126

## Cash Flow Statements For The Year Ended 31 December 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	31,875	47,403	45,308	58,509
Adjustments for:				
Amortisation of goodwill	147	146	-	-
Depreciation and amortisation of property, plant and equipment	22,321	16,956	10,825	9,905
Dividend income	(1)	(1)	-	-
(Loss)/Gain on disposal of property, plant and equipment	51	(266)	(88)	(284)
Interest income	(1,088)	(1,168)	(1,083)	(1,168)
Interest expense	8,046	6,111	3,216	2,774
Provision for doubtful debts	2	37	-	37
Operating profit before working capital changes	61,353	69,218	58,178	69,773
Decrease/(Increase) in inventories	3,136	(4,384)	3,696	(3,565)
Increase in receivables	(663)	(3,931)	(27,497)	(16,238)
Increase in payables	25,212	5,159	32,768	2,016
Cash generated from operations	89,038	66,062	67,145	51,986
Income taxes paid	(13,849)	(17,292)	(13,849)	(17,292)
Tax refunded	32	-	32	-
Net cash from operating activities	75,221	48,770	53,328	34,694

## Cash Flow Statements For The Year Ended 31 December 2005 (con't)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividend received	1	1	-	-
Interest received	1,088	1,168	1,083	1,168
Purchase of property, plant and equipment (excluding loan interest and depreciation charge capitalised)	(65,860)	(49,459)	(32,452)	(14,541)
Proceeds from disposal of property, plant and equipment	213	1,360	482	582
Investment in subsidiaries	-	-	-	(600)
Acquisition of subsidiary	-	(25,600)	-	(25,600)
Net cash used in investing activities	(64,558)	(72,530)	(30,887)	(38,991)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net change in revolving credits	4,100	-	(900)	-
Repayment of loans	(30,005)	(15,722)	(24,379)	(11,722)
Proceeds from loans	44,103	57,591	21,603	28,000
Dividend paid	(3,419)	(3,419)	(3,419)	(3,419)
Interest paid	(11,797)	(10,244)	(3,442)	(2,996)
Net cash (used in)/from financing activities	2,982	28,206	(10,537)	9,863
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	13,645	4,446	11,904	5,566
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	48,794	44,348	49,772	44,206
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 19)</b>	62,439	48,794	61,676	49,772

The accompanying notes form an integral part of the financial statements.

## I. CORPORATE INFORMATION

The principal activities of the Company are the cultivation of oil palms and the operations of palm oil mills. There have been no significant changes in the nature of the principal activities during the financial year.

The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.

The numbers of employees in the Group and the Company at the end of the financial year were 4,140 (2004: 3,884) and 1,763 (2004: 1,715) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 February 2006.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of leasehold land and plantation development expenditure included under property, plant and equipment.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia. During the financial year ended 31 December 2005, there are no new MASB standards which are applicable for adoption by the Group and the Company.

### (b) Basis of Consolidation

#### (i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. The difference between the cost of an acquisition and the fair values of the Group's share of net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(b) Basis of Consolidation (Continued)****(ii) Goodwill**

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill is amortised on a straight line basis over its estimated useful life of ten years.

**(c) Investment in Subsidiaries**

The Company's investment in subsidiaries is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

**(d) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j).

Certain long term leasehold land and plantation development expenditure are stated at valuation less accumulated depreciation and impairment losses. As permitted under the transitional provisions of IAS16 (Revised): Property, Plant and Equipment, these assets continued to be stated at valuation less accumulated depreciation and impairment losses.

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 planting 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.

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

Leasehold land is depreciated over the period of the respective leases. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset over the estimated useful life at the following annual rates:

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

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

**Capital Work In Progress**

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

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(e) 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.

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

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**(f) Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand and at bank, and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdraft.

**(g) Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

**(h) Employee Benefits***Short Term Benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group, except where they are directly attributable to plantation activities, in which case these expenses are capitalised in plantation development expenditure.

*Defined Contribution Plans*

As required by law, the Group makes contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred, or capitalised in plantation development expenditure, as appropriate.



**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(i) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

*Revenue from sale of goods*

Revenue relating to sale of goods is recognised upon the transfer of risks and rewards.

**(j) Impairment of Assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

**(k) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

**(i) Non-Current Investments**

Non-current investments are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

**(ii) Trade Receivables**

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Financial Instruments (Continued)**

(iii) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received.

Borrowing costs directly attributable to plantation development expenditure are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Company's borrowings that are outstanding during the year.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**3. REVENUE**

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

**4. PROFIT FROM OPERATIONS**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
<b>This is arrived at after crediting:</b>				
Gross dividend income from quoted shares	1	1	-	-
Gain on disposal of property, plant and equipment	-	266	88	284
Rental income from land and building	49	44	32	34
<b>and after charging:</b>				
Staff costs (Note 5)	28,935	23,030	16,008	15,203
Amortisation of goodwill	147	146	-	-
Audit fees				
Current year	61	49	25	25
Over provision in previous year	-	(1)	-	-
Depreciation (Note 11)	22,321	16,956	10,825	9,905
Incorporation fees	2	8	-	-
Loss on disposal of property, plant and equipment	51	-	-	-
Non-Executive Directors' remuneration	280	302	197	212
Provision for doubtful debts	2	37	-	37

Pursuant to Paragraph 3(f), Schedule 2 of Real Property Gains Tax Act 1976, there was no tax liability arising from the gain on disposal of the long term leasehold land in 2004 due to compulsory acquisition by the Government.

