





SARAWAK OIL PALMS BHD



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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 39th Annual General Meeting of the Company will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 18 June 2007 at 10.00 am for the following purposes:

AGENDA

- To receive and adopt the annual accounts for the year ended 31st December 2006 and the Reports of the Directors and Auditors thereon.
- To declare a Final Dividend in respect of the financial year ended 31st December 2006 as recommended by the Directors.
- To approve payment of Directors' fees in respect of the financial year ended 31st December 2006.
- 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:

Ling Chiong Sing	Fong Tshu Kwong @ Fong Tshun Kwong
Gerald Rentap Jabu	Lai Yew Hock
Wong Ngjie Yong	

- To appoint Messrs. Ernst & Young as the auditors of the Company and to authorise the Board of Directors to fix their remuneration.
- 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 3 June 2005, 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;

Notis Mesyuarat Agung Tahunan

DENGAN INI DIMAKLUMKAN BAHAWA Mesyuarat Agung Tahunan yang ketiga puluh sembilan Syarikat akan diadakan di Bilik Mesyuarat, Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak pada 18 Jun 2007, jam 10.00 pagi untuk menjalankan urusan-urusan berikut:

AGENDA

- Menerima dan meluluskan akaun-akaun bagi tahun kewangan berakhir 31 Disember 2006 dan Laporan-laporan Pengarah dan Juruaudit mengenainya.
- Mengisytiharkan pembayaran dividen akhir seperti yang disyorkan oleh Lembaga Pengarah bagi tahun kewangan berakhir 31 Disember 2006.
- Meluluskan fee Pengarah-pengarah bagi tahun kewangan berakhir 31 Disember 2006.
- Melantik semula Pengarah-pengarah berikut yang bersara menurut Artikel 95 dan 101 Tataurusan Persatuan Syarikat dan oleh kerana layak, menawarkan diri mereka untuk dilantik semula:

Ling Chiong Sing	Fong Tshu Kwong @ Fong Tshun Kwong
Gerald Rentap Jabu	Lai Yew Hock
Wong Ngjie Yong	

- Melantik Tetuan Ernst & Young sebagai juruaudit Syarikat dan memberi kuasa kepada Lembaga Pengarah untuk menetapkan ganjaran mereka.
- Sebagai Urusan Khas
Menimbang, 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 3 Jun 2005, di mana transaksi tersebut adalah perlu bagi operasi hariannya, tertakluk kepada syarat-syarat berikut:

- a) Bahawa transaksi tersebut dijalankan sebagai urusan 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)

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

By Order of the Board

Eric Kiu Kwong Seng

Secretary

Miri

25 May 2007

Notes:-

- 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.
- 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.
- 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.
- 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.

- 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 25 May 2007 for more information.

Beneficial Plant For Pest Control

Notis Mesyuarat Agung Tahunan (sambungan)

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

Dengan Perintah Lembaga Pengarah,
Eric Kiu Kwong Seng

Setiausaha
Miri

25 Mei 2007

Nota-nota:

- 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.
- Untuk ahli korporat pula, dokumen formal yang digunakan oleh wakil hendaklah dimeterai Mohor ahli tersebut atau dilakukan oleh pihak peguam.
- Di mana seorang ahli melantik lebih daripada seorang wakil, perantikan tersebut dianggap tidak sah kecuali dimaklumkan mengenai pecahan hakmiliknya setiap wakil.
- 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.
- 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 25 Mei 2007 untuk maklumat selanjutnya.

Advance Effluent Treatment System, Balingan Mill

Statement Accompanying Notice Of The Thirty-Ninth Annual General Meeting Of Sarawak Oil Palms Berhad

Directors who are standing for Re-election

Gerald Rentap Jabu (retiring pursuant to Article 95 of the Articles of Association)

Lai Yew Hock (retiring pursuant to Article 95 of the Articles of Association)

Wong Ngie Yong (retiring pursuant to Article 95 of the Articles of Association)

Fong Tshu Kwong @ Fong Tshun Kwong (retiring pursuant to Article 95 of the Articles of Association)

Ling Chiong Sing (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	5/5
Hasbi Bin Suhaili	26/08/2005	5/5
Gerald Rentap Jabu	24/05/2000	4/5
Tang Tiong Ing	15/06/1995	5/5
Gary Tan Yow Hoo (Resigned 16 November 2006)	15/07/2000	3/4
Fong Tshu Kwong @ Fong Tshun Kwong	22/03/1996	4/5
Lai Yew Hock	24/02/2000	5/5
Wong Ngie Yong	15/06/2001	5/5
Edwin Lau Chung Loong	24/11/2005	3/5
Ling Chiong Sing	1/12/2006	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

Five Board Meetings were held during the year.

Date of Meeting	Time	Place
14 January 2006	10.00 am	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak
27 February 2006	2.30 pm	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak.
30 May 2006	11.00 am	Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak
28 August 2006	9.00 am	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak
16 November 2006	9.00 am	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak

Details of Directors standing for re-election

GERALD RENTAP JABU

(36 years of age - Malaysian)

- Holds a Bachelor of Economics degree from the La Trobe University, Melbourne, Australia in 1993.
- Non-Executive Director.
- Was a Licensed Dealer's Representative (Corporate Investment) in Sarawak Securities Sdn. Bhd. and was a Project Manager and Consultant for Sarawak Capital Sdn. Bhd.
- Currently he is the Executive Director of Utahol Management Sdn. Bhd.
- He is not related to any director/or substantial shareholder of Sarawak Oil Palms Berhad.
- In the past 10 years, he has not been convicted of any offence.

Details of Directors standing for re-election (continued)

FONG TSHU KWONG @ FONG TSHUN KWONG

(48 years of age - Malaysian)

- Is a Chartered Accountant (Malaysia) and is a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and the Malaysian Institute of Corporate Governance.
- Independent and Non-Executive Director.
- 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 and 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.
- Is also a Non-Executive Independent Director in Kim Hin Industry Berhad.
- He is not related to any director/or substantial shareholder of Sarawak Oil Palms Berhad and does not have any conflict of interest with Sarawak Oil Palms Berhad.
- In the past 10 years, he has not been convicted of any offence.

LAI YEW HOCK

(47 years of age - Malaysian)

- Holds a Bachelor of Laws Degree from University of Otago, Dunedin, New Zealand in 1985 and graduated from the University of South Australia, Adelaide, Australia with the degree of Doctor of Business Administration in 2006.
- Independent Non-Executive Director.
- 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 Advocate and Solicitor of the High Court of Malaya in October 1986.
- Is also a Commissioner for Oaths, a Notary Public, and an Accredited Mediator.
- Started his own legal firm in Miri, Sarawak in May 1992.
- Is also a Non-Executive Non-Independent Director of Technodex Bhd.
- Is not related to any director and/or substantial shareholder of Sarawak Oil Palms Berhad and does not have any conflict of interest with Sarawak Oil Palms Berhad.
- In the past 10 years, he has not been convicted of any offence.

WONG NGIE YONG

(55 years of age - Malaysian)

- Holds a Diploma in Mechanical Engineering from Technical College, Kuala Lumpur and a member of the Institute of Motor Industry, UK.
- Independent Non-Executive Director.
- Has over 30 years of experience in palm oil industry and engineering field, holding various positions as Mill Manager, Engineering Controller, Chief Engineer and Project Manager.
- Currently a free-lance Consultant and Director of Utama Parts Trading (Sarawak) Sdn. Bhd.
- Is not related to any director/or substantial shareholder of Sarawak Oil Palms Berhad and does not have any conflict of interest with Sarawak Oil Palms Berhad.
- In the past 10 years, he has not been convicted of any offence.

LING CHIONG SING

(50 years of age - Malaysian)

- He graduated from Taiwan in Accounting.
- Non-Executive Director.
- Has over 20 years of experience in logging, plywood, shipping, transportation, construction and project fields.
- Currently he is responsible for the general management of Shin Yang Group including office, financial, operation matters, human resource administration and negotiation of contract.
- Holds the position of managing director of the shipping and shipbuilding group, quarry operation and public servicing sections.
- Is a deemed substantial shareholder of Sarawak Oil Palms Berhad and does not have any conflict of interest with Sarawak Oil Palms Berhad.
- In the past 10 years, he has not been convicted of any offence.

DIRECTORS

Datuk Ling Chiong Ho
Group Executive Chairman

Gerald Rentap Jabu

Tang Tiong Ing

Gary Tan Yow Hoo
(resigned on 16 November 2006)

Fong Tshu Kwong @ Fong Tshun
Kwong

Lai Yew Hock

Wong Ngie Yong

Hasbi Bin Suhaili

Edwin Lau Chung Loong
(resigned on 15 May 2007)

Ling Chiong Sing
(appointed on 1 December 2006)

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

Hasbi Bin Suhaili
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, 3rd Floor
Wisma Bukit Mata Kuching
Jalan Tunku Abdul Rahman
93100 Kuching
Malaysia

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
AmMerchant Bank Berhad
CIMB 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 in 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 ("the Company") 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 issues or concerns with regard to the management of the Group.
- Review and monitor to ensure that an adequate system of risk management for the management to safeguard the Group's assets and operations.
- 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 co-operate 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.

FINANCIAL PROCEDURES AND FINANCIAL REPORTING

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.

Review the quarterly results and the year end financial statements, prior to the approval by the Board, to ensure compliance with appropriate accounting policies, accounting standards and disclosure requirements.

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 AUDIT

- Review with the external auditors, the audit scope and 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 external audit reports and to evaluate their findings and recommendations for actions to be taken.
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendation to the Board.

INTERNAL AUDIT

- Review and approve the yearly internal audit plan.
- Review the adequacy of the internal audit scope, functions and resources of the internal audit and that it has the necessary authority to carry out its work.
- Review the findings of the internal audit and ensure that appropriate action is taken by the management on the recommendations of the internal auditors.
- Review the performance of the internal audit to ensure that they are able to exercise independence in discharging their duties.

MEETINGS

During the financial year ended 31 December 2006, 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 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. In addition, the IA also conducts investigations and special reviews at the request of management.

The IA attends the Audit Committee meeting quarterly 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 eight (8) audit programmes covering mainly the finance function and various plantation operating units of the Group.

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 quarterly unaudited financial results announcements before recommending them for the Board's approval, focusing particularly on the significant or unusual events and compliance with accounting standards, disclosure and other legal requirements.
- Reviewed the related party transactions entered into by the Group.
- Considered and recommended to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 6 to the financial statements.
- Reviewed the external auditors' scope of work and audit plans for the year prior to commencement of audit.
- Reviewed the annual report and the audited financial statements of the Group with external auditors prior to submission to the Board for their consideration and approval, including issues and findings noted in the course of the audit of the Group's financial statement.
- Met with the external auditors once during the year without the presence of the Management.
- Reviewed the IA programmes and plan for the financial year under review and the annual assessment of the internal auditors' performance.
- Reviewed the IA 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.

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 tahun 1992 sebagai sebuah Jawatankuasa Lembaga Pengarah dengan terma rujukan berikut:

OBJEKTIF

Objektif Jawatankuasa akan membantu pihak Lembaga Pengarah untuk menepati objektif-objektif berikut yang berkaitan dengan aktiviti-aktiviti Sarawak Oil Palms Berhad ("Syarikat) 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 sebarang isu atau urusan berkenaan pengurusan Kumpulan.
- Mengkaji semula dan mengawasi bagi memastikan adanya sistem pengurusan risiko yang mencukupi bagi membolehkan pihak pengurusan melindungi aset dan operasi Kumpulan.
- 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.

PROSEDUR KEWANGAN & LAPORAN KEWANGAN

TRANSAKSI DI ANTARA PIHAK YANG BERKAITAN

AUDITAN LUAR

AUDITAN DALAM

MESYUARAT

FUNGSI AUDIT DALAMAN

- 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.

Mengkaji semula keputusan-keputusan suku tahunan dan penyata perakaunan akhir tahun, sebelum diluluskan oleh Lembaga Pengarah, bagi memastikan pematuhan kepada polisi perakaunan, piawaian perakaunan dan syarat-syarat laporan yang berkenaan.

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.

