

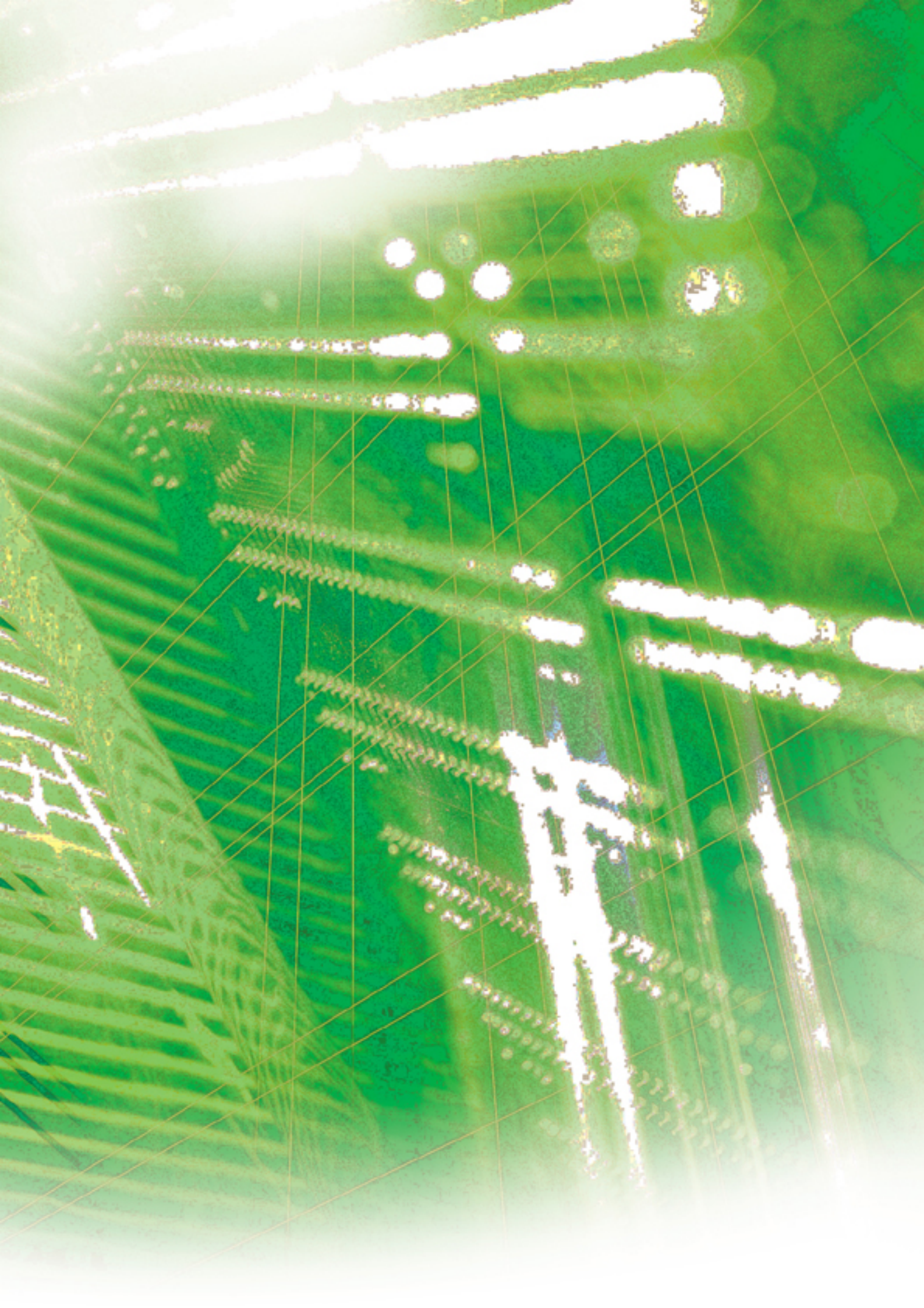


'04

laporan tahunan
annual report



SARAWAK OIL PALMS BERHAD
(7949-M)



content kandungan



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L PALMS BHD



NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh Annual General Meeting of the Company will be held at the Conference Room of Sarawak Oil Palms Berhad, No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak on 25 June 2005 at 10.00 am for the following purposes:-