**5. STAFF COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
Salaries and wages and other related expenses	32,797	28,074	15,262	14,535
EPF contributions	1,447	1,384	777	755
	34,244	29,458	16,039	15,290
Less: Amount capitalised in plantation development expenditure	(5,309)	(6,428)	(31)	(87)
	28,935	23,030	16,008	15,203

Included in staff costs of the Group and of the Company are the Executive Director's remuneration amounting to RM693,000 (2004: RM695,000) and RM693,000 (2004: RM695,000) respectively as further disclosed in Note 6.

**6. DIRECTORS' REMUNERATION**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
<b>Directors of the Company</b>				
Executive:				
Salary	420	420	420	420
Bonus	175	192	175	192
EPF	71	56	71	56
Fees	24	24	24	24
Board of Director meeting fees	3	3	3	3
	<b>693</b>	<b>695</b>	<b>693</b>	<b>695</b>
Non-executive:				
Fees	257	282	174	192
Board of Director meeting fees	23	20	23	20
	<b>280</b>	<b>302</b>	<b>197</b>	<b>212</b>
	<b>973</b>	<b>997</b>	<b>890</b>	<b>907</b>

The number of Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	<b>Number of Directors</b>	
	<b>2005</b>	<b>2004</b>
Executive Directors:		
RM650,001 - RM700,000	1	1
Non-Executive Directors:		
Below RM50,000	10	8

**7. FINANCE COSTS, NET**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
Interest expense	11,872	10,426	3,461	3,100
Interest income	(1,088)	(1,168)	(1,083)	(1,168)
	<b>10,784</b>	<b>9,258</b>	<b>2,378</b>	<b>1,932</b>
Less: Amount capitalised in plantation development expenditure	(3,826)	(4,315)	(245)	(326)
	<b>6,958</b>	<b>4,943</b>	<b>2,133</b>	<b>1,606</b>

**8. TAXATION**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
Tax expense for the year:				
Based on profit for the year	10,882	17,304	10,882	17,304
(Over)/Under-provision in prior year	(122)	193	(122)	193
	<u>10,760</u>	<u>17,497</u>	<u>10,760</u>	<u>17,497</u>
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	(1,968)	(2,943)	913	(177)
(Over)/Under-provision of deferred tax in previous year	(4)	391	(39)	377
	<u>(1,972)</u>	<u>(2,552)</u>	<u>874</u>	<u>200</u>
	<u>8,788</u>	<u>14,945</u>	<u>11,634</u>	<u>17,697</u>

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
Profit before taxation	31,875	47,403	45,308	58,509
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	8,925	13,273	12,686	16,383
Effect of expenses not deductible for tax purposes	1,801	1,091	920	744
Effect of income not subject to tax	(40)	(82)	(40)	(81)
Tax incentives	(1,753)	-	(1,753)	-
Others	(19)	79	(18)	81
(Over)/Under-provision in prior year	(122)	193	(122)	193
(Over)/Under-provision of deferred tax in previous year	(4)	391	(39)	377
Tax expense for the year	<u>8,788</u>	<u>14,945</u>	<u>11,634</u>	<u>17,697</u>

**9. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	<b>2005</b>	<b>2004</b>
Net profit for the year (RM'000)	24,813	33,862
Weighted average number of ordinary shares in issue ('000)	94,968	94,968
Basic earnings per share (sen)	26.1	35.7

**10. DIVIDEND**

	<b>Group/Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Proposed dividend paid:		
First and final dividend of 5% (2004: 5%) less 28% taxation	3,419	3,419

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 2.5% less 28% taxation on 142,452,360 ordinary shares, amounting to a dividend payable of RM2,564,142 (1.8 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2006.

**II. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold Land and Plantation Development Expenditure RM'000</b>	<b>Buildings RM'000</b>	<b>Furniture and Office Equipment RM'000</b>	<b>Motor Vehicles RM'000</b>	<b>Plant, Machinery and Field Equipment RM'000</b>	<b>Total RM'000</b>
<b>GROUP</b>						
<b>Cost</b>						
At 1.1.2005	413,341	46,866	3,595	11,174	61,347	536,323
Additions	30,179	6,601	981	6,634	16,974	61,369
Disposals	-	(285)	(19)	(325)	(206)	(835)
At 31.12.2005	443,520	53,182	4,557	17,483	78,115	596,857
<b>Representing:</b>						
At cost	382,933	46,304	4,557	17,483	78,115	529,392
At valuation - 1991	60,587	6,878	-	-	-	67,465
	443,520	53,182	4,557	17,483	78,115	596,857
<b>Accumulated Depreciation</b>						
At 1.1.2005	44,394	22,005	2,346	6,323	34,492	109,560
Charge for the year	12,144	2,770	305	2,373	5,833	23,425
Disposals	-	(200)	(10)	(195)	(292)	(697)
Reclassification	-	-	-	94	(94)	-
At 31.12.2005	56,538	24,575	2,641	8,595	39,939	132,288

## II. PROPERTY, PLANT AND EQUIPMENT (Continued)

	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	Total RM'000
<b>GROUP</b>						
<b>Net Book Value</b>						
At 31.12.2005	386,982	28,607	1,916	8,888	38,176	464,569
Capital work-in-progress						
At 1.1.2005						9,162
Add: Additions						30,536
Less: Transferred to property, plant and equipment						(15,111)
Less: Disposals						(126)
At 31.12.2005						24,461
						489,030
At 31.12.2004	368,947	24,861	1,249	4,851	26,855	426,763
Capital work-in-progress						
At 1.1.2004						2,290
Add: Additions						8,568
Less: Transferred to property, plant and equipment						(1,696)
At 31.12.2004						9,162
						435,925
<b>Depreciation charge for 2004</b>	8,605	2,752	201	1,587	5,126	18,271