- Bersama-sama dengan juruaudit luar, mengkaji semula skop dan pelan audit.
- 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 laporan audit luar dan menilai laporan serta cadangan-cadangan bagi tindakan yang perlu diambil.
- Mengkaji semula perlantikan dan prestasi juruaudit luar, bayaran audit dan sebarang hal perletakan dan pengguguran jawatan sebelum membuat syor-syor kepada Lembaga Pengarah.

- Mengkaji semula dan meluluskan pelan audit dalam tahunan.
- Mengkaji semula sama ada skop, fungsi serta sumber auditan dalam memadai dan ianya mempunyai bidang kuasa yang mencukupi untuk menjalankan tugasnya.
- Mengkaji semula laporan audit dalam dan memastikan pihak pengurusan mengambil tindakan yang sesuai ke atas sebarang cadangan juruaudit dalam.
- Mengkaji semula prestasi audit dalam bagi memastikan adanya kebebasan dalam pelaksanaan tugas.

Pada tahun kewangan yang berakhir 31 Disember 2006, 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

Kumpulan mempunyai 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

AKTIVITI

kepada Jawatankuasa Audit secara bebas dan objektif mengenai taraf kawalan dalaman yang terdapat pada unit-unit operasi di dalam Kumpulan. Selain itu, AD turut menjalankan penyiasatan dan kajian semula khas atas permintaan pihak pengurusan.

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

Pada tahun ini, para juruaudit dalaman telah menjalankan lapan (8) program audit, kebanyakannya merangkumi fungsi kewangan dan pelbagai unit operasi perladangan Kumpulan.

Pada tahun 2006, Jawatankuasa Audit telah menjalankan tugas mereka menurut terma-terma rujukan yang dikenalpasti.

Ringkasan aktiviti jawatankuasa bagi tahun 2006 adalah seperti berikut:

- Mengkaji semula pengumuman keputusan kewangan setiap suku yang belum diaudit sebelum mengesyorkan supaya disahkan oleh Lembaga Pengarah, dengan memberi perhatian khasnya kepada peristiwa penting dan luarbiasa serta pematuhan kepada piawaian perakaunan, syarat-syarat laporan dan peraturan-peraturan yang lain.
- Mengkaji semula sebarang transaksi di antara pihak berkaitan di dalam Kumpulan.
- Mempertimbangkan dan mengesyorkan bayaran audit kepada Lembaga untuk dibayar kepada juruaudit luar seperti yang dinyatakan pada Nota 6 pada Penyata Kewangan.
- Mengkaji semula skop kerja dan pelan juruaudit luar sebelum proses auditan bermula.
- Mengkaji semula Laporan Tahunan dan Penyata Kewangan Kumpulan dengan juruaudit luar sebelum dipertimbangkan dan disahkan oleh Lembaga Pengarah, termasuk isu-isu dan laporan yang dibangkitkan semasa pengauditan penyata kewangan Kumpulan.
- Berjumpa dengan juruaudit luar sekali pada tahun kewangan tersebut tanpa kehadiran pihak pengurusan.
- Mengkaji semula program dan pelan juruaudit dalam tahunan 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 pembetulan selanjutnya.



Water Check Gate



Tidal Gate System

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.

TANG TIONG ING

A Malaysian citizen, aged 48, 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.

WONG NGIE YONG

A Malaysian citizen, aged 55, 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 30 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.

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, Dunedin, 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 graduated from the University of South Australia, Adelaide, Australia with the degree of Doctor of Business Administration in December 2006. His doctoral thesis is on Corporate Governance. 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 also Non-Executive Non-Independent Director in Technodex Bhd. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

FONG TSHU KWONG @ FONG TSHUN KWONG

A Malaysian citizen, aged 48, 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 (Malaysia) 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 in London and Malaysia offices. 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.

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 an 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 (Resigned on 15 May 2007)

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 Group Plantation Development Advisor of Pelita Holdings Sdn Bhd. 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.

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.

GARY TAN YOW HOO (Resigned on 16 November 2006)

A Malaysian citizen, aged 52, 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.

LING CHIONG SING

A Malaysian citizen, aged 50, was appointed as Non-Executive Director on 1 December 2006. He graduated from Taiwan in Accounting and is currently the Chief Executive Director of a well-diversified Shin Yang Group of Companies in Sarawak. He is actively responsible for the general management of Shin Yang Group including office, financial, operation matters, human resource administration and negotiation of contract. He is also the managing director of the shipping and shipbuilding group, quarry operation and public servicing sections. He has more than 20 years business experience and is very hands on in the activities of logging, plywood, shipping, transportation, construction and project fields. He is deemed substantial shareholder of Sarawak Oil Palms Berhad and does not have any conflict of interest with Sarawak Oil Palms Berhad.



Workers' Quarters

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 2006.

REVIEW OF RESULTS

For the financial year under review, the Group generated a turnover of RM221.5 million, an increase of 19.74% compared to last year due mainly to increase in volume of Crude Palm Oil ("CPO") and Palm Kernels ("PK") production. Average palm products price (CPO and PK) realized was also higher than last year though there was a decline in PK price.

In tandem with the increase in turnover, the Group's operating profit ("EBIT") increased from RM31.88 million to RM35.92 million or 12.67%. With the recognition of reserve on consolidation of RM3.64 million resulting from the acquisition of a new investment, the Group's profit before taxation increased by RM7.68 million to RM39.56 million compared to 2005.

The Group's net earning increased from RM24.81 million to RM34.79 million or 40.23% during the same period. Earnings per share of the Group was 22.8 sen (diluted).

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 5% less tax at 27% per ordinary share amounting to RM5,199,511 for the Financial Year ended 31 December 2006.

OPERATIONS REVIEW

For the year under review, fresh fruit bunches (FFB) production from the Group increased by 18.25% to 482,051 tonnes boosted mainly by the additional 2,596 hectares of oil palms being brought into harvesting and the rise in FFB yield from the young mature areas. FFB yield per hectare increased marginally by 6.52% to 18.47 tonnes per hectare. The oil per hectare was 3.97 tonnes per hectare. The Group's palm oil mills produced a total of 124,873 tonnes of CPO, an increase of 17.16% over the preceding year.

Total area planted with oil palms increased marginally to 32,021 hectares comprising 26,099 hectares (81.51%) of mature oil palms and 5,922 hectares (18.49%) of immature oil palms. The FFB production of the Group is expected to increase further 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 December		
Palms Age (Yrs)	Area (Ha)	Percentage
Immature	5,922	18.49%
Young (4-10 yrs)	19,265	60.16%
Prime (11-20 yrs)	6,628	20.71%
Old (21 & above)	206	0.64%
Total	32,201	100.00%

HUMAN RESOURCES

In line with the Group's plan to further expand 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 Group and the employees. 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.

UPDATES ON CORPORATE DEVELOPMENT

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

- The joint venture arrangement through Conditional Share Subscription Agreement with Shin Yang Holding Sdn Bhd to develop an approximately 10,387 hectares into oil palms with the Company taking 65% of the equity stake in Danum Jaya Sdn Bhd was completed in May 2006.
- In May 2006, the company's Palm Oil Mill at Galasah, Miri, Sarawak was awarded Certificate Of Approval in Food Safety Hazard Analysis Critical Control Point (HACCP) System by Lloyd's Register Quality Assurance Limited for having complied with food safety standards requirement in processing fresh fruit bunch to crude palm oil and palm kernel.
- In December 2006, the company commissioned its fully automated 45 tonnes per hour palm oil mill at Balingian, Sarawak.

PROSPECT

Our Group will continue to invest wholly in the expansion of oil palms area, construction of palm oil mills and business related to oil palm. 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 subjected to the volatility of CPO prices.

APPRECIATION

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

Datuk Ling Chiong Ho
Group Executive Chairman



Lambir Water Lagoon

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya ingin membentangkan Laporan Tahunan Kumpulan Sarawak Oil Palms Berhad ("Kumpulan") bagi tahun kewangan berakhir 31 Disember 2006.

SOROTAN HASIL

Bagi tahun kewangan 2006, Kumpulan mencatatkan pendapatan sebanyak RM221.5 juta, peningkatan sebanyak 19.74% berbanding tahun sebelumnya, disebabkan terutamanya oleh peningkatan dalam pengeluaran minyak sawit mentah dan isirung kelapa sawit. Harga purata barangan sawit adalah lebih tinggi berbanding tahun sebelumnya walaupun harga isirung kelapa sawit menurun.

Seiring dengan peningkatan dalam pendapatan, keuntungan operasi Kumpulan sebelum faedah dan cukai meningkat daripada RM31.88 juta kepada RM35.92 juta atau 12.67%. Dengan mengambilkira rizab yang tertimbul, sebanyak RM3.64 juta, akibat daripada penyatuan akaun bagi satu pemerolehan pelaburan baru, keuntungan sebelum cukai Kumpulan meningkat sebanyak RM7.68 juta kepada RM39.56 juta berbanding tahun 2005.

Pada masa yang sama, perolehan bersih Kumpulan meningkat daripada RM24.81 juta kepada RM34.79 juta atau 40.23%. Perolehan sesaham Kumpulan adalah sebanyak 22.8 sen ("diluted").

DIVIDEN

Selaras dengan objektif Kumpulan untuk meneruskan pertumbuhan melalui pelaburan semula keuntungannya, Lembaga Pengarah mencadangkan dividen pertama dan terakhir sebanyak 5% ditolak cukai pada 27% sesaham biasa berjumlah RM5,199,511 untuk Tahun Kewangan berakhir 31 Disember 2006.

SOROTAN OPERASI

Bagi tahun kewangan 2006, hasil keluaran "Fresh Fruit Bunches" (FFB) Kumpulan meningkat sebanyak 18.25% kepada 482,051 tan terutamanya disebabkan oleh penambahan 2,596 hektar kelapa sawit yang mulai berbuah serta peningkatan hasil FFB daripada kawasan matang muda. Hasil se hektar FFB meningkat sedikit sebanyak 6.52% kepada 18.47 tan se hektar. Hasil minyak adalah 3.97 tan se hektar. Kilang-kilang Kumpulan telah mengeluarkan sebanyak 124,873 tan CPO yang merupakan peningkatan sebanyak 17.16% berbanding tahun lepas.

Jumlah kawasan yang ditanam dengan kelapa sawit meningkat sedikit kepada 32,021 hektar, merangkumi 26,099 hektar (81.51%) tanaman matang dan 5,922 hektar (18.49%) 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 Disember

Usia (Tahun)	Kawasan (Ha)	Peratus
Belum matang	5,922	18.49%
Muda (4-10 tahun)	19,265	60.16%
Matang (11-20 tahun)	6,628	20.71%
Tua (21 & ke atas)	206	0.64%
Jumlah	32,201	100.00%

TENAGA KERJA

Sejajar dengan rancangan Kumpulan untuk memperluas 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 Kumpulan dan para pekerja. 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.

PEMBANGUNAN KORPORAT TERKINI

Berikut adalah pembangunan korporat yang dijalankan oleh Kumpulan dalam tahun 2006:

- 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 dengan Syarikat memegang ekuiti sebanyak 65% dalam Danum Jaya Sdn Bhd telah disiapkan pada Mei 2006.
- Pada Mei 2006, kilang kelapa sawit Syarikat di Galasah, Miri, Sarawak dianugerahi "Certificate Of Approval in Food Safety Hazard Analysis Critical Control Point (HACCP) System" oleh Lloyd's Register Quality Assurance Limited kerana mematuhi keperluan piawaian keselamatan makanan dalam pemrosesan FFB kepada minyak sawit mentah dan isirung kelapa sawit.
- Pada Disember 2006, Kumpulan memulakan operasi kilang kelapa sawit di Balingian, Sarawak yang beroperasi 45 tan sejam secara automatik.

PROSPEK

Kumpulan akan terus melabur dalam memperkembangkan ladang kelapa sawit, pembinaan kilang minyak sawit dan kegiatan berkaitan dengan kelapa sawit. 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

Sekali lagi bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih dan seikhlas-ikhlas penghargaan kepada para pekerja, para pelanggan, rakan-rakan niaga serta pemilik-pemilik saham atas sokongan dan keyakinan mereka terhadap 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 eight members with only one Executive Director. The other seven 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 2006, the Board held five(5) 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 in 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 one(1) time 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
Hasbi Bin Suhaili	- Non- Executive Director

The Committee met one(1) time 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 2006 are as follows:

Aggregate of remuneration	Directors	
	Executive RM000	Non-Executive RM000
Fees	24	174
Salaries	420	
Bonus	175	
Other Emoluments	74	23
Total	693	197

Number Of Directors Range of remuneration	Executive	Non- Executive
	0 to RM50,000	
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 is concurrent with the tenure of his directorship.