Agenda

1. To receive and adopt the annual accounts for the year ended 31st December 2004 and the Reports of the Directors and Auditors thereon.
2. To declare a Final Dividend in respect of the financial year ended 31st December 2004 as recommended by the Directors.
3. To approve payment of Directors' fees in respect of the financial year ended 31st December 2004.
4. To re-elect the following Directors who retire pursuant to Article 95 of the Company's Articles of Association and being eligible, offer themselves for re-election.
Fong Tshu Kwong @ Fong Tshun Kwong
Lai Yew Hock
Wong Ngie Yong
5. To appoint Messrs. Ernst & Young as the auditors of the Company and to authorise the Board of Directors to fix their remuneration.
6. **As Special Business**

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

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

"That, subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into Recurrent Related Party transactions of a revenue or trading nature with those Related Parties as stated in Section 2.2 of the Circular to Shareholders dated 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;



DENGAN INI DIMAKLUMKAN BAHAWA Mesyuarat Agung Tahunan yang ketiga puluh tujuh Syarikat akan diadakan di Bilik Mesyuarat, Sarawak Oil Palms Berhad, No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak pada 25 Jun 2005, jam 10.00 pagi untuk menjalankan urusan-urusan berikut:-

Agenda

1. Menerima dan meluluskan akaun-akaun bagi tahun kewangan berakhir 31 Disember 2004 dan Laporan-laporan Pengarah dan Juruaudit mengenainya.
2. Mengisytiharkan pembayaran dividen akhir seperti yang disyorkan oleh Lembaga Pengarah bagi tahun kewangan berakhir 31 Disember 2004.
3. Meluluskan fee Pengarah-pengarah bagi tahun kewangan berakhir 31 Disember 2004.
4. Melantik semula Pengarah-pengarah berikut yang bersara menurut Artikel 95 Tataurusuan Persatuan Syarikat dan oleh kerana layak, menawarkan diri mereka untuk dilantik semula:
Fong Tshu Kwong @ Fong Tshun Kwong
Lai Yew Hock
Wong Ngie Yong
5. Melantik Tetuan Ernst & Young sebagai juruaudit Syarikat dan memberi kuasa kepada Lembaga Pengarah untuk menetapkan ganjaran mereka.
6. **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 Penyeneraian 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 urusiaga biasa dan dilakukan tanpa bertelingkahan dengan kepentingan sendiri dan pilih kasih sehinggakan memberi lebih faedah kepada Pihak Berkaitan serta tidak memudaratkan kepentingan pemegang saham minoriti;
- b) Bahawa pendedahan dibuat di dalam laporan tahunan Syarikat mengenai penguraian agregat nilai transaksi yang tertakluk kepada Cadangan Mandat Pemegang Saham pada tahun kewangan, yang pula akan berdasarkan kepada maklumat seperti jenis transaksi yang terbabit, nama pihak-pihak berkaitan yang terlibat serta perhubungan pihak yang terbabit dengan Syarikat.
- c) Bahawa kelulusan sedemikian terus berkuatkuasa sehingga:
 - (i) berlangsungnya Mesyuarat Agung Tahunan ("MAT") Syarikat yang berikutnya.
 - ii) genapnya satu tempoh selepas satu tarikh di mana MAT Syarikat harus diadakan tidak lewat dari tarikh tersebut menurut Seksyen 143(1) Akta Syarikat, 1965 ("Akta") tetapi tidak boleh ditunda ke satu tarikh yang melebihi tempoh penundaan yang dibenarkan menurut Seksyen 143(2) Akta tersebut; atau
 - (iii) dibatal atau diubahsuai oleh resolusi yang diluluskan oleh pemegang saham di dalam mesyuarat agung, yang mana lebih awal.