**II. PROPERTY, PLANT AND EQUIPMENT (Continued)****GROUP****\*Leasehold Land and Plantation Development Expenditure**

	<b>Long Term Leasehold Land RM'000</b>	<b>Plantation Development Expenditure RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1.1.2005	103,312	310,029	413,341
Additions	6,004	24,175	30,179
At 31.12.2005	<u>109,316</u>	<u>334,204</u>	<u>443,520</u>
<b>Accumulated Depreciation</b>			
At 1.1.2005	6,561	37,833	44,394
Charge for the year	1,627	10,517	12,144
At 31.12.2005	<u>8,188</u>	<u>48,350</u>	<u>56,538</u>
<b>Net Book Value</b>			
At 31.12.2005	<u>101,128</u>	<u>285,854</u>	<u>386,982</u>
At 31.12.2004	<u>96,751</u>	<u>272,196</u>	<u>368,947</u>
<b>Depreciation charge for 2004</b>	<u>891</u>	<u>7,714</u>	<u>8,605</u>

## II. PROPERTY, PLANT AND EQUIPMENT (Continued)

	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	Total RM'000
<b>COMPANY</b>						
<b>Cost</b>						
At 1.1.2005	103,965	41,454	2,782	9,214	48,505	205,920
Additions	1,220	4,242	764	6,214	11,381	23,821
Disposals	-	-	(11)	(293)	(792)	(1,096)
At 31.12.2005	105,185	45,696	3,535	15,135	59,094	228,645
<b>Representing:</b>						
At cost	44,598	38,818	3,535	15,135	59,094	161,180
At valuation - 1991	60,587	6,878	-	-	-	67,465
	105,185	45,696	3,535	15,135	59,094	228,645
<b>Accumulated Depreciation</b>						
At 1.1.2005	34,870	18,963	2,145	5,078	30,333	91,389
Charge for the year	3,183	1,803	210	2,058	3,626	10,880
Disposals	-	-	(8)	(168)	(652)	(828)
At 31.12.2005	38,053	20,766	2,347	6,968	33,307	101,441

**II. PROPERTY, PLANT AND EQUIPMENT (Continued)**

	<b>Leasehold Land and Plantation Development Expenditure* RM'000</b>	<b>Buildings RM'000</b>	<b>Furniture and Office Equipment RM'000</b>	<b>Motor Vehicles RM'000</b>	<b>Plant, Machinery and Field Equipment RM'000</b>	<b>Total RM'000</b>
<b>COMPANY</b>						
<b>Net Book Value</b>						
At 31.12.2005	67,132	24,930	1,188	8,167	25,787	127,204
Capital work-in-progress						
At 1.1.2005						3,697
Add: Additions						22,218
Less: Transferred to property, plant and equipment						(13,287)
Less: Disposals						(126)
At 31.12.2005						12,502
						139,706
At 31.12.2004	69,095	22,491	637	4,136	18,172	114,531
Capital work-in-progress						
At 1.1.2004						525
Add: Additions						3,923
Less: Transferred to property, plant and equipment						(751)
At 31.12.2004						3,697
						118,228
<b>Depreciation charge for 2004</b>	3,261	1,724	126	1,274	3,635	10,020

**II. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**\* Leasehold Land and Plantation Development Expenditure**

	<b>Long Term Leasehold Land RM'000</b>	<b>Plantation Development Expenditure RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1.1.2005	26,644	77,321	103,965
Additions	-	1,220	1,220
At 31.12.2005	26,644	78,541	105,185
<b>Accumulated Depreciation</b>			
At 1.1.2005	4,442	30,428	34,870
Charge for the year	317	2,866	3,183
At 31.12.2005	4,759	33,294	38,053
<b>Net Book Value</b>			
At 31.12.2005	21,885	45,247	67,132
At 31.12.2004	22,202	46,893	69,095
<b>Depreciation charge for 2004</b>	487	2,774	3,261

Current year changes to plantation development expenditure include:

	<b>Group</b>		<b>Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Depreciation	1,104	1,315	55	115
Loan interest	3,826	4,315	245	326
Hire of heavy equipment	-	11	-	-
<hr/>				
	<b>Group</b>		<b>Company</b>	
	<b>2005 %</b>	<b>2004 %</b>	<b>2005 %</b>	<b>2004 %</b>
Average rate of interest capitalised per annum	5.56	5.60	5.67	5.75

**II. PROPERTY, PLANT AND EQUIPMENT (Continued)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Income statement (Note 4)	22,321	16,956	10,825	9,905
Plantation development expenditure	1,104	1,315	55	115
	<b>23,425</b>	<b>18,271</b>	<b>10,880</b>	<b>10,020</b>

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. 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:

	<b>Group/Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Long term leasehold land and plantation development expenditure	15,313	16,286

The leasehold land of the Group and the Company amounting to RM57,865,000 (2004: RM23,659,000) and RM9,835,000 (2004: RM6,548,000) respectively have been charged as security for borrowings as referred to in Note 20.

As at the year end, the authority has yet to issue the titles to the two parcels of land to a subsidiary.

Another subsidiary is in the process of registering the transfer of land title for its long term leasehold land.

**12. INVESTMENT IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares at cost	84,337	84,337

Details of the subsidiaries, all of which are incorporated in Malaysia, and their principal activities are shown as follows:

<b>Name of subsidiaries</b>	<b>Equity Interest Held (%)</b>		<b>Principal activities</b>
	<b>2005</b>	<b>2004</b>	
Ebal Plantation Sdn. Bhd.	100	100	Inactive
SOP Karabungan Sdn. Bhd.	100	100	Cultivation of oil palms
SOP Plantations (Balingian) Sdn. Bhd.*	80	80	Cultivation of oil palms
SOP Plantations (Niah) Sdn. Bhd.*	80	80	Cultivation of oil palms
SOP Plantations (Suai) Sdn. Bhd.*	85	85	Cultivation of oil palms
SOP Plantations (Sarawak) Sdn. Bhd.	100	100	Investment holding
SOP Plantations (Borneo) Sdn. Bhd.	85	85	Cultivation of oil palms
SOP Pelita Kedayan-Kelulit Plantation Sdn. Bhd.	100	-	Inactive

\* Audited by a firm of auditors other than Ernst & Young.