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 SHAREHOLDERS 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 term 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

During the financial year, the Company issued 23,742,060 free warrants. Each warrant entitles warrant holder to subscribe for 1 ordinary share in the Company at an exercise price of RM1.67 per share during the exercise period which is due to expire on 19 January 2011.

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 27 to the financial statements under 'Related Party Disclosures' on page 75 to 76.



Fruit Evacuation In Progress



Fruit Evacuation Using Bin System

Statement on Internal Control

The Board of Directors of SOPB Group is pleased to provide statement on Internal Control 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.

KEY COMPONENTS OF INTERNAL CONTROL ENVIRONMENT

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 Audit Committee 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 the Audit Committee.

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.

Group Internal Audit (IA)

The IA, which reports quarterly to Audit Committee, conducts regular reviews on the internal control system and the effectiveness of risk management system of the Group.

STRENGTH 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.



Palm Oil Mill Boiler In Operation

Statement on Directors' Responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements and the results and cash flow for that year which give a true and fair view of the state of affairs of the Company and the Group.

In preparing the financial statements for the year ended 31 December 2006 set out on pages 38 to 78, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, followed the applicable approved accounting standards in Malaysia and the provisions of the Act.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Kernel Drying Silo Under Construction,
New Lambir Palm Oil Mill



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 2006 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	12,288
KPMG	13,768
	<u>26,056</u>

2. MATERIAL CONTRACTS

There were no material contracts involving the interest of Directors and major shareholders pursuant to paragraph 20, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia entered into by the SOPB Group since the end of the previous financial year up to 31 December 2006 except for the followings:

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

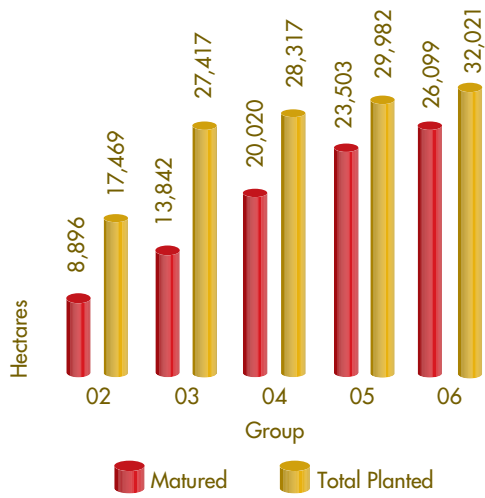
The RRPTs entered into by SOPB Group during the financial year ended 31 December 2006 were as follows:

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2006 Actual (RM '000)
1. SOPB Group	Group Purchases of diesel and petrol to oil palm estates of SOPB Group from Shin Yang Services Sdn Bhd ("SY Services")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	4,544
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) Ling Chiong Sing (2) Tang Tiong Ing (3)	376
3. SOPB Group	Provision of land clearing and development services by Shin Yang Sdn Bhd ("SYSB")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	353
4. SOPB Group	Purchase of gravel from Hollystone Quarry Sdn Bhd ("HQ")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	5,551
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) Ling Chiong Sing (2) Tang Tiong Ing (3)	461
6. SOPB Group	Provision of maintenance services and supply of lubricants, spare parts and tyres for the tractors and machinery by Dai Leng Trading Sdn Bhd ("DLT")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	17
7. SOPB	Purchase of fresh fruit bunches from Greenwood Estate Sdn Bhd ("GWE")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	1,882
8. SOPB	Purchase of fresh fruit bunches from Jati Vista Sdn Bhd ("JVS")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	5,847
9. SOPB Group	Land Transportation Services from Melinau Transport Sdn Bhd ("MTSB")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	453
10. SOPB Group	Provision of maintenance services and supply of spare parts for the tractors and machinery by Dai Lieng Machinery Sdn Bhd ("DLM")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	735
11. SOPB Group	Purchase of tractors and machinery from Dai Lieng Trading Sdn Bhd and Dai Lieng Machinery Sdn Bhd ("DLT")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	2,855
12. SOPB Group	Purchase of sawn timber from Shin Yang Sawmill Sdn Bhd ("SYSM")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	542
13. SOPB Group	Purchase of oil filter for the tractors from Scott & English Trading (Sarawak) Sdn Bhd ("SETS")	Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Tang Tiong Ing (3)	12

- 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, SYHSB and SYSM, and he is a director of and has indirect interest in HQ and SYSB. He has substantial indirect interest in GWE, JVS, DLM, DLT and SETSB.
 - (2) Ling Chiong Sing is the Non-Executive Director of SOPB and is also the shareholder and director of SY Services, SY Trading, SYHSB and SYSM, and he is a director of and has indirect interest in HQ and SYSB. He has substantial indirect interest in GWE, JVS, DLM, DLT and SETSB.
 - (3) Messrs. Tang Tiong Ing is the Non-Executive Director of SOPB and is authorised representative and also employee of Shin Yang Group.

5 Years Statistical Highlights

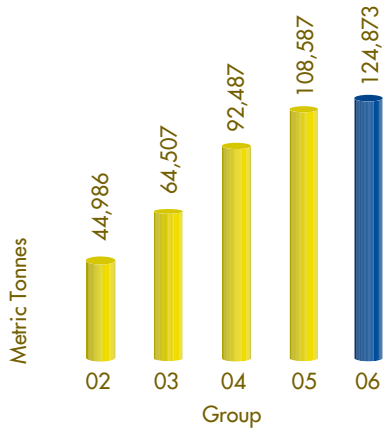
AREA PLANTED



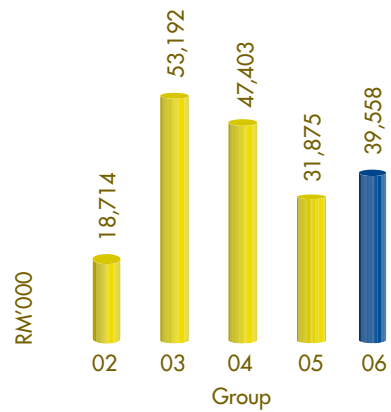
FRESH FRUIT BUNCHES HARVESTED



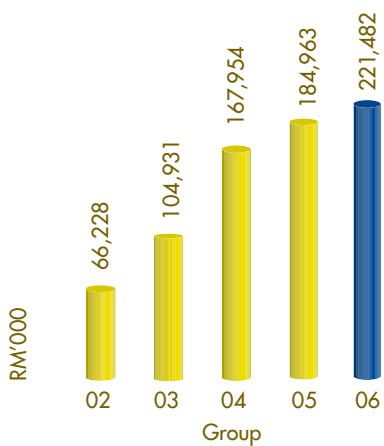
CRUDE PALM OIL PRODUCED INCLUDING OUTGROWERS



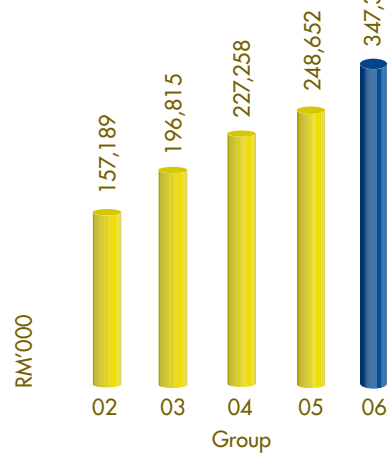
PROFIT BEFORE TAXATION



REVENUE



SHAREHOLDER FUND



FINANCIAL STATEMENT

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Directors' Report For The Year Ended 31 December 2006

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 2006.

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 13 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	33,822	35,569
Attributable to:		
Equity holders of the Company	34,786	35,569
Minority interests	(964)	-
	<u>33,822</u>	<u>35,569</u>

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

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 2005 was as follows:

In respect of the financial year ended 31 December 2005 as reported in the Directors' report of that year	RM'000
First and final dividend of 2.5% less 28% tax on 142,452,360 ordinary shares, paid on 28 June 2006	<u>2,564</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006, of 5% less 27% taxation on 142,452,360 ordinary shares, amounting to a dividend payable of RM5,199,511 (3.65 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 equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

Directors' Report For The Year Ended 31 December 2006 (con't)

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	
Ling Chiong Sing	(Appointed on 1.12.2006)
Gerald Rentap Jabu	
Tang Tiong Ing	
Gary Tan Yow Hoo	(Resigned on 16.11.2006)
Fong Tshu Kwong @ Fong Tshun Kwong	
Lai Yew Hock	
Wong Ngie Yong	
Hasbi Bin Suhaili	
Edwin Lau Chung Loong	

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 as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 27 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 2006	Acquired	Sold	31 December 2006
The Company				
Direct interest				
Datuk Ling Chiong Ho	4,959,800	3,311,208	-	8,271,008
Tang Tiong Ing	5,000	2,500	-	7,500
Fong Tshu Kwong @ Fong Tshun Kwong	10,000	5,000	-	15,000
Lai Yew Hock	10,000	5,000	-	15,000
Deemed interest				
Datuk Ling Chiong Ho	25,451,582	16,991,412	-	42,442,994
Ling Chiong Sing	25,451,582	16,991,412	-	42,442,994

	Number of Warrants over Ordinary Shares of RM1 Each			
	1 January 2006	Granted	Exercised	31 December 2006
Datuk Ling Chiong Ho	-	1,655,604	-	1,655,604
Tang Tiong Ing	-	1,250	-	1,250
Fong Tshu Kwong @ Fong Tshun Kwong	-	2,500	-	2,500
Lai Yew Hock	-	2,500	-	2,500
Deemed interest				
Datuk Ling Chiong Ho	-	8,495,706	-	8,495,706
Ling Chiong Sing	-	8,495,706	-	8,495,706

DIRECTORS' INTERESTS (continued)

Each warrant entitles the warrant holder to subscribe for 1 ordinary share in the Company at an exercise price of RM1.67 per share during the exercise period which is due to expire on 19 January 2011.

Datuk Ling Chiong Ho and Ling Chiong Sing by virtue of their interest in shares in the Company are 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.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid up capital from RM94,968,240 to RM142,452,360 by way of a Renounceable Rights Issue ("Rights Shares") of 47,484,120 new ordinary shares of RM1 each together with 23,742,060 free detachable warrants at an issue price of RM1.40 per share for cash on the basis of two shares together with one free warrant for every four existing ordinary shares of RM1.00 each. The proceeds from the issuance of new ordinary shares are for the construction and upgrading of palm oil mills, oil palm development and for additional working capital purpose. The Rights Shares and the new shares to be issued pursuant to the exercise of the warrants rank *pari passu* in all respects with the existing ordinary shares of the Company.

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 all known bad debts had been written off 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) the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; 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.

OTHER STATUTORY INFORMATION (continued)

- 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

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 13 and Note 31 to the financial statements.

SUBSEQUENT EVENT

Details of a subsequent event are disclosed in Note 32 to the financial statements.

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 dated 30 April 2007.

**FONG TSHU KWONG @
FONG TSHUN KWONG**

TANG TIONG ING

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 78 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 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 dated 30 April 2007.

**FONG TSHU KWONG @
FONG TSHUN KWONG**

TANG TIONG ING

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 78 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 30 April 2007.