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

By Order of the Board

Eric Kiu Kwong Seng

Secretary

Miri

3 June 2005

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of its attorney.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. The Form of Proxy must be deposited to either of the following offices not less than forty-eight (48) hours before the time appointed for holding the meeting:
 - (i) The Office of the Share Registrars, Symphony Share Registrars Sdn. Bhd. at Level 26, Menara Multi-Purpose, Capital Square, No.8, Jalan Munshi Abdullah, 50100 Kuala Lumpur.
 - (ii) The Registered office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.
5. Explanatory notes on Special Business:

The Ordinary Resolution proposed under item 6, if passed, will authorize the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 3 June 2005 for more information.





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

Dengan Perintah Lembaga Pengarah,

Eric Kiu Kwong Seng

Setiausaha

Miri

3 Jun 2005

Nota-nota:-

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

Resolusi Biasa yang dicadangkan di bawah Perkara 6, jika diluluskan, akan memberi kuasa kepada Syarikat dan / atau anak-anak syarikatnya untuk menjalankan transaksi yang berulang-ulang di antara pihak yang berkaitan, sama ada bersifat pendapatan ataupun perniagaan. Kuasa ini, jika tidak dimansuhkan atau dipinda oleh Syarikat dalam suatu Mesyuarat Agung, akan tamat tempohnya pada penghujung Mesyuarat Agung Tahunan Syarikat yang berikutnya. Sila rujuk Surat Pekeliling kepada Para Pemegang Saham bertarikh 3 Jun 2005 untuk maklumat selanjutnya.



OF THE THIRTY SEVENTH ANNUAL GENERAL MEETING OF SARAWAK OIL PALMS BERHAD

Directors who are standing for Re-election

Fong Tshu Kwong @ Fong Tshun Kwong (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)

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
Datu Haji Hamzah Haji Drahman	7/6/2000	5/5
Gerald Rentap Jabu	24/5/2000	5/5
Tang Tiong Ing	15/6/1995	5/5
Gary Tan Yow Hoo	15/7/2000	5/5
Fong Tshu Kwong @ Fong Tshun Kwong	22/3/1996	5/5
Lai Yew Hock	24/2/2000	5/5
Wong Ngie Yong	15/6/2001	5/5
Jamil Bin Jamaludin (Resigned 26 April 2005)	10/11/2003	4/5

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
13 February 2004	10.00 am	Mega Room 3, 11th Floor, Mega Hotel, Lot 907, Jalan Merbau, 98000 Miri
28 April 2004	10.30 am	Tanjong Lobang Gunung Mulu Meeting Room, Rihga Royal Hotel, Miri
25 June 2004	10.50 am	Dynasty 2 (Level 2), Dynasty Hotel, Lot 683, Block 9, Jalan Pujut-Lutong, 98000 Miri
24 July 2004	10.45 am	Ballroom 1, Rihga Royal Hotel, Jalan Temenggong Datuk Oyong Lawai, 98000 Miri
26 November 2004	9.45 am	Mega Room 3, 11th Floor, Mega Hotel, Lot 907, Jalan Merbau, 98000 Miri

Details of Directors standing for re-election

FONG TSHU KWONG @ FONG TSHUN KWONG

(46 years of age - Malaysian)

- Is a Chartered Accountant (Malaysian) and is a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and the Malaysian Institute of Corporate Governance.
- Was appointed as a member of audit committee, nomination committee and remuneration committee in 1996, 2001 and 2003 respectively.
- 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.



Details of Directors standing for re-election (Continued)

LAI YEW HOCK

(46 years of age - Malaysian)

- Holds a Bachelor of Laws Degree from University of Otago, New Zealand.
- Independent Non-Executive Director
- Was appointed as a member of the audit committee, nomination committee and remuneration committee in 2000, 2001 and 2003 respectively.
- 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 of Oaths, a Notary Public, and an Accredited Mediator.
- Started his own firm in Miri, Sarawak in May 1992.
- 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 and Non-Executive Director.
- Has over 25 years of experience in palm oil industry and engineering field, holding various positions as Mill Manager, Engineering Controller, Chief Engineer and Project Manager.
- 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.