**13. OTHER INVESTMENT**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Shares quoted in Malaysia, at cost	86	86
Less: Accumulated impairment losses	(37)	(37)
	<hr/> 49	<hr/> 49
Market value of quoted shares	<hr/> 24	<hr/> 38

**14. AMOUNTS DUE FROM SUBSIDIARIES**

Included in the amounts due from subsidiaries are RM11,000,000 (2004: RM11,900,000), being advance which bears interest at 4.55% (2004: 4.38% - 4.40%) per annum.

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment.

**15. GOODWILL ON CONSOLIDATION**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January and at 31 December	1,466	1,466
Less: Accumulated amortisation	(440)	(293)
	1,026	1,173

**16. INVENTORIES**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At cost:				
Processed inventories (crude palm oil and palm kernel)	1,034	5,305	1,034	5,305
Stores and spares	7,542	6,604	4,287	3,519
Nursery inventories	1,852	1,632	68	238
Compost plant	-	23	-	23
	10,428	13,564	5,389	9,085

**17. TRADE RECEIVABLES**

The Group's normal trade credit term is 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

**18. OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
Sundry receivables	2,292	2,210	920	1,057
Less: Provision for bad and doubtful debts	(2)	(37)	-	(37)
	2,290	2,173	920	1,020
Deposits	2,119	540	2,119	540
Prepayments	971	285	592	189
Staff loan	8	-	-	-
Tax recoverable	1	1	-	-
	5,389	2,999	3,631	1,749

Included in sundry receivables are unsecured amounts of RM104,000 (2004: RM129,000) and RM84,000 (2004: RM122,000) due from staff of the Group and the Company respectively. These amounts bear interest at 6% (2004: 6.00%) per annum and are repayable in accordance with agreed repayment schedules.

**19. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
Fixed deposits with licensed banks	32,420	45,135	32,120	45,135
Cash on hand and at bank	6,217	6,297	4,222	4,637
Cash at bank – rights issue	25,334	-	25,334	-
	63,971	51,432	61,676	49,772
Bank overdraft – secured (Note 20)	(1,532)	(2,638)	-	-
	62,439	48,794	61,676	49,772

The effective interest rates and the maturities of deposits at the balance sheet date were as follows:

	<b>Interest Rates</b>		<b>Maturities Days</b>	
	<b>2005</b> <b>%</b>	<b>2004</b> <b>%</b>	<b>2005</b>	<b>2004</b>
Licensed banks	2.50 - 3.00	2.25 - 3.00	30 - 90	30 - 90



**20. BORROWINGS**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Short Term Borrowings</b>				
Secured:				
Bank overdraft (Note 19)	1,532	2,638	-	-
Revolving credit	11,500	6,000	6,500	6,000
Term loans	15,850	9,825	5,100	4,200
	<b>28,882</b>	<b>18,463</b>	<b>11,600</b>	<b>10,200</b>
Unsecured:				
Revolving credits	12,500	13,900	12,500	13,900
Term loans	7,110	5,443	7,110	5,443
	<b>19,610</b>	<b>19,343</b>	<b>19,610</b>	<b>19,343</b>
	<b>48,492</b>	<b>37,806</b>	<b>31,210</b>	<b>29,543</b>
<b>Long Term Borrowings</b>				
Secured:				
Term loans	151,024	141,675	33,400	35,800
Unsecured:				
Term loans	5,692	8,635	5,692	8,635
	<b>156,716</b>	<b>150,310</b>	<b>39,092</b>	<b>44,435</b>
<b>Total Borrowings</b>				
Bank overdraft (Note 19)	1,532	2,638	-	-
Revolving credits	24,000	19,900	19,000	19,900
Term loans	179,676	165,578	51,302	54,078
	<b>205,208</b>	<b>188,116</b>	<b>70,302</b>	<b>73,978</b>
<b>Maturity of borrowings:</b>				
Within one year	48,492	37,806	31,210	29,543
More than 1 year and less than 2 years	34,858	21,293	14,459	10,543
More than 2 years and less than 5 years	121,858	105,617	24,633	29,142
5 years or more	-	23,400	-	4,750
	<b>205,208</b>	<b>188,116</b>	<b>70,302</b>	<b>73,978</b>

The effective interest rates at the balance sheet date for borrowings were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Overdraft	7.25	7.25	-	-
Revolving credits	4.12 - 6.00	4.40 - 4.75	4.12 - 4.55	4.40 - 4.75
Term loans:				
fixed rates	5.80 - 6.75	5.85 - 6.75	5.80 - 5.85	5.85
floating rates	5.10 - 5.75	5.10 - 5.75	5.75	5.75

The bank borrowings are secured by registered charges over the Company's landed properties as disclosed in Note 11.

**21. TRADE PAYABLES**

The normal trade credit term granted to the Group ranges from 30 to 60 days.

Included in trade payables of the Group and the Company are amounts of RM11,238,000 (2004: RM12,275,000) and RM359,000 (2004: RM442,000) respectively due to companies in which a Director has substantial financial interests.