WONG HEE KWONG

Before me,

DOMINIC LAI YEW HOCK
Commissioner For Oaths (No. Q047)
Lot 2451, 1st & 2nd Floor,
Boulevard Commercial Centre,
Jalan Miri-Pujut, 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 78. 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 2006 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 13 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
1769/4/08 (J/PH)
Partner

Miri, Malaysia
Date: 30 April 2007

Income Statements For The Year Ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	3	221,482	184,963	202,611	173,608
Cost of sales	4	(165,458)	(137,342)	(148,578)	(118,132)
Gross profit		56,024	47,621	54,033	55,476
Other income		2,708	1,739	2,888	1,846
Excess of the Group's interest in the net fair value of the identifiable assets and liabilities and contingent liabilities over the cost of acquisition of a subsidiary		3,642	-	-	-
Administrative expenses		(1,184)	(934)	(421)	(441)
Selling and marketing expenses		(12,114)	(8,357)	(12,114)	(8,357)
Other expenses		-	(148)	-	-
Operating profit		49,076	39,921	44,386	48,521
Finance costs	5	(9,518)	(8,046)	(2,683)	(3,216)
Profit before tax	6	39,558	31,875	41,073	45,308
Income tax expense	9	(5,736)	(8,788)	(6,134)	(11,634)
Profit for the year		33,822	23,087	35,569	33,674
Attributable to:					
Equity holders of the Company		34,786	24,813	35,569	33,674
Minority interests		(964)	(1,726)	-	-
		33,822	23,087	35,569	33,674
Earnings per share attributable to Equity holders of the Company (sen):					
Basic, for profit for the year	10	24.5	26.1		
Diluted, for profit for the year	10	22.8	26.1		

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

Balance Sheets As At 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	12	588,544	489,030	170,052	139,706
Investment in subsidiaries	13	-	-	101,837	84,337
Other investment	14	49	49	-	-
Other receivable	16	-	-	53,200	46,500
Intangible asset	17	1,526	1,026	-	-
Deferred tax assets	22	3,579	7,337	-	-
		593,878	497,442	330,089	270,543
CURRENT ASSETS					
Inventories	15	14,106	10,428	7,308	5,389
Trade and other receivables	16	14,478	10,020	106,539	70,103
Tax recoverable		7,436	1	7,436	-
Cash and bank balances	18	54,101	63,971	48,738	61,676
		90,121	84,420	170,021	137,168
TOTAL ASSETS		683,999	581,862	500,110	407,711
EQUITY AND LIABILITIES:					
Equity attributable to equity holders of the Company					
Share capital	23	142,452	94,968	142,452	94,968
Share premium	23	18,994	-	18,994	-
Retained earnings	24	185,913	153,684	205,163	172,158
		347,359	248,652	366,609	267,126
Minority interests		31,619	10,475	-	-
Total equity		378,978	259,127	366,609	267,126

Balance Sheets As At 31 December 2006 (con't)

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
EQUITY AND LIABILITIES (continued):					
NON-CURRENT LIABILITIES					
Borrowings	19	150,494	156,716	39,977	39,092
Other payables	21	1,932	8,532	-	-
Deferred tax liabilities	22	35,033	27,411	26,559	23,574
		<hr/>	<hr/>	<hr/>	<hr/>
		187,459	192,659	66,536	62,666
CURRENT LIABILITIES					
Borrowings	19	65,364	48,492	41,534	31,210
Trade and other payables	21	51,490	81,130	24,725	46,255
Current tax payable		708	454	706	454
		<hr/>	<hr/>	<hr/>	<hr/>
		117,562	130,076	66,965	77,919
TOTAL LIABILITIES					
		<hr/>	<hr/>	<hr/>	<hr/>
		305,021	322,735	133,501	140,585
TOTAL EQUITY AND LIABILITIES					
		<hr/>	<hr/>	<hr/>	<hr/>
		683,999	581,862	500,110	407,711

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

Consolidated Statement Of Changes In Equity For The Year Ended 31 December 2006

	Attributable to Equity Holders of the Company				Minority Interest	Total Equity	
	Note	Share Capital (Note 23) RM'000	Share Premium (Note 23) RM'000	Retained Earnings RM'000			Total RM'000
At 1 January 2005		94,968	-	132,290	277,258	12,201	239,459
Profit for the year		-	-	24,813	24,813	(1,726)	23,087
Dividends	11	-	-	(3,419)	(3,419)	-	(3,419)
At 31 December 2005		94,968	-	153,684	248,652	10,475	259,127
Profit for the year		-	-	34,786	34,786	(964)	33,822
Dividends	11	-	-	(2,564)	(2,564)	-	(2,564)
Issue of ordinary shares		47,484	18,994	-	66,478	-	66,478
Dilution arising from issuance of shares by a subsidiary		-	-	7	7	(7)	-
Issuance of shares to minority		-	-	-	-	4,000	4,000
Acquisition of a subsidiary		-	-	-	-	18,115	18,115
At 31 December 2006		142,452	18,994	185,913	347,359	31,619	378,978

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

Company Statement Of Changes In Equity For The Year Ended 31 December 2006

	Note	Share Capital (Note 23) RM'000	Share Premium (Note 23) RM'000	Distributable Retained Earnings (Note 23) RM'000	Total Equity RM'000
At 1 January 2005		94,968	-	141,903	236,871
Profit for the year		-	-	33,674	33,674
Dividends	11	-	-	(3,419)	(3,419)
At 31 December 2005		94,968	-	172,158	267,126
Profit for the year		-	-	35,569	35,569
Issue of ordinary shares		47,484	18,994	-	66,478
Dividends	11	-	-	(2,564)	(2,564)
At 31 December 2006		142,452	18,994	205,163	366,609

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

Cash Flow Statements For The Year Ended 31 December 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	39,558	31,875	41,703	45,308
Adjustments for:				
Excess of the Group's interest in the net fair value of the identifiable assets and liabilities and contingent liabilities over the cost of acquisition of a subsidiary	(3,642)	-	-	-
Amortisation of goodwill	-	147	-	-
Depreciation and amortisation of property, plant and equipment	27,451	22,321	13,456	10,825
Dividend income	(1)	(1)	-	-
(Loss)/Gain on disposal of property, plant and equipment	(84)	51	(95)	(88)
Interest income	(1,390)	(1,088)	(1,675)	(1,083)
Interest expense	9,518	8,046	2,683	3,216
Inventories written off	43	-	-	-
Provision for doubtful debts	-	2	-	-
Property, plant and equipment written off	1	-	-	-
Operating profit before working capital changes	71,454	61,353	56,072	58,178
(Increase)/Decrease in inventories	(3,616)	3,136	(1,919)	3,696
Increase in receivables	(4,281)	(663)	(43,136)	(27,497)
(Increase)/Decrease in payables	(11,806)	25,212	3,804	32,768
Cash generated from operations	51,751	89,038	14,821	67,145
Income taxes paid	(10,333)	(13,849)	(10,333)	(13,849)
Tax refunded	-	32	-	32
Net cash from operating activities	41,418	75,221	4,488	53,328

Cash Flow Statements For The Year Ended 31 December 2006 (con't)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend received	1	1	-	-
Interest received	1,392	1,088	1,675	1,083
Acquisition of property, plant and equipment	(80,058)	(65,860)	(44,720)	(32,452)
Proceeds from disposal of property, plant and equipment	267	213	1,092	482
Acquisition of a subsidiary (Note 13)	(7,097)	-	(10,000)	-
Acquisition of additional shares in investment in a subsidiary	(500)	-	(7,500)	-
Net cash used in investing activities	(85,995)	(64,558)	(59,453)	(30,887)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net change in bankers acceptances	2,485	-	2,485	-
Net change in revolving credits	(1,500)	4,100	500	(900)
Repayment of loans	(22,960)	(30,005)	(12,210)	(24,379)
Repayment of hire purchase	(568)	-	(444)	-
Proceeds from issuance of ordinary shares	41,144	-	41,144	-
Proceeds from issuance of shares to minority interest	3,000	-	-	-
Proceeds from loans	28,300	44,103	15,800	21,603
Dividend paid	(2,564)	(3,419)	(2,564)	(3,419)
Interest paid	(11,098)	(11,797)	(2,684)	(3,442)
Net cash (used in)/from financing activities	36,239	2,982	42,027	(10,537)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(8,338)	13,645	(12,938)	11,904
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	62,439	48,794	61,676	49,772
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 18)	54,101	62,439	48,738	61,676

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

1. CORPORATE INFORMATION

The principal activities of the Company are the cultivation of oil palms and the operations of palm oil mills. The principal activities of the subsidiaries are set out in Note 13 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is 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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

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

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation (continued)

(ii) Basis of Consolidation (continued)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Intangible Assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Certain long term leasehold land and plantation development expenditure are stated at valuation less accumulated depreciation and any 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of Significant Accounting Policies (continued)****(c) Property, Plant and Equipment and Depreciation (continued)**

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%

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

(d) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless that asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies (continued)

(d) Impairment of Non-financial Assets (continued)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(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) 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) Cash and Cash Equivalents

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

(ii) Other Non-Current Investments

Non-current investments other than investment in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) 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)

2.2 Summary of Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

(iv) 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.

(v) Interest-Bearing Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity Instruments

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

(g) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant hire purchase so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2.2(c).

(h) Borrowing Costs

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. 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 Group's borrowings that are outstanding during the year.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies (continued)

(i) 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. 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 as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(j) Employee Benefits

Short Term Benefits

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

Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of goods

Revenue is recognised upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The MASB has issued a number of new and revised FRS and Interpretation that are effective for financial periods beginning on or after 1 January 2006.

Except for the changes in accounting policies and their effects as discussed below, the adoption of these new and revised FRSs does not have any other significant impact on the financial statements of the Group and the Company.

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

(i) Goodwill

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 10 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 January 2006 amounting to RM440,000 against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 January 2006 of RM1,026,000 ceased to be amortised thereafter.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(c)(i) and Note 2.3(c)(ii) respectively. This change has no impact on the Company's financial statements.

(ii) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Prior to 1 January 2006, negative goodwill was not amortised. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. Accordingly, the Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition of a subsidiary in the current year amounting to RM3,642,000 has been recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (continued)

(b) Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interest.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(c), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(c)(i) and Note 2.3(c)(ii) respectively. These changes in presentation has no impact on the Company's financial statements.

(c) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following table provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on balance sheets as at 31 December 2006

	← Increase/(Decrease) →		
	FRS 3 Note 2.3(a)(i) RM'000	FRS 101 Note 2.3(b) RM'000	Total RM'000
Group			
Intangible asset	197	-	197
Retained earnings	197	-	197
Total equity	-	31,619	31,619

(ii) Effects on income statement for the year ended 31 December 2006

	FRS 3 Note 2.3(a)(i) RM'000	Total RM'000
Group		
Other Expenses	(197)	(197)
Operating Profit	197	197
Profit before tax	197	197
Profit for the year	197	197
Earnings per share:		
Basic, for profit for the year (Sen)	0.16	0.16
Diluted, for profit for the year (Sen)	0.11	0.11

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS, Amendments to FRS and Interpretations

		Effective for financial periods beginning on or after
FRS 117:	Leases	1 October 2006
FRS 124:	Related Party Transactions	1 October 2006
FRS 139:	Financial Instruments: Recognition and Measurement	Deferred
FRS 6:	Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 ₂₀₀₄ :	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121:	The effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1:	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2:	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6:	Liabilities arising from Participation in a Specific Market – Waste electrical and Electronic Equipment	1 July 2007
IC Interpretation 7:	Applying the Restatement Approach under FRS 129 ₂₀₀₄ – Financial Reporting in Hyperinflationary Economies	1 July 2007

The above FRS, amendments to FRS and Interpretations, other than FRS 117, 124 and 139, are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application.

3. REVENUE

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Revenue consists of the following:				
Sale of crude palm oil and palm kernel oil	221,482	184,963	202,611	173,608

4. COST OF SALES

Cost of inventories sold	165,458	137,342	148,578	118,132
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5. FINANCE COSTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest expenses on:				
- Bank borrowings	10,853	11,782	2,604	3,461
- Other borrowing	489	-	-	-
- Hire purchase	102	-	80	-
	11,444	11,872	2,684	3,461
Less: Amount capitalised in plantation development expenditure (Note 12)	(1,926)	(3,826)	(1)	(245)
	9,518	8,046	2,683	3,216

Borrowing costs capitalised in the plantation development expenditure refer to Note 12.