DIRECTORS

Datuk Ling Chiong Ho
Group Executive Chairman

Datu Haji Hamzah Haji Drahman

Gerald Rentap Jabu

Tang Tiong Ing

Gary Tan Yow Hoo

Fong Tshu Kwong @ Fong Tshun Kwong

Lai Yew Hock

Wong Ngie Yong

Jamil Bin Jamaludin
(resigned on 26 April 2005)

**AUDIT/NOMINATION
COMMITTEE**

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

Tang Tiong Ing
Non-Executive

Lai Yew Hock
Independent Non-Executive

REMUNERATION COMMITTEE

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

Lai Yew Hock
Independent Non-Executive

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

CHIEF EXECUTIVE

Wong Hee Kwong

COMPANY SECRETARY

Eric Kiu Kwong Seng

REGISTERED OFFICE

No. 124-126, Jalan Bendahara,
98000 Miri.
Tel: (085) 436 969
Fax: (085) 432 929

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
Bumiputra-Commerce Bank Berhad
EON Bank Berhad
Hong Leong Bank 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

TERMS OF REFERENCE

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

Objectives

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

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

Duties & Responsibilities

The Committee shall:

- Provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities relating to the corporate accounting and reporting practices for the Group.
- Maintain a direct line of communication between the Board and the external and internal auditors.
- Act upon the Board's request to direct and where appropriate supervise any special projects or investigation considered necessary and review investigation reports on any major defalcations, frauds and thefts.
- Review procedures in place to ensure that the Group is in compliance with the companies Act 1965, Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and other legislative and reporting requirements.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities.
- Any other activities as authorized by the Board.

Authority

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

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



Financial Procedures & Financial Reporting

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

- Changes in or implementation of major accounting policy changes;
- Significant or unusual events;
- Compliance with accounting standards, disclosure and other legal requirements;
- Significant adjustments from audit; and
- Going concern assumption

Related Party Transaction

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

External & Internal Audit

- Review with the external auditors, the audit scope and plan, including any changes to the planned scope of the audit plan.
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit and that it has the necessary authority to carry out its work.
- Review the appointment and performance of internal and external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified.
- Review major audit findings and the management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work including any restrictions on the scope of activities or access to required information.
- Review the adequacy and integrity of internal control systems, including risk management, management information system and the internal auditors' and/or external auditors' evaluation of the said systems.

MEETINGS

During the financial year ended 31 December 2004, 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
Lai Yew Hock	4
Tang Tiong Ing	4

INTERNAL AUDIT FUNCTION

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

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



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

1. Analysed and assessed certain key business processes, reported findings and made recommendations to improve their effectiveness.
2. Review and evaluate the adequacy and effectiveness of the internal control systems in the following areas:
 - Vehicle workshop operation
 - Material management
 - Contractors' claim processing
 - Information technology
 - Chemicals/weedicide applications and controls
 - Human resource allocation
 - Machine utilisation

ACTIVITIES

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

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

- Reviewed the external auditors' scope of work and audit plans for the year prior to commencement of audit.
- Reviewed with the external auditors the results of the audit and the audit report.
- Considered and recommended to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 4 to the financial statements.
- Met with the external auditors once during the year without the presence of the Management.
- Reviewed the internal auditors' programmes and plan for the financial year under review and the annual assessment of the internal auditors' performance.
- Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Appraised the adequacy of actions and remedial measures taken by the management in resolving the audit issues reported and recommended further improvement measures.
- Reviewed the annual report and the audited financial statements of the Group prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards approved by the Malaysian Accounting Standards Board ("MASB").
- Reviewed the Group's compliance in particular the quarterly and year end financial statements with Bursa Securities Listing Requirements, MASB and other relevant legal and regulatory requirements.
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval.
- Reviewed the related party transactions entered into by the Group.
- Reviewed and assessed the risk management activities of the Group including the risk management policies.
- Reviewed the extent of the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement pursuant to the Bursa Securities Listing Requirements.