**22. OTHER PAYABLES**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current:				
Retention sums payable to contractors	1,131	167	1,131	167
Staff remuneration payable	982	943	982	943
Deposits	7	7	7	7
Land premium payable	952	1,929	-	-
Accrual for acquisition for land	6,004	-	-	-
Sundry payable and accruals	17,182	9,439	3,262	4,798
Application account	25,334	-	25,334	-
	<b>51,592</b>	<b>12,485</b>	<b>30,716</b>	<b>5,915</b>
Non-current:				
Land premium payable	1,932	1,903	-	-
Sundry payables and accruals	6,600	20,000	-	-
	<b>8,532</b>	<b>21,903</b>	<b>-</b>	<b>-</b>
	<b>60,124</b>	<b>34,388</b>	<b>30,716</b>	<b>5,915</b>

Included in sundry payables of the Group is amount of RM72,000 (2004: RM85,000) due to companies in which a Director has substantial financial interest.

The long term payable of the Group is an amount due to a company in which a Director of the Company has substantial interest. This amount bears interest at 5% (2004: 5%) per annum or at the prevailing commercial interest rate, whichever is lower and is unsecured. The loan is repayable by three annual instalments of RM6,700,000, RM6,700,000 and RM6,600,000 respectively commencing on 23 June 2005.

**23. SHARE CAPITAL**

	Number of Ordinary Shares of RMI Each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
<b>Authorised:</b>				
At 1 January	500,000	110,100	500,000	110,100
Created during the year	-	389,900	-	389,900
At 31 December	500,000	500,000	500,000	500,000
<b>Issued and fully paid</b>	<b>94,968</b>	<b>94,968</b>	<b>94,968</b>	<b>94,968</b>

**24. RETAINED PROFITS**

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2005.

**25. DEFERRED TAX**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 January	22,046	24,598	22,700	22,500
Recognised in the income statement (Note 8)	(1,972)	(2,552)	874	200
At 31 December	20,074	22,046	23,574	22,700

Presented after appropriate offsetting as follows:

Deferred tax assets	(7,337)	(4,491)	-	-
Deferred tax liabilities	27,411	26,537	23,574	22,700
	20,074	22,046	23,574	22,700

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred Tax Liabilities of the Group:**

	Revaluation of Leasehold Land RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 January 2005	7,192	70,829	78,021
Recognised in the income statement	(46)	7,509	7,463
At 31 December 2005	7,146	78,338	85,484
At 1 January 2004	7,267	64,357	71,624
Recognised in the income statement	(75)	6,472	6,397
At 31 December 2004	7,192	70,829	78,021

**25. DEFERRED TAX (Continued)****Deferred Tax Assets of the Group:**

	<b>Unabsorbed Losses RM'000</b>	<b>Unabsorbed Capital Allowances and Agriculture Allowances RM'000</b>	<b>Total RM'000</b>
At 1 January 2005	13,939	42,036	55,975
Recognised in the income statement	2,083	7,352	9,435
At 31 December 2005	16,022	49,388	65,410
At 1 January 2004	10,878	36,148	47,026
Recognised in the income statement	3,061	5,888	8,949
At 31 December 2004	13,939	42,036	55,975

**Deferred Tax Liabilities of the Company:**

	<b>Revaluation of Leasehold Land RM'000</b>	<b>Accelerated Capital Allowances RM'000</b>	<b>Total RM'000</b>
At 1 January 2005	3,355	19,345	22,700
Recognised in the income statement	(46)	920	874
At 31 December 2005	3,309	20,265	23,574
At 1 January 2004	3,430	19,070	22,500
Recognised in the income statement	(75)	275	200
At 31 December 2004	3,355	19,345	22,700

**26. CAPITAL COMMITMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure:				
Approved and contracted for:				
Property, plant and equipment	26,997	16,065	22,569	10,224
Approved but not contracted for:				
Plantation development expenditure	25,342	32,847	-	943
Property, plant and equipment	88,290	64,663	49,413	45,815
	<b>140,629</b>	<b>113,575</b>	<b>71,982</b>	<b>56,982</b>

**27. CONTINGENT LIABILITIES**

	<b>Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unsecured</b>		
Corporate guarantees given to banks for credit facilities granted to: Subsidiaries	68,000	65,500

## 28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	<b>Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Significant transactions with subsidiaries</b>		
Purchase of fresh fruit bunches from subsidiaries	30,050	17,897
Sale of seedlings to subsidiaries	(578)	(82)
Sale of compost fertilizer to subsidiaries	(417)	(287)
Sale of bunch ash to subsidiaries	(19)	-
Sale of property, plant and equipment to subsidiaries	(306)	(239)
Purchase of property, plant and equipment from subsidiaries	-	479
Non-trade transaction: Interest recharged to subsidiaries*	(502)	(545)
Management fee charged to subsidiary	(100)	-
Lease rental charged by subsidiary	10	-

\* Interest on the revolving credits of RM11,000,000 (2004: RM11,900,000) obtained by the Company and on-lent to the subsidiaries is recharged to the latter.