6. PROFIT BEFORE TAX

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
The following amounts have been included in arriving at profit before tax:				
Employee benefits expenses (Note 7)	40,311	28,935	19,755	16,008
Non-executive directors' remuneration (Note 8)	326	280	209	197
Auditors' remuneration				
- Current year	67	61	35	25
- Over provision	(9)	-	-	-
Amortisation of goodwill	-	147	-	-
Depreciation (Note 12)	27,451	22,321	13,456	10,825
Gain on disposal of property, plant and equipment	(84)	-	(95)	(88)
Inventories written off	43	-	-	-
Loss on disposal of property, plant and equipment	-	51	-	-
Property, plant and equipment written off	1	-	-	-
Provision for doubtful debts	-	2	-	-
Gross dividend income from quoted shares	(1)	(1)	-	-
Interest income	(1,390)	(1,088)	(1,675)	(1,083)
Rental income from land and building	(97)	(49)	(55)	(32)

7. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Salaries and wages and other related expenses	42,350	32,797	18,254	15,262
Contributions to defined contribution plan	2,153	1,447	1,501	777
	44,683	34,244	19,755	16,039
Less: Amount capitalised in plantation development expenditure	(4,372)	(5,309)	-	(31)
	40,311	28,935	19,755	16,008

Included in employee benefits expense of the Group and of the Company are the Executive Director's remuneration amounting to RM760,000 (2005: RM693,000) as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Executive director's remuneration (Note 7):				
Fees	24	24	24	24
Other emoluments	736	669	736	669
	<hr/> 760	<hr/> 693	<hr/> 760	<hr/> 693
Non-executive directors' remuneration (Note 6):				
Fees	309	257	192	174
Other emoluments	17	23	17	23
	<hr/> 326	<hr/> 280	<hr/> 209	<hr/> 197
Total directors' remuneration	<hr/> <hr/> 1,086	<hr/> <hr/> 973	<hr/> <hr/> 969	<hr/> <hr/> 890

The details of remuneration receivable by Directors of the company during the year are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Executive:				
Salaries	462	420	462	420
Bonus	193	175	193	175
EPF	78	71	78	71
Fees	27	27	27	27
	<hr/> 760	<hr/> 693	<hr/> 760	<hr/> 693
Non-executive:				
Fees	277	238	209	197
	<hr/> 1,037	<hr/> 931	<hr/> 969	<hr/> 890

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

	Number of Directors	
	2006	2005
Executive Directors:		
RM750,000 - RM800,000	1	-
RM650,001 - RM700,000	-	1
Non-Executive Directors:		
Below RM50,000	9	10

9. INCOME TAX EXPENSE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Tax expense for the year:				
Current income tax	3,992	10,882	3,988	10,882
Over-provision in prior year	(840)	(122)	(839)	(122)
	<u>3,152</u>	<u>10,760</u>	<u>3,149</u>	<u>10,760</u>
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	1,852	(1,968)	2,143	913
Under/(Over) provision of deferred tax in previous year	732	(4)	842	(39)
	<u>2,584</u>	<u>(1,972)</u>	<u>2,985</u>	<u>874</u>
	<u>5,736</u>	<u>8,788</u>	<u>6,134</u>	<u>11,634</u>

Current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

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:

	2006 RM'000	2005 RM'000
Group		
Profit before taxation	39,558	31,875
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	11,076	8,925
Effect of expenses not deductible for tax purposes	1,826	1,801
Effect of income not subject to tax	(1,096)	(40)
Effect of tax incentives	(5,355)	(1,753)
Over-provision in prior year	(840)	(122)
Under/(Over) provision of deferred tax in previous year	732	(4)
Deferred tax recognised at different tax rates	(125)	-
Effect of changes in tax rates on opening balance of deferred tax	(501)	-
Others	19	(19)
Tax expense for the year	<u>5,736</u>	<u>8,788</u>
Company		
Profit before taxation	41,703	45,308
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	11,677	12,686
Deferred tax recognised at different tax rates	(142)	-
Effect of changes in tax rates on opening balance of deferred tax	(842)	-
Effect of expenses not deductible for tax purposes	850	920
Effect of income not subject to tax	(76)	(40)
Effect of tax incentives	(5,355)	(1,753)
Over-provision in prior year	(839)	(122)
Under/(Over) provision of deferred tax in previous year	842	(39)
Others	19	(18)
Tax expense for the year	<u>6,134</u>	<u>11,634</u>

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares in issue during the financial year.

	2006	2005
	RM'000	RM'000
Profit attributable to ordinary equity holders of the company	34,786	24,813
	2006	2005
	'000	'000
Weighted average number of ordinary shares in issue	142,083	94,968
	2006	2005
	Sen	Sen
Basic earnings per share for:		
Profit for the year	24.5	26.1

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of potential ordinary shares, i.e. warrants.

	2006	2005
	RM'000	RM'000
Profit attributable to ordinary equity holders of the Company	34,786	24,813
	2006	2005
	'000	'000
Weighted average number of ordinary shares in issue	142,083	94,968
Effects of dilution:		
Warrants	10,351	-
	152,434	94,968
	2006	2005
	Sen	Sen
Diluted earnings per share for:		
Profit for the year	22.8	26.1

11. DIVIDEND

	Dividends In respect of the year			Dividends Recognised in Year	
	2006 RM'000	2005 RM'000	2004 RM'000	2006 RM'000	2005 RM'000
Recognised during the year:					
Final dividend for 2005:					
2.5% (2004: 5%) less					
28% tax on 142,452,000					
(2004:94,968,000)					
ordinary shares	-	-	-	2,564	3,149
<hr/>					
Proposed for approval at AGM (not recognised as at 31 December):					
Final dividend for 2006:					
5% (2005: 2.5%, 2004: 5%)					
less 27% (2005, 2004: 28%)					
tax on 142,452,000					
(2005: 142,452,000, 2004:					
94,968,000) ordinary shares	5,200	2,564	3,419	-	-
<hr/>					

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006, of 5% less 27% taxation on 142,452,360 ordinary shares, amounting to a dividend payable of RM5,199,511 (3.65 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 equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	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
Cost or Valuation						
At 1 January 2006						
At cost	382,933	46,304	4,557	17,483	78,115	529,392
At valuation	60,857	6,878	-	-	-	67,465
	443,520	53,182	4,557	17,483	78,115	596,857
Acquisition of subsidiary	38,640	-	11	25	5	38,681
Additions	35,657	5,233	715	6,006	39,430	87,041
Disposals	-	(246)	(25)	(297)	(615)	(1,183)
Reclassification	-	-	-	(158)	158	-
At 31 December 2006	517,817	58,169	5,258	23,059	117,093	721,396
Representing:						
At cost	457,230	51,291	5,258	23,059	117,093	653,931
At valuation - 1991	60,587	6,878	-	-	-	67,465
At 31 December 2006	517,817	58,169	5,258	23,059	117,093	721,396
Accumulated Depreciation and impairment						
At 1 January 2006	56,538	24,575	2,641	8,595	39,939	132,288
Acquisition of subsidiary	79	-	-	-	-	79
Depreciation charge for the year	14,735	3,087	360	3,036	7,694	28,912
Disposals	-	(227)	(19)	(234)	(629)	(1,109)
Reclassification	-	-	-	(32)	32	-
At 31 December 2006	71,352	27,435	2,982	11,365	47,036	160,170
Net carrying amount						
At 31 December 2006	446,465	30,734	2,276	11,694	70,057	561,226
Capital work-in-progress						
At 1 January 2006						24,461
Acquisition of subsidiary						138
Add: Additions						46,461
Less: Transferred to property, plant and equipment						(43,632)
Less: Disposals						(110)
						27,318
At 31 December 2006						588,544

12. 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
GROUP (continued)						
Cost or Valuation						
At 1 January 2005						
At cost	352,784	39,988	3,595	11,174	61,347	468,858
At valuation	60,857	6,878	-	-	-	67,465
	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 December 2005	443,520	53,182	4,557	17,483	78,115	596,857
Representing:						
At cost	382,933	46,304	4,557	17,483	78,115	529,392
At valuation - 1991	60,587	6,878	-	-	-	67,465
At 31 December 2005	443,520	53,182	4,557	17,483	78,115	596,857
Accumulated Depreciation and impairment						
At 1 January 2005	44,394	22,005	2,346	6,323	34,492	109,560
Depreciation 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 December 2005	56,538	24,575	2,641	8,595	39,939	132,288
Net carrying amount						
At 31 December 2005	386,982	28,607	1,916	8,888	38,176	464,569
Capital work-in-progress						
At 1 January 2005						9,162
Add: Additions						30,536
Less: Transferred to property, plant and equipment						(15,111)
Less: Disposals						(126)
						24,461
At 31 December 2005						489,030

12. PROPERTY, PLANT AND EQUIPMENT (continued)

* Leasehold Land and Plantation Development Expenditure of the Group

	Long Term Leasehold Land RM'000	Plantation Development Expenditure RM'000	Total RM'000
Cost or valuation			
At 1 January 2006	109,316	334,204	443,520
Acquisition of subsidiary	38,158	482	38,640
Additions	-	35,657	35,657
Reclassification	(1,500)	1,500	-
At 31 December 2006	<u>145,974</u>	<u>371,843</u>	<u>517,817</u>
Accumulated Depreciation			
At 1 January 2006	8,188	48,350	56,538
Acquisition of subsidiary	79	-	79
Charge for the year	2,219	12,516	14,735
At 31 December 2006	<u>10,486</u>	<u>60,866</u>	<u>71,352</u>
Net carrying amount			
At 31 December 2006	<u>135,488</u>	<u>310,977</u>	<u>446,465</u>
Cost			
At 1 January 2005	103,312	310,029	413,341
Additions	6,004	24,175	30,179
At 31 December 2005	<u>109,316</u>	<u>334,204</u>	<u>443,520</u>
Accumulated Depreciation			
At 1 January 2005	6,561	37,833	44,394
Charge for the year	1,627	10,517	12,144
At 31 December 2005	<u>8,188</u>	<u>48,350</u>	<u>56,538</u>
Net carrying amount			
At 31 December 2005	<u>101,128</u>	<u>285,854</u>	<u>386,982</u>

12. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	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
Cost or Valuation						
At 1 January 2006						
At cost	44,598	38,818	3,535	15,135	59,094	161,180
At valuation	60,857	6,878	-	-	-	67,465
	105,185	45,696	3,535	15,135	59,094	228,645
Transfer from CWIP	-	1,048	-	-	30,297	31,975
Additions	73	46	438	5,792	4,619	10,968
Disposals	-	(245)	(16)	(445)	(1,349)	(2,055)
Reclassification	-	-	-	(158)	158	-
At 31 December 2006	105,258	46,545	3,957	20,324	93,449	269,533
Representing:						
At cost	44,671	39,667	3,957	20,324	93,449	202,068
At valuation - 1991	60,587	6,878	-	-	-	67,465
At 31 December 2006	105,258	46,545	3,957	20,324	93,449	269,533
Accumulated Depreciation						
At 1 January 2006	38,053	20,766	2,347	6,968	33,307	101,441
Charge of the year	3,537	1,982	239	2,749	4,957	13,464
Disposals	-	(227)	(14)	(281)	(646)	(1,168)
Reclassification	-	-	-	(32)	32	-
At 31 December 2006	41,590	22,521	2,572	9,404	37,650	113,737
Net carrying amount						
At 31 December 2006	63,668	24,024	1,385	10,920	55,799	155,796
Capital work-in-progress						
At 1 January 2006						12,502
Add: Additions						38,839
Less: Transferred to property, plant and equipment						(31,975)
Less: Disposals						(110)
						19,256
At 31 December 2006						175,052

12. 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
COMPANY (continued)						
Cost or Valuation						
At 1 January 2005						
At cost	43,378	34,576	2,782	9,214	48,505	138,455
At valuation	60,857	6,878	-	-	-	67,465
	109,965	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 December 2005	105,185	45,696	3,535	15,135	59,094	228,645
Representing:						
At cost	44,598	38,818	3,535	15,135	59,094	161,180
At valuation - 1991	60,587	6,878	-	-	-	67,465
At 31 December 2005	105,185	45,696	3,535	15,135	59,094	228,645
Accumulated Depreciation						
At 1 January 2005	34,870	18,963	2,145	5,078	30,333	91,389
Depreciation charge for the year	3,183	1,803	210	2,058	3,626	10,880
Disposals	-	-	(8)	(168)	(652)	(828)
At 31 December 2005	38,053	20,766	2,347	6,968	33,307	101,441
Net carrying amount						
At 31 December 2005	67,132	24,930	1,188	8,167	25,787	127,204
Capital work-in-progress						
At 1 January 2005						3,697
Add: Additions						22,218
Less: Transferred to property, plant and equipment						(13,287)
Less: Disposals						(126)
						12,502
At 31 December 2005						139,706

12. PROPERTY, PLANT AND EQUIPMENT (continued)*** Leasehold Land and Plantation Development Expenditure of the Company**

	Long Term Leasehold Land RM'000	Plantation Development Expenditure RM'000	Total RM'000
At 31 December 2006			
Cost			
At 1 January 2006	26,644	78,541	105,185
Additions	-	73	73
At 31 December 2006	<u>26,644</u>	<u>78,614</u>	<u>105,258</u>
Accumulated Depreciation			
At 1 January 2006	4,759	33,294	38,053
Charge for the year	317	3,220	3,537
At 31 December 2006	<u>5,076</u>	<u>36,514</u>	<u>41,590</u>
Net carrying amount			
At 31 December 2006	<u>21,568</u>	<u>42,100</u>	<u>63,668</u>
At 31 December 2005			
Cost			
At 1 January 2005	26,644	77,321	103,965
Additions	-	1,220	1,220
At 31 December 2005	<u>26,644</u>	<u>78,541</u>	<u>105,185</u>
Accumulated Depreciation			
At 1 January 2005	4,442	30,428	34,870
Charge for the year	317	2,866	3,283
At 31 December 2005	<u>4,759</u>	<u>33,294</u>	<u>38,053</u>
Net carrying amount			
At 31 December 2005	<u>21,885</u>	<u>45,247</u>	<u>67,132</u>

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Current year changes to plantation development expenditure include:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Depreciation	1,461	1,104	8	55
Loan interest (Note 5)	1,926	3,826	1	245

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Average rate of interest capitalised per annum	5.02	5.56	4.34	5.67

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income statement (Note 6)	27,451	22,321	13,456	10,825
Plantation development expenditure	1,461	1,104	8	55
	<u>28,912</u>	<u>23,425</u>	<u>13,464</u>	<u>10,880</u>

(ii) 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:

	Group/Company	
	2006 RM'000	2005 RM'000
Long term leasehold land and plantation development expenditure	14,340	15,313

(iii) The net carrying amount of long-term leasehold land pledged for borrowings as referred to in Note 19 are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Leasehold land	50,882	57,865	9,712	9,835

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

The other subsidiaries are in the process of obtaining the land title for their long term leasehold land.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

- (v) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM89,870,000 (2005: RM76,794,000) and RM49,807,000 (2005: RM32,752,000) respectively of which RM6,425,000 (2005: Nil) and RM5,078,000 (2005: Nil) respectively was acquired by means of hire purchase and finance lease arrangements. Net carrying amounts of property, plant and equipment held under hire purchase are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Plant and machinery	2,915	-	1,526	-
Motor vehicles	3,240	-	3,240	-
	<u>6,155</u>	<u>-</u>	<u>4,766</u>	<u>-</u>

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares at cost	101,837	84,337

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

Name of subsidiaries	Principal activities	Proportion of Ownership Interest	
		2006	2005
Held by the Company:		%	%
Danum Jaya Sdn. Bhd.	Cultivation of oil palms	65	-
Ebal Plantation Sdn. Bhd.	Inactive	100	100
SOP Karabungan Sdn. Bhd.	Cultivation of oil palms	70	100
SOP Plantations (Balingian) Sdn. Bhd.*	Cultivation of oil palms	80	80
SOP Plantations (Niah) Sdn. Bhd.*	Cultivation of oil palms	80	80
SOP Plantations (Suai) Sdn. Bhd.*	Cultivation of oil palms	85	85
SOP Plantations (Sarawak) Sdn. Bhd.	Cultivation of oil palms	100	100
SOP Plantations (Borneo) Sdn. Bhd.	Cultivation of oil palms	85	85
SOP Pelita Kedayan-Kelulut Plantation Sdn. Bhd.	Inactive	50	100
SOP Pelita Bekenu & Niah Plantation Sdn. Bhd.	Inactive	50	-

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

13. INVESTMENT IN SUBSIDIARIES (continued)

(a) Acquisition of subsidiary:

On 30 May 2006, the Company acquired 65% equity interest in Danum Jaya Sdn. Bhd. ("DJSB"). 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.

	RM'000
The cost of acquisition comprised of the following:	
Purchase consideration satisfied by cash	10,000
Purchase consideration payable	20,000
	<hr/>
Total cost of acquisition	<u>30,000</u>

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

	2006 RM'000
Revenue	-
Loss for the year	(36)
	<hr/>

If the acquisition had occurred on 1 January 2006, the Group's revenue and profit for the year would have been RM221,482,000 and RM33,753,000 respectively.

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Property, plant and equipment (Note 12)	38,740	8,281
Inventories	105	105
Trade and other receivables	20,179	179
Cash and bank balances	2,903	2,903
	<hr/>	<hr/>
	61,927	11,468
Trade and other payables	(554)	(554)
Deferred tax liabilities (Note 22)	(8,616)	(87)
Redeemable preference share	(1,000)	(1,000)
	<hr/>	<hr/>
	(10,170)	(1,641)
Fair value of net assets	51,571	9,827
Less: Minority interest	(18,115)	<hr/>
	<hr/>	<hr/>
Group's share of net assets	33,642	
Negative goodwill on acquisition	(3,642)	
	<hr/>	
Total cost of acquisition	<u>30,000</u>	

	2006 RM'000
The cash outflow on acquisition is as follows:	
Purchase consideration satisfied by cash	10,000
Cash and cash equivalents of subsidiary acquired	(2,903)
	<hr/>
Net cash outflow of the Group	<u>7,097</u>

13. INVESTMENT IN SUBSIDIARIES (continued)

- (b) During the financial year, an additional cost of RM500,000 attributable to the acquisition of additional shares in investment in SOP Karabungan Sdn. Bhd. was paid to a third party.
- (c) During the financial year, a new subsidiary, SOP Pelita Bekenu & Niah Plantation Sdn. Bhd. ("SPBNP") was incorporated on 29 March 2006. The issued and paid up capital of SPBNP was RM2.

14. OTHER INVESTMENT

	Group	
	2006 RM'000	2005 RM'000
Shares quoted in Malaysia, at cost	86	86
Less: Accumulated impairment losses	(37)	(37)
	49	49
Market value of quoted shares	44	24

15. INVENTORIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cost:				
Processed inventories (crude palm oil and palm kernel)	2,247	1,034	2,247	1,034
Stores and spares	8,369	7,452	4,845	4,287
Nursery inventories	3,490	1,852	216	68
	14,106	10,428	7,308	5,389

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade Receivables:				
Trade receivables	9,133	4,632	8,140	3,584
Other Receivables:				
Sundry receivables	4,194	2,292	2,339	920
Less: Provision for bad and doubtful debts	-	(2)	-	-
	4,194	2,290	2,339	920
Amount due from subsidiaries	-	-	95,513	62,618
Deposits	220	2,119	45	2,119
Prepayments	931	971	502	592
Staff loan	-	8	-	-
	5,345	5,388	98,399	66,249
	14,478	10,020	106,539	70,103
Non-current:				
Other Receivables:				
Amount due from subsidiaries	-	-	53,200	46,500
	14,478	10,020	159,739	116,603

16. TRADE AND OTHER RECEIVABLES (continued)**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.

Amounts due from subsidiaries

Included in the amounts due from subsidiaries are RM24,200,000 (2005: RM11,000,000), being advance which bears interest of between 3.80% - 5.43% (2005: 4.55%) per annum.

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

Sundry receivables

Included in sundry receivables are unsecured amounts of RM88,000 (2005: RM104,000) and RM69,000 (2005: RM84,000) due from staff of the Group and the Company respectively. These amounts bear interest at 6% (2005: 6.00%) per annum and are repayable in accordance with agreed repayment schedules.

17. INTANGIBLE ASSET

	Group	
	2006 RM'000	2005 RM'000
Goodwill		
Cost		
At 1 January	1,466	1,466
Addition	500	-
	1,966	1,466
At 31 December	1,966	1,466
Effect of adopting FRS 3 (Note 2.3)	(440)	-
	1,526	1,466
Accumulated amortisation		
At 1 January	440	293
Effect of adopting FRS 3 (Note 2.3)	(440)	-
Amortisation	-	147
	-	147
At 31 December	-	440
	-	440
Net carrying amount	1,526	1,026

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Repo	10,900	-	10,900	-
Fixed deposits with licensed banks	39,050	32,420	36,750	32,120
Cash on hand and at bank	3,708	6,217	645	4,222
Cash at bank – rights issue	443	25,334	443	25,334
	54,101	63,971	48,738	61,676
Cash and bank balances	54,101	63,971	48,738	61,676
Bank overdraft - secured (Note 19)	-	(1,532)	-	-
	54,101	62,439	48,738	61,676

18. CASH AND CASH EQUIVALENTS (continued)

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

	Interest Rates		Maturities Days	
	2006 %	2005 %	2006	2005
Licensed banks	2.70 - 3.50	2.50 - 3.00	5 - 90	30 - 90

19. BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Short Term Borrowings				
Secured:				
Bank overdraft (Note 18)	-	1,532	-	-
Revolving credit	8,000	11,500	5,000	6,500
Term loans	33,468	15,850	13,068	5,100
Hire purchase and finance lease liabilities (Note 20)	2,053	-	1,622	-
Bankers acceptances	2,485	-	2,485	-
	46,006	28,882	22,175	11,600
Unsecured:				
Revolving credits	14,500	12,500	14,500	12,500
Term loans	4,858	7,110	4,859	7,110
	19,358	19,610	19,359	19,610
	65,364	48,492	41,534	31,210
Long Term Borrowings				
Secured:				
Term loans	145,857	151,024	36,132	33,400
Hire purchase and finance lease liabilities (Note 20)	3,804	-	3,012	-
	149,661	151,024	39,144	33,400
Unsecured:				
Term loans	833	5,692	833	5,692
	150,494	156,716	39,977	39,092
Total Borrowings:				
Bank overdraft (Note 18)	-	1,532	-	-
Revolving credit	22,500	24,000	19,500	19,000
Term loans	185,016	179,676	54,892	51,302
Hire purchase and finance lease liabilities (Note 20)	5,857	-	4,634	-
Bankers acceptances	2,485	-	2,485	-
	215,858	205,208	81,511	70,302

19. BORROWINGS (continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Maturity of borrowings:				
Within one year	63,312	48,492	39,912	31,210
More than 1 year and less than 2 years	49,001	34,858	15,701	14,459
More than 2 years and less than 5 years	89,688	121,858	21,264	24,633
5 years or more	8,000	-	-	-
	210,001	205,208	76,877	70,302

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

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Overdraft	-	7.25	-	-
Revolving credits	4.80 - 5.38	4.12 - 6.00	4.80 - 4.83	4.12 - 4.55
Term loans:				
fixed rates	5.80 - 6.75	5.80 - 6.75	5.80 - 5.85	5.80 - 5.85
floating rates	4.94 - 6.57	5.10 - 5.75	4.94 - 5.75	5.75
Bankers acceptances	3.67 - 3.37	-	3.67 - 3.73	-

The bank borrowings are secured by registered charges over the Company's landed properties as disclosed in Note 12.

20. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Future minimum lease payments				
Not later than 1 year	2,335	-	1,845	-
Later than 1 year and not later than 2 years	2,333	-	1,845	-
Later than 2 years and not later than 5 years	1,665	-	1,320	-
	6,333	-	5,010	-
Less: Future finance charges	(476)	-	(376)	-
	5,857	-	4,634	-
Present value of finance lease liabilities (Note 19)				
Not later than 1 year	2,053	-	1,622	-
Later than 1 year and not later than 2 years	2,175	-	1,721	-
Later than 2 years and not later than 5 years	1,629	-	1,291	-
	5,857	-	4,634	-
Less: Amount due within 12 months (Note 19)	(2,053)	-	(1,622)	-
	3,804	-	3,012	-

The hire purchase bore interest at the balance sheet date of between 5.68% and 5.72% per annum.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current:				
Trade Payables:				
Third parties	21,051	29,538	12,913	15,539
Other Payables:				
Retention sums payable to contractors	3,912	1,131	3,911	1,131
Staff remuneration payable	1,248	982	1,248	982
Deposits	7	7	7	7
Land premium payable	-	952	-	-
Accrual for acquisition for land	-	6,004	-	-
Sundry payable and accruals	25,272	17,182	7,366	3,262
Application account	-	25,334	-	25,334
	30,439	51,592	12,532	30,716
	51,490	81,130	24,725	46,255
Non-current:				
Land premium payable	1,932	1,932	-	-
Sundry payables and accruals	-	6,600	-	-
	1,932	8,532	-	-
	53,422	89,662	24,725	46,255

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 RM5,330,000 (2005: RM11,238,000) and RM244,000 (2005: RM359,000) respectively due to companies in which certain Directors have substantial financial interests.