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
a) Transactions with companies owned substantially by a Director, Datuk Ling Chiong Ho				
Purchase of spare parts and consumables from:				
Dai Lieng Machinery Sdn. Bhd.	340	163	139	26
Dai Lieng Trading Sdn. Bhd.	6	117	5	2
Hollystone Quarry Sdn. Bhd.	3,334	1,485	655	650
Perkerjaan Piasau Konkerit Sdn. Bhd.	10	3	10	3
Shin Yang Sawmill Sdn. Bhd.	403	288	22	80
Shin Yang Sdn. Bhd.	2,182	2,736	1	-
Shin Yang Services Sdn. Bhd.	3,724	2,545	1,930	1,468
Shin Yang Trading Sdn. Bhd.	396	247	359	187
Scott and English Trading (Sarawak) Sdn. Bhd.	5	58	5	10

**28. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property, plant and equipment bought from:				
Dai Lieng Machinery Sdn. Bhd.	1,267	428	1,268	308
Dai Lieng Trading Sdn. Bhd.	1,247	874	684	409
Pekerjaan Piasau Konkerit Sdn. Bhd.	1,354	-	1,354	-
Scott and English Trading (Sarawak) Sdn. Bhd.	-	8	-	-
Shin Yang Holding Sdn. Bhd.	-	931	-	931
Shin Yang Sdn. Bhd.	-	1,031	-	1,031
Shin Yang Trading Sdn. Bhd.	-	930	-	930
Tung Yuen Tugboat Sdn. Bhd.	-	930	-	930
Interest charged by Shin Yang Holding Sendirian Berhad	824	1,003	-	-
Purchase of fresh fruit bunches from:				
Green Wood Estate Sdn. Bhd.	1,401	1,206	1,401	1,206
Jati Vista Sdn. Bhd.	2,933	1,092	2,933	1,092
Purchase of transportation charges from:				
Melinau Transport Sdn. Bhd.	327	63	9	2
Miri Belait Transport Company Berhad	20	7	20	7
<hr/>				
b) Transactions with companies owned substantially by a Director, Wong Ngie Yong				
Purchase of spare parts and consumables from:				
Utama Parts Trading (Sarawak) Sdn. Bhd.	122	116	122	116
<hr/>				
c) Transactions with companies owned substantially by a Director, Lai Yew Hock				
Legal and professional fees charged by: Dominic Lai & Co.	11	-	11	-
<hr/>				

The Directors are of the opinion that all the above transactions were entered into in the normal course of business and were established on terms and conditions that were not materially different from those obtainable in transactions with unrelated parties.

### 29. OTHER SIGNIFICANT EVENTS

#### (a) Rights Issue with Warrant

On 26 April 2005, the Company announced its proposal for a renounceable rights issue of 47,484,120 new ordinary shares of RM1.00 each ("Rights Shares") together with 23,742,060 free detachable rights warrants ("Rights Warrants") at an issue price of RM1.40 per Rights Share on the basis of two Rights Shares together with one free Rights Warrant attached thereto for every four existing ordinary shares of RM1.00 each held. All approvals have been obtained. The Rights Shares were allotted and issued subsequent to the financial year.

The proceeds to be raised from the Rights Shares will be used for the construction and upgrading of palm oil mills, oil palm development and for additional working capital of the Group.

The Rights Shares and the new shares arising from the exercise of the Rights Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the existing ordinary shares of the Company.

#### (b) Joint Venture with Shin Yang Holding Sendirian Berhad ("SYHSB")

On 15 December 2005, the Company announced that it had entered into a Conditional Share Subscription Agreement ("CSSA") with Shin Yang Holding Sendirian Berhad, a major shareholder of the Company, to develop six lots of leasehold plantation land of approximately 10,387 hectares in a joint-venture company, Danum Jaya Sdn Bhd ("DJSB"), into oil palm plantation with basic infrastructure.

Pursuant to the CSSA, the Company will subscribe in three stages for a total of 19,500,000 new shares in DJSB for cash consideration of RM30,000,000 at a premium of RM0.54 to the par value per share. DJSB will issue 9,500,000 bonus shares and 1,000,000 redeemable preference shares to SYHSB out of the share premium reserve.

The eventual shareholdings of the Company and SYHSB upon completion of the three stages will be 19,500,000 shares (65%) and 11,500,000 shares (35%) respectively.

The proposed joint venture is expected to be completed within three years from the date of the CSSA.

#### (c) Land disputes

A suit was filed by five individuals who claimed to have native customary rights over Lot 78, Sawai Land District, Sarawak, for which a subsidiary of the Company, SOP Plantations (Suai) Sdn. Bhd., had been offered a provisional land lease for oil palm plantation purpose. The Superintendent of Lands and Surveys, Sarawak, the State Government of Sarawak, and the Company, were named as defendants in the suit. The reliefs sought by the plaintiffs include a declaration that the plaintiffs have native customary rights over the land and an order to cancel the alienation of the said land. The plaintiffs have now discontinued the suit against the Company on condition that the Company agrees to be bound by the final outcome of the suit and any appeal thereon. These matters are stated in a Court Order dated 24 August 2005.

A suit was filed by sixteen individuals who claimed to have native customary rights over Lot 931, Niah Land District for which a provisional land lease had been issued to SOP Plantations (Suai) Sdn. Bhd.. SOP Plantations (Suai) Sdn. Bhd. filed an application to strike out the suit. On 16 August 2005, the Court ordered that the suit be struck out.

On 14 May 2004, the Company has obtained an order from High Court to recover possession of Lot 931 from six individuals who are also members of the sixteen individuals mentioned above. An appeal was filed against the High Court Order. The appeal was subsequently withdrawn on 16 January 2006.



**30. FINANCIAL INSTRUMENTS**

## (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

## (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 December 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been placed in fixed deposits which yield better returns than cash at bank.

## (c) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

## (d) Credit Risks

Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis through Group management reporting procedures. The Group has exposure to certain individual customers. However, this does not pose significant credit risk to the Group. The Group does not have any other major concentration of credit risk related to any financial instruments.

## (e) Fair Values

The fair value of financial asset which is not carried at fair value on the balance sheet of the Company as at 31 December 2005 is represented as follows:

	Note	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Asset</b>			
Amounts due from subsidiaries	14	109,118	*

- It is not practical to estimate the fair value of amounts due from subsidiaries due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) *Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings*

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) *Borrowings*

The fair value of borrowings is estimated by discounting the expected future cash flow using the current interest rates for liabilities with similar risk profiles. The current interest rates approximate the contractual interest rates.

**31. FINANCIAL INFORMATION BY SEGMENT**

No segmental analysis is presented as the Group is principally engaged in the oil palm industry in Malaysia.

## Five Years Financial Record

	<b>Group</b>				
	<b>2001 RM '000</b>	<b>2002 RM'000</b>	<b>2003 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>
<b>RESULTS</b>					
Turnover	36,675	66,228	104,931	167,954	184,963
Profit before taxation	4,257	18,714	53,192	47,403	31,875
Profit after taxation	2,020	14,204	43,045	33,862	23,087
Total Shareholders' Fund	159,432	157,189	196,815	227,258	248,652
Total assets	216,053	268,632	462,646	515,994	581,862
Total borrowing	29,200	62,500	143,953	188,116	205,208
Issued & paid -up capital	94,968	94,968	94,968	94,968	94,968
Dividend ( Net of tax )	3,419	3,419	2,051	3,419	3,419
<b>FINANCIAL STATISTICS</b>					
Profit before taxation / turnover (%)	11.6	28.3	50.7	28.2	17.2
Gross Dividend (sen / share)	5.0	3.0	5.0	5.0	5.0
Net Earnings per share of RM 1 each (sen)	2.1	15.0	45.3	35.7	24.3
Net tangible assets of RM 1 each (RM)	1.68	1.66	2.07	2.38	2.61

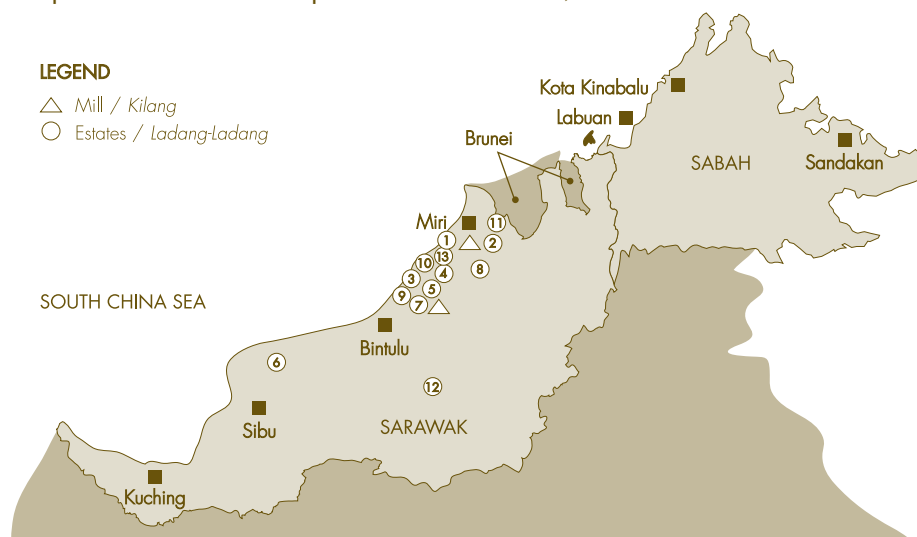
## PLANTED HECTARAGE, PRODUCTION AND PRODUCE PRICES

	2001	2002	2003	2004	2005
	Ha.	Ha	Ha	Ha	Ha
<b>OIL PALMS</b>					
Mature	8,453	8,896	13,842	20,020	23,503
Immature	7,056	8,573	13,575	8,297	6,479
Total	15,509	17,469	27,417	28,317	29,982
Reserves, Unplanted, Building sites, etc	10,941	8,981	12,921	12,021	15,716
Total Area Under Lease	26,450	26,450	40,338	40,338	45,698
	<b>Tonnes</b>	<b>Tonnes</b>	<b>Tonnes</b>	<b>Tonnes</b>	<b>Tonnes</b>
<b>FFB CROP</b>					
Estate Crop	175,491	187,889	236,591	327,623	407,640
Outside Crop	7,186	16,236	63,543	120,404	133,268
	182,677	204,125	300,134	448,027	540,908
Crude Palm Oil	39,032	44,986	64,507	92,487	108,587
Palm Kernels	10,185	11,068	14,361	18,740	23,863
<b>YIELD PER HECTARE</b>					
Tonnes FFB / Mature palms	20.76	21.12	20.28	17.33	17.34
Crude Palm Oil / FFB	21.40%	22.08%	21.94%	21.59%	21.72%
Palm Kernels / FFB	5.59%	5.43%	4.88%	4.38%	4.86%
<b>AVERAGE PRICES</b>					
FOB Bintulu / Miri					
Crude Palm Oil	823	1,327	1,494	1,593	1,354
Palm Kernels	377	610	707	1,018	956

## Properties Of The Group As At 31 December 2005

Location of Property Sarawak	Tenure	Year of Expiry	Size Hectares	Description	Net Book Value As At 31 Dec 2005 (RM Million)	Age of Building (Years)
1. Kebuloh Estate, Miri	Leasehold 87 to 97 years	2067	1,841	Oil Palm Estate & Oil Mill	104,430	1 to 35
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	54,784	1 to 7
Balingian Estate 2, Balingian	Leasehold 60 years	2059	2,368	Land for Oil Palm Development		
7. Sengah/Tibus Estate, Miri*	Leasehold 60 years	2063-2064	2,725	Land for Oil Palm Development	25,905	1 to 8
8. Lamaus Estate, Miri*	Leasehold 60 years	2063-2064	3,911	Land under Oil Palm Development		
9. Suai Estate, Miri	Leasehold 60 years	2064	3,337	Land for Oil Palm Development		
10. Niah Estate, Miri	Leasehold 60 years	2059	5,000	Land under Oil Palm Development	69,105	1 to 7
11. Taniku Estate, Miri	Leasehold 60 years	2058	4,858	Land under Oil Palm Development		
12. Sepakau Estate, Belaga	Leasehold 60 years	2059	9,030	Land under Oil Palm Development	104,272	1 to 8
13. Karabungan Estate	Leasehold 60 years	2058	2,023	Land under Oil Palm Development		

\*Pending for issue of provisional lease for two parcels of land totalled 1,319Ha.