Sundry payables

Included in sundry payables of the Group is an amount of RM6,746,000 (2005: RM13,372,000) due to the companies in which certain Directors have substantial financial interest. Out of this amount, a balance of RM6,600,000 (2005: RM13,300,000) bears interest at 5% (2005: 5%) per annum or at the prevailing commercial interest rate, whichever is lower and is unsecured.

22. DEFERRED TAX

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At 1 January	20,704	22,046	23,574	22,700
Acquisition of subsidiary (Note 13)	8,616	-	-	-
Recognised in the income statement (Note 9)	2,584	(1,972)	2,985	874
At 31 December	31,274	20,074	26,559	23,574
Presented after appropriate offsetting as follows:				
Deferred tax assets	(3,759)	(7,337)	-	-
Deferred tax liabilities	35,033	27,411	26,559	23,574
	31,274	20,074	26,559	23,574

22. DEFERRED TAX (Continued)

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 2006	7,146	78,338	85,484
Acquisition of subsidiary	8,529	126	8,655
Recognised in the income statement	(232)	6,569	6,337
At 31 December 2006	15,443	85,033	100,476
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

Deferred Tax Assets of the Group:

	Unabsorbed Losses RM'000	Unabsorbed Capital Allowances and Agriculture Allowances RM'000	Total RM'000
At 1 January 2006	16,022	49,388	65,410
Acquisition of subsidiary	20	19	39
Recognised in the income statement	5	3,748	3,753
At 31 December 2006	16,047	53,155	69,202
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

Deferred Tax Liabilities of the Company:

	Revaluation of Leasehold Land RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 January 2006	3,309	20,265	23,574
Recognised in the income statement	(101)	3,086	2,985
At 31 December 2006	3,208	23,351	26,559
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

22. DEFERRED TAX (Continued)

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of those subsidiaries under Section 44 (5A) and (5B) of Income Tax Act, 1967.

23. SHARE CAPITAL AND SHARE PREMIUM

	Number of Ordinary Shares of RM1 Each Share Capital (Issue and Fully Paid) '000	← Amount →		Total Share Capital and Share Premium RM'000
		Share Capital (Issue and Fully Paid) RM'000	Share Premium RM'000	
At 1 January and 31 December 2005	94,968	94,968	-	94,968
Ordinary shares issued during the year:				
Issued for cash	47,484	47,484	18,994	66,478
At 31 December 2006	142,452	142,452	18,994	161,446

During the financial year, the Company increased its issued and paid up capital from RM94,968,240 to RM142,452,360 by way of a Renounceable Rights Issue ("Rights Shares") of 47,484,120 new ordinary shares of RM1 each together with 23,742,060 free detachable warrants at an issue price of RM1.40 per share for cash on the basis of two shares together with one free warrant for every four existing ordinary shares of RM1.00 each. The proceeds from the issuance of new ordinary shares are for the construction and upgrading of palm oil mills, oil palm development and for additional working capital purpose. The Rights Shares and the new shares to be issued pursuant to the exercise of the warrants rank pari passu in all respects with the existing ordinary shares of the Company.

24. RETAINED EARNINGS

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 earnings as at 31 December 2006.

25. CAPITAL COMMITMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Capital expenditure:				
Approved and contracted for:				
Plantation development expenditure	14,486	-	-	-
Property, plant and equipment	34,465	26,977	31,863	22,569
	48,951	26,977	31,863	22,569
Approved but not contracted for:				
Plantation development expenditure	16,294	25,342	-	-
Property, plant and equipment	26,690	88,290	18,905	49,413
	45,984	113,632	18,905	49,413
	94,935	140,629	50,768	71,982

26. CONTINGENT LIABILITIES

	Company	
	2006	2005
	RM'000	RM'000
Unsecured		
Corporate guarantees given to banks for credit facilities granted to: Subsidiaries	68,000	68,000

27. RELATED PARTY DISCLOSURES

	Company	
	2006	2005
	RM'000	RM'000
Significant transactions with subsidiaries		
Purchase of fresh fruit bunches from subsidiaries	48,338	30,050
Purchase of seedlings from subsidiary	73	-
Sale of seedlings to subsidiaries	(185)	(578)
Sale of compost fertilizer to subsidiaries	(350)	(417)
Sale of bunch ash to subsidiaries	(11)	(19)
Sale of property, plant and equipment to subsidiaries	(924)	(306)
Purchase of property, plant and equipment from subsidiaries	448	-
Non-trade transaction: Interest recharged to subsidiaries*	(954)	(502)
Management fee charged to subsidiary	(100)	(100)
Lease rental charged by subsidiary	31	10

* Interest on the revolving credits of RM17,000,000 (2005: RM11,000,000) obtained by the Company and lent onwards to the subsidiaries is recharged to the latter.

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
a) Transactions with companies owned substantially by Directors, Datuk Ling Chiong Ho and Ling Chiong Sing				
Purchase of spare parts and consumables from:				
Dai Lieng Machinery Sdn. Bhd.	735	340	263	139
Dai Lieng Trading Sdn. Bhd.	17	6	-	5
Hollystone Quarry Sdn. Bhd.	5,551	3,334	716	655
Melinau Transport Sdn. Bhd.	28	-	-	-
Perkerjaan Piasau Konkerit Sdn. Bhd.	-	10	-	10
Piasau Hydraulic Hose Sdn. Bhd.	12	-	10	-
Shin Yang Sawmill Sdn. Bhd.	542	403	57	22
Shin Yang Sdn. Bhd.	353	2,182	85	1
Shin Yang Services Sdn. Bhd.	4,544	3,724	1,853	1,930
Shin Yang Trading Sdn. Bhd.	376	396	317	359
Scott and English Trading (Sarawak) Sdn. Bhd.	12	5	9	5

27. RELATED PARTY DISCLOSURES (Continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property, plant and equipment bought from:				
Dai Lieng Machinery Sdn. Bhd.	946	1,267	820	1,268
Dai Lieng Trading Sdn. Bhd.	1,909	1,247	1,875	684
Pekerjaan Piasau Konkerit Sdn. Bhd.	4,059	1,354	4,059	1,354
Sale of oil palms to:				
Linau Mewah Sdn. Bhd.	(45)	-	(45)	-
Interest charged by Shin Yang Holding Sendirian Berhad	489	824	-	-
Purchase of fresh fruit bunches from:				
Green Wood Estate Sdn. Bhd.	1,882	1,401	1,882	1,401
Jati Vista Sdn. Bhd.	5,847	2,933	5,847	2,933
Purchase of transportation charges from:				
Melinau Transport Sdn. Bhd.	36	327	36	9
Miri Belait Transport Company Berhad	453	20	26	20
<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.	118	122	118	122
<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.

28. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current year's presentation:

	Group		Company	
	As Related RM'000	As Previously Stated RM'000	As Related RM'000	As Previously Stated RM'000
Other income	1,739	651	1,846	763
Finance costs	(8,046)	(6,958)	(3,216)	(2,133)
<hr/>				

29. 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 2006. 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 Value

The carrying amounts of financial assets and financial liabilities of the Group at the balance sheet date approximated their fair values except for the following:

	Note	Carrying Amount RM'000	Fair Value RM'000
31 December 2006			
Amounts due from subsidiaries	16	148,713	*
31 December 2005			
Amounts due from subsidiaries	16	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.

30. SEGMENT INFORMATION

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

31. OTHER SIGNIFICANT EVENTS

Employee Share Options Scheme ("ESOS")

On 16 November 2006, the Company announced a proposal to implement an employees' share options scheme ("ESOS"). The ESOS is governed by the by-laws which was approved by the shareholders at an Extraordinary General Meeting held on 15 February 2007 and was implemented on 12 March 2007. It is to be in force for a period of 10 years from the date of implementation. Subsequent to implementation, 5,334,800 options have been granted at an exercise price of RM2.91 per share.

The salient features of the ESOS are as follows:

- (i) The Option Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM1 each in the Company.
- (ii) Subject to the discretion of the Option Committee, any employee who has been employed for at least one year and whose employment has been confirmed is eligible to participate in the ESOS. Directors of the Group are not eligible to participate in the Proposed ESOS.
- (iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 6.32% of the issued and paid up share capital of the Company during the tenure of the ESOS. The aggregate allocation of options to the senior management of the Group shall not exceed 50% of the total number of shares to be issued under the ESOS. In addition, not more than 10% of the shares available under the ESOS are to be allocated to any eligible employee who, either singly or collectively through persons connected to the eligible employee, holds 20% or more in the issued and paid up share capital of the Company.
- (iv) The option price for each share shall be the higher of (a) at a discount of not more than 10% from the 5-day weighted average market price of the shares of the Company as shown in the daily official list issued by Bursa Securities immediately preceding the date on which the option is granted or (b) the par value of the shares of the Company.
- (v) The options shall be exercisable only by the employee during his lifetime and in employment of the Group and within the option period, subject to a maximum percentage of options exercisable in each year over a period up to 10 years.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank *pari passu* in all respects with the then existing ordinary shares of the Company except that the shares so issued shall not be entitled for any dividends, rights, allotments or other distributions to shareholders the entitlement date of which is prior to the date of allotment of the shares.
- (vii) The options shall not carry any right to vote at a general meeting of the Company.

32. SUBSEQUENT EVENT

On 10 April 2007, the Company announced its proposal for a renounceable rights issue up to 52,558,326 new ordinary shares of RM1.00 each ("Rights Shares") at an issue price of RM2.40 per Rights Share on the basis of three Rights Shares for every ten existing ordinary shares of RM1.00 each held.

The proceeds are to be utilised to part finance the construction of palm oil mills and palm oil development and for additional working capital of the Group.

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

	Group				
	2002 RM '000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000
RESULTS					
Turnover	66,228	104,931	167,954	184,963	221,482
Profit before taxation	18,714	53,192	47,403	31,875	39,558
Profit after taxation	14,204	43,045	33,862	23,087	33,822
Total Shareholders' Fund	157,189	157,189	227,258	248,652	347,359
Total assets	268,632	462,646	515,994	581,862	683,999
Total borrowing	62,500	143,953	188,116	205,208	210,001
Issued & paid-up capital	94,968	94,968	94,968	94,968	142,452
Dividend (Net of tax)	3,419	2,051	3,419	3,419	2,564

FINANCIAL STATISTICS

Profit before taxation / turnover (%)	28.3	50.7	28.2	17.2	17.9
Gross Dividend (sen / share)	3.0	5.0	5.0	5.0	2.5
Net Earnings per share of RM 1 each (sen) - Basic	15.0	45.3	35.7	24.3	24.5
Net Earnings per share of RM 1 each (sen) - Diluted	15.0	45.3	35.7	24.3	22.8
Net tangible assets of RM 1 each (RM)	1.66	2.07	2.38	2.60	2.45

Five Years Crop Record

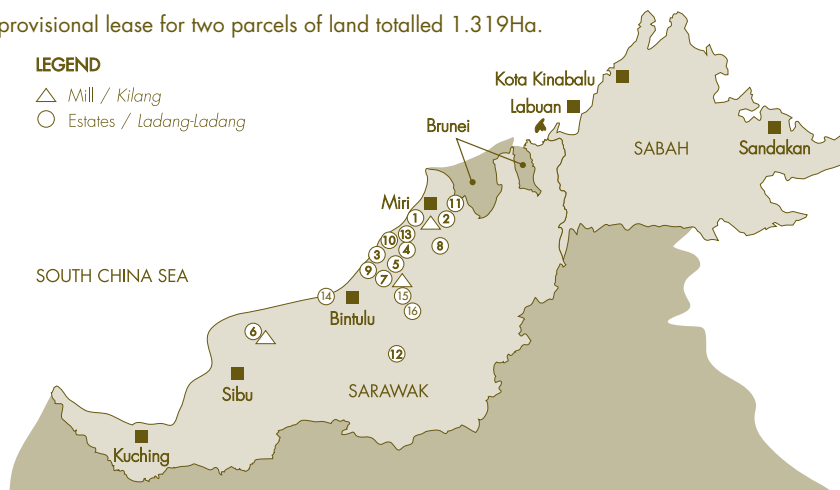
PLANTED HECTARAGE, PRODUCTION AND PRODUCE PRICES