## Shareholdings Statistics As At 31 December 2005

### SHARE CAPITAL

Authorised	:	500,000,000 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	2,372	44.59	1,786,187	1.88
1,000 – 10,000	2,575	48.40	8,777,001	9.24
10,001 – 100,000	342	6.43	8,433,300	8.88
100,001 to less than 5% of issued shares	27	0.51	17,581,512	18.51
5% and above of issued shares	4	0.08	58,390,240	61.48
<b>Total</b>	<b>5,320</b>	<b>100.00</b>	<b>94,968,240</b>	<b>100.00</b>

### Substantial Shareholders

	No of Shares Held	% of Issued Capital
1. Pelita Holdings Sdn Bhd	24,334,458	25.62
2. AMMB Nominees (Tempatan) Sdn Bhd	23,749,982	25.01
3. HSBC Nominees (Asing) Sdn Bhd	7,219,000	7.60
4. Datuk Ling Chiong Ho	4,959,800	5.22

### Directors' Interests In Shares

Size of Holdings	Direct Interest		Deemed Interest	
	No. of shares	% of Issued capital	No. of shares	% of Issued capital
<b>In the company</b>				
Datuk Ling Chiong Ho	4,959,800	5.22	23,749,982	25.01
Datu Haji Hamzah Haji Drahman	5,000	*	-	-
Tang Tiong Ing	5,000	*	-	-
Fong Tshu Kwong @	10,000	0.01	-	-
Fong Tshun Kwong				
Lai Yew Hock	10,000	0.01	-	-

\* negligible

## Thirty Largest Shareholders

Name	No. of Shares	Shares %
1. Pelita Holdings Sdn. Bhd.	24,334,458	25.62
2. AMMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Shin Yang Plantation Sdn. Bhd.	23,749,982	25.01
3. HSBC Nominees (Asing) Sdn. Bhd.HPBS SG for Perra Group Ltd	5,346,000	5.63
4. Datuk Ling Chiong Ho	4,959,800	5.22
5. Vision Classic Holdings Limited	4,738,000	4.99
6. HSBC Nominees (Asing) Sdn. Bhd. HSBC Trustee SG Ltd for Millionasia Properties Ltd.	1,873,000	1.97
7. Shin Yang Plantation Sdn Bhd	1,701,600	1.79
8. HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	1,512,200	1.59
9. Pekan Megah Sdn. Bhd.	1,279,200	1.35
10. Juno Shipping Limited	1,048,600	1.10
11. Citigroup Nominees (Asing) Sdn. Bhd. MLPFS for Shea Kin Kwok	923,400	0.97
12. Ki Yien Ping	485,000	0.51
13. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For LSM Enterprises Sdn. Bhd.	422,000	0.44
14. Menteri Kewangan Malaysia Section 29 (SICDA)	375,412	0.40
15. Wong Ing Yung	321,000	0.34
16. Citigroup Nominees (Asing) Sdn Bhd MLPFS For Shea Kin Kwok	316,000	0.33
17. AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pheim Asset Management Sdn. Bhd. for Employees Provident Fund	310,000	0.33
18. HLG Nominee (Asing) Sdn. Bhd.UOB Kay Hian Pte Ltd for Quek Leng Chye	240,000	0.25
19. Ling Pien Huoi @ Ling Beng Hui	236,800	0.25
20. Adinamaju Sdn Bhd	225,200	0.24
21. Public Nominees (Tempatan) sdn. Bhd. Pledged Securities Account For Wong Ing Kee (E-BTR)	200,000	0.21
22. ENG Nominees (Asing) Sdn Bhd Kim Eng Securities Pte. Ltd For Tan How Nguang	180,000	0.19
23. Ha Diong Ing	165,000	0.17
24. Lee Yoke Wan	150,000	0.16
25. HSBC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for LHG Holdings Sdn. Bhd.	145,000	0.15
26. Bee San Lim Sdn Bhd	145,000	0.15
27. Ling Chiong Pin	125,000	0.13
28. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account For LHG Holdings Sdn Bhd	124,000	0.13
29. Eow Cheng Siew	119,400	0.13
30. Ang Hioh	110,700	0.12
	75,861,752	79.87

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

No of ordinary shares held

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 vote for\* me/us and on\* my/our behalf at the Thirty-Eighth Annual General Meeting of the Company, to be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 30 May 2006 at 10.00 am and, at any 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.

NO.	RESOLUTIONS	FOR	AGAINST
1.	Adoption of Annual Accounts and Reports of 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 Hasbi Bin Suhaili Edwin Lau Chung Loong		
5.	Appointment of Auditors		
6.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue of 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 ..... 2006

.....  
 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 the Bursa Malaysia Berhad, 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 at the Share Registrars, Symphony Share Registrars Sdn. Bhd. at Level 26 Menara Multi-Purpose, Capital Square, No.8 Jalan Munshi Abdullah, 50100 Kuala Lumpur.
  - b) The Registered Office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.

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Stamp

The Company Secretary  
**SARAWAK OIL PALMS BERHAD**  
(Company No. 7949-M)

No. 124-126, Jalan Bendahara,  
98000 Miri,  
Sarawak

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