	2002	2003	2004	2005	2006
	Ha.	Ha.	Ha.	Ha.	Ha.
OIL PALMS					
Mature	8,896	13,842	20,020	23,503	26,099
Immature	8,573	13,575	8,297	6,479	5,922
Total	17,469	27,417	28,317	29,982	32,021
Reserves, Unplanted, Building sites, etc	8,981	12,921	12,021	15,716	24,064
Total Area Under Lease	26,450	40,338	40,338	45,698	56,085
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
FFB CROP					
Estate Crop	187,889	236,591	327,623	407,640	482,051
Outside Crop	16,236	63,543	120,404	133,268	160,141
	204,125	300,134	448,027	540,908	642,192
Crude Palm Oil	44,986	64,507	92,487	108,587	124,873
Palm Kernels	11,068	14,361	18,740	23,863	26,238
YIELD PER HECTARE					
Tonnes FFB / Mature palms	21.12	20.28	17.33	17.34	18.47
Crude Palm Oil / FFB	22.08%	21.94%	21.59%	21.72%	21.50%
Palm Kernels / FFB	5.43%	4.88%	4.38%	4.86%	4.52%
AVERAGE PRICES					
FOB Bintulu / Miri					
Crude Palm Oil	1,327	1,494	1,593	1,354	1,458
Palm Kernels	610	707	1,018	956	839

Properties Of The Group As At 31 December 2006

Location of Property Sarawak	Year of Acquired/ Revaluation	Tenure	Year of Expiry	Size Hectares	Description	Net Book Value As At 31 Dec 2006 (RM Million)	Age of Building (Years)
1. Kebuloh Estate, Miri	1971-1972	Leasehold 87 to 97 years	2067	1,841	Oil Palm Estate & Oil Palm Mill	106,670	1 to 36
2. Luak Estate, Miri	1977-1980	Leasehold 87 to 97 years	2067	2,785	Oil Palm Estate		
3. Telabit Estate, Miri	1989	Leasehold 99 years	2085	2,762	Oil Palm Estate		
4. Pinang Estate, Miri	1991	Leasehold 99 years	2090	1,296	Oil Palm Estate		
5. Galasah Estate, Miri	1989	Leasehold 99 years	2084	1,907	Oil Palm Estate		
6. Balingian Estate 1, Balingian	1977	Leasehold 60 years	2057	1,679	Oil Palm Estate + Oil Palm Mill	52,797	1 to 8
Balingian Estate 2, Balingian	1999	Leasehold 60 years	2059	2,310	Oil Palm Estate		
7. Sengah/Tibus Estate, Miri*	2003-2004	Leasehold 60 years	2063-2064	2,725	Land for Oil Palm Development	31,043	1 to 9
8. Lamaus Estate, Miri*	2003-2004	Leasehold 60 years	2063-2064	3,911	Land under Oil Palm Development		
9. Suai Estate, Miri	2004	Leasehold 60 years	2064	3,337	Land under Oil Palm Development		
10. Niah Estate, Miri	1999	Leasehold 60 years	2059	5,000	Oil Palm Estate	68,152	1 to 8
11. Taniku Estate, Miri	2003	Leasehold 60 years	2058	4,858	Oil Palm Estate		
12. Sepakau Estate, Belaga	2003	Leasehold 60 years	2059	9,030	Land under Oil Palm Development	115,535	1 to 9
13. Karabungan Estate	2005	Leasehold 60 years	2058	2,023	Land under Oil Palm Development		
14. Tatau Estate	2006	Leasehold 99 years	2103	3,840	Land under Oil Palm Development	14,706	1
15. Sebungan Estate	2006	Leasehold 99 years	2103	1,667	Land under Oil Palm Development		
16. Lavang Estate	2006	Leasehold 99 years	2104	4,880	Land under Oil Palm Development		

*Pending for issue of provisional lease for two parcels of land totalled 1.319Ha.



Analysis of Shareholdings As At 4 May 2007

SHARE CAPITAL

Authorised	:	500,000,000 Ordinary Shares of RM1.00 each
Issued and Fully Paid	:	142,452,360 Ordinary Shares of RM1.00 each
Voting Rights	:	One Vote Per Share

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 1,000	1,992	39.27	1,459,148	1.02
1,000 – 10,000	2,657	52.39	9,312,101	6.54
10,001 – 100,000	379	7.47	10,405,700	7.30
100,001 to less than 5% of issued shares	42	0.83	41,089,974	28.84
5% and above of issued shares	2	0.04	80,185,437	56.29
Total	5,072	100.00	142,452,360	100.00

Substantial Shareholders

	No of Shares Held	% of Issued Capital
1. Shin Yang Plantation Sdn Bhd	42,442,994	29.79
2. Pelita Holdings Sdn Bhd	40,580,059	28.49
3. Datuk Ling Chiong Ho	11,111,000	7.80

Directors' Interests In Shares

Size of Holdings	No. of shares	Direct Interest		Deemed Interest	
		% of Issued capital	No. of shares	% of Issued capital	
In the company					
Datuk Ling Chiong Ho	11,111,000	7.80	42,442,994	29.79	
Ling Chiong Sing	-	-	42,442,994	29.79	
Tang Tiong Ing	7,500	*	-	-	
Fong Tshu Kwong @	15,000	0.01	-	-	
Fong Tshun Kwong					
Lai Yew Hock	15,000	0.01	-	-	

* negligible

Top Thirty Shareholders

	Name	No. of Shares	Shares %
1.	Pelita Holdings Sdn. Bhd	40,580,059	28.49
2.	AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Shin Yang Plantation Sdn Bhd	39,605,378	27.80
3.	Ling Chiong Ho	5,611,000	3.94
4.	AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ling Chiong Ho	5,500,000	3.86
5.	HSBC Nominees (Asing) Sdn Bhd Exempt an for HSBC Private Bank (Suisse) S.A. (Spore Tst ACCL)	5,346,000	3.75
6.	Juno Shipping Limited	4,779,250	3.35
7.	Shin Yang Plantation Sdn Bhd	2,837,616	1.99
8.	HSBC Nominees (Asing) Sdn Bhd HSBC Trustee SG Ltd for Millionasia Properties Ltd.	2,373,000	1.67
9.	Pekan Megah Sdn Bhd	1,918,800	1.35
10.	Vision Classic Holdings Limited	1,898,008	1.33
11.	Citigroup Nominees (Asing) Sdn Bhd Exempt an for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	1,212,000	0.85
12.	Ta Nominees (Tempatan) Sdn Bhd Pledged securities account for Koon Yew Yin	799,400	0.56
13.	Ki Yien Ping	727,500	0.51
14.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Kit Pheng	674,500	0.47
15.	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Smallcap Fund	628,800	0.44
16.	Universal Trustee (Malaysia) Berhad SBB Emerging Companies Growth Fund	626,500	0.44
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	528,000	0.37
18.	Wong Ing Yung	481,500	0.34
19.	Malaysia Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LGF)	380,200	0.27
20.	HLG Nominee (Asing) Sdn Bhd UOB Kay Hian Pte Ltd Quek Leng Chye	360,000	0.25
21.	Adinamaju Sdn Bhd	342,800	0.24
22.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for LSM Enterprises Sdn Bhd	275,900	0.19
23.	Universal Trustee (Malaysia) Berhad SBB Dana Al-Azam	260,600	0.18
24.	Wong Yu @ Wong Wing Yu	249,000	0.17
25.	Ha Diong Ing	247,500	0.17
26.	Kho Boon Lian	208,700	0.15
27.	OSK Nominees (Tempatan) Sdn Berhad Pledged securities account for Koon Yew Yin	196,000	0.14
28.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LBF)	189,900	0.13
29.	Yap Ai Synn @ Yap Ai Chin	189,600	0.13
30.	Ling Chiong Pin	187,500	0.13

Analysis of Warrant Holdings As At 4 May 2007

Number of Warrant Issued : 23,742,060

Exercise Price of Warrants : 1.67

DISTRIBUTION OF WARRANT HOLDERS

Size of Warrant Holders	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Issued Warrants
Less than 1,000	850	68.66	377,799	1.59
1,000 – 10,000	330	28.66	1,040,175	4.38
10,001 – 100,000	47	3.80	1,279,600	5.39
100,001 to less than 5% of issued shares	7	0.57	1,401,108	8.01
5% and above of issued shares	4	0.32	19,143,378	80.63
Total	1,238	100.00	23,742,060	100.00

Substantial Warrant Holders

	No. of Warrants Held	% of Issued Warrants
1. Shin Yang Plantation Sdn Bhd	8,495,706	35.78
2. Pelita Holdings Sdn Bhd	8,122,801	34.21
3. Datuk Ling Chiong Ho	1,655,604	6.97
4. Juno Shipping Limited	1,437,275	6.05

Directors' Interests In Warrants

Size of Holdings	Direct Interest		Deemed Interest	
	No. of Warrants Held	% of Issued Warrants	No. of Warrants Held	% of Issued Warrants
In the company				
Datuk Ling Chiong Ho	1,655,604	6.97	8,495,706	35.78
Ling Chiong Sing	-	-	8,495,706	35.78
Tang Tiong Ing	1,250	*	-	-
Fong Tshu Kwong @	2,500	0.01	-	-
Fong Tshun Kwong				

* negligible

Top Thirty Warrant Holders

Name	No. of Warrants	Warrants %
1. Pelita Holdings Sdn Bhd	8,122,801	34.21
2. AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Shin Yang Plantation Sdn Bhd	7,927,698	33.39
3. Ling Chiong Ho	1,655,604	6.97
4. Juno Shipping Limited	1,437,275	6.05
5. Shin Yang Plantation Sdn Bhd	568,008	2.39
6. Pekan Megah Sdn Bhd	319,800	1.35
7. Amanah Raya Nominees (Tempatan) Sdn Bhd Public Smallcap Fund	318,900	1.34
8. HSBC Nominees (Asing) Sdn Bhd HSBC Trustee Sg Ltd For Millionasia Properties Limited	250,000	1.05
9. Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Balanced Fund	168,400	0.71
10. Teh Bee Gaik	159,900	0.67
11. Lim Chooi Ing	116,100	0.49
12. Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	77,500	0.33
13. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan Yaw Phang	73,500	0.31
14. OSK Nominees (Asing) Sdn Bhd DMG & Partners Securities Pte Ltd for How Keng Chee	72,000	0.30
15. Teoh Guan Kok & Co. Sdn. Berhad	65,500	0.28
16. HLG Nominee (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Quek Leng Chye	60,000	0.25
17. Chiat Moh Sdn Bhd	53,200	0.22
18. Adinamaju Sdn Bhd	51,300	0.22
19. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for LSM Enterprises Sdn Bhd	51,000	0.21
20. RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd for Lee Yuen Chak	36,400	0.15
21. Chiat Cheong Holding Sdn Bhd	36,200	0.15
22. Ling Chiong Pin	31,250	0.13
23. LHG Holdings Sdn Bhd	31,050	0.13
24. Daniel Koh Seng Yong	29,600	0.12
25. T.A.S Industries Sdn Bhd	28,350	0.12
26. Lim Kiam Teng	27,000	0.11
27. Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kiam Teng	26,000	0.11
28. Kho Boon Lian	25,000	0.11
29. Affin Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Juliana Hutomo	25,000	0.11
30. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Seng	24,500	0.10

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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-Ninth Annual General Meeting of the Company, to be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 18 June 2007 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:- Ling Chiong Sing Gerald Rentap Jabu Wong Ngie Yong Fong Tshu Kwong @ Fong Tshun Kwong Lai Yew Hock		
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 2007

.....
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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SARAWAK OIL PALMS BERHAD
(7949-M)

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