KEAHLIAN

Fong Tshu Kwong @ Fong Tshun Kwong
Pengerusi / Pengarah Bebas Bukan Eksekutif

Lai Yew Hock
Pengarah Bebas Bukan Eksekutif

Tang Tiong Ing
Pengarah Bukan Eksekutif

SETIAUSAHA

Eric Kiu Kwong Seng

**TERMA
RUJUKAN**

Jawatankuasa Audit ("Jawatankuasa") telah ditubuhkan pada 9 April 1992 sebagai sebuah Jawatankuasa Lembaga Pengarah dengan terma rujukan berikut:

Objektif

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

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

**Tugas &
Tanggungjawab**

Jawatankuasa haruslah:

- Membantu Lembaga Pengarah untuk mematuhi piawaian perakaunan korporat dan tatacara laporan Kumpulan.
- Menjadi saluran komunikasi di antara Lembaga Pengarah dengan juruaudit luar dan juruaudit dalam.
- Melaksanakan permintaan Lembaga Pengarah untuk menjalankan dan di mana munasabah, menyelia sebarang projek khas atau penyiasatan yang perlu, dan mengkaji semula laporan penyiasatan mengenai kes-kes pecah amanah, penipuan dan pencurian.
- Mengkaji semula prosedur-prosedur yang sedia ada untuk memastikan Kumpulan mematuhi ketetapan syarat-syarat keperluan Akta Syarikat 1965, Bursa Malaysia Securities Berhad ("Bursa Securities") dan perundangan serta peraturan laporan.
- Menyediakan laporan-laporan, sekiranya perlu, atau sekurang-kurangnya sekali (1) setahun, membentangkan kepada Lembaga Pengarah ringkasan tugas-tugas yang telah dijalankan untuk menepati tanggungjawab utama Jawatankuasa.
- Sebarang aktiviti yang lain seperti yang dipertanggungjawabkan oleh Lembaga Pengarah.

**Hak-Hak &
Kewibawaan**

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

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



**Prosedur
Kewangan
& Laporan
Kewangan**

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

- perubahan pada atau pelaksanaan polisi perakaunan yang utama;
- perkara-perkara penting yang berbangkit atau luar biasa;
- pematuhan kepada piawaian perakaunan, syarat-syarat laporan dan peraturan-peraturan perundangan yang lain;
- pelarasan-pelarasan yang penting dalam audit;
- anggapan usaha berterusan

**Transaksi Di
Antara Pihak
Yang Berkaitan**

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

**Auditan Luar
& Dalam**

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

MESYUARAT

Pada tahun kewangan yang berakhir 31 Disember 2004, empat mesyuarat Jawatankuasa telah diadakan. Rekod kehadiran di mesyuarat-mesyuarat adalah seperti berikut:

	<i>Bilangan Kehadiran</i>
Fong Tshu Kwong @ Fong Tshun Kwong	4
Lai Yew Hock	4
Tang Tiong Ing	4



FUNGSI
AUDIT
DALAMAN

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

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

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

1. Menganalisa dan menilai proses perusahaan utama, membuat laporan audit dan cadangan untuk memperbaiki kecekapan proses yang berkenaan.
2. Mengkaji semula dan menilai sama ada sistem kawalan dalaman adalah mencukupi dan cekap bagi proses-proses berikut:
 - Operasi bengkel kenderaan
 - Pengurusan bahan mentah
 - Pemprosesan tuntutan daripada kontraktor-kontraktor
 - Teknologi maklumat
 - Kegunaan dan kawalan racun rumput-rumpai
 - Peruntukan tenaga manusia
 - Penggunaan kenderaan

AKTIVITI

Pada tahun 2004, Jawatankuasa Audit telah menjalankan tugas mereka menurut terma-terma rujukan yang dikenalpasti.

Ringkasan aktiviti jawatankuasa bagi tahun 2004 adalah seperti berikut:

- Mengkaji semula skop kerja dan pelan audit juruaudit luar sepanjang tahun sebelum proses auditan bermula.
- Mengkaji semula bersama-sama dengan juruaudit luar keputusan dan rumusan audit dan laporan audit.
- Mempertimbangkan dan mengesyorkan bayaran audit kepada Lembaga untuk dibayar kepada juruaudit luar seperti yang dinyatakan pada Nota 4 pada Penyata Kewangan.
- Berjumpa dengan juruaudit luar sekali pada tahun kewangan tersebut tanpa kehadiran pihak pengurusan.
- Mengkaji semula program dan pelan juruaudit dalam untuk tahun kewangan 2004 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.
- Mengkaji semula Laporan Tahunan dan Penyata Kewangan Kumpulan sebelum dipertimbangkan dan disahkan oleh Lembaga Pengarah. Ini adalah untuk memastikan Penyata Kewangan adalah disediakan menurut kehendak Akta Syarikat, 1965, Bursa Malaysia Securities Berhad ("Bursa Malaysia") dan perundangan serta peraturan laporan.
- Mengkaji semula sejauh mana Kumpulan telah menepati keperluan-keperluan yang ditentukan oleh syarat-syarat Penyenaraian Bursa Malaysia Securities Berhad ("Bursa Securities"), MASB dan keperluan dalam laporan kewangan suku tahun dan akhir tahun.
- Mengkaji semula pengumuman keputusan kewangan yang belum diaudit sebelum mengesyorkan supaya disahkan oleh Lembaga Pengarah.
- Mengkaji semula sebarang transaksi di antara pihak berkaitan yang boleh menyebabkan pertelingkahan kepentingan yang mungkin muncul di dalam Kumpulan.
- Mengkaji semula dan menilai aktiviti pengurusan risiko Kumpulan termasuk polisi pengurusan risiko.
- Mengkaji semula sejauh mana Kumpulan telah menepati keperluan seperti yang ditentukan di bawah Kod Pentadbiran Korporat Malaysia bertujuan untuk menyediakan Penyata Pentadbiran Korporat menurut syarat-syarat penyenaraian di Bursa Securities.





DATUK LING CHIONG HO

A Malaysian citizen, aged 53, 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 Executive Chairman of the diversified Shin Yang Group of Companies involving in forest management, downstream wood-based processing, property development and shipping. He has been instrumental to the growth and expansion of Shin Yang Group of Companies. He is deemed substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

DATU HAJI HAMZAH HAJI DRAHMAN

A Malaysian citizen, aged 58, was appointed as a Non-Executive Director on 7 June 2000. He has over 33 years of working experience in various government departments and Statutory Bodies and is currently the Advisor to the Ministry of Planning and Resource Management. He holds a Bachelor of Economics with Honours from University of Malaya. He also sits on the Board of various Government Linked Companies. 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 35, was appointed as a Non-Executive Director on 24 May 2000. He graduated from the La Trobe University, Melbourne, Australia in 1993 with a Bachelor of Economics degree. He was a Licensed Dealer's Representative (Corporate Investment) in Sarawak Securities Sdn. Bhd. from 1993 to 1995 and was a Project Manager and Consultant for Sarawak Capital Sdn. Bhd. in 1995 to 1996. He is currently the Executive Director of Utahol Management Sdn. Bhd. He is an appointed representative of PHSB, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

TANG TIONG ING

A Malaysian citizen, aged 46, has been a Non-Executive Director since 15 June 1995. He was appointed as a member of the audit committee and nomination committee in 1996, 2001, 2003 and 2004 respectively. He graduated from University of Malaya with Bachelor in Accounting with Honours. He is also a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants and Malaysian Institute of Taxation. He joined Lau Hoi Chew & Co., a Certified Public Accounting firm in 1984 and was promoted to head the Miri Branch in 1985 till 1990. In 1991, he joined Shin Yang Group as a Group Accountant to oversee all the financial and accounting functions, corporate taxation, treasury, corporate planning and company secretarial functions of the group. He is an appointed representative of Shin Yang Plantation Sdn. Bhd. (SYPSB), a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

GARY TAN YOW HOO

A Malaysian citizen, aged 50, was appointed as a Non-Executive Director on 15 July 2000. He holds a Bachelor of Mechanical Engineering from Portsmouth University, England and is a Chartered Engineer registered in Malaysia, England, America and Australia. He was the General Manager of Bintulu Industrial Gas Sdn Bhd prior to joining Shin Yang Group in 1990. He is currently the General Manager of Business Development, Project & Technical Consultancy Department of Shin Yang Group. He is an appointed representative of SYPSB, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.





FONG TSHU KWONG @ FONG TSHUN KWONG

A Malaysian citizen, aged 46, was appointed as an Independent and Non-Executive Director on 22 March 1996. He was appointed as a member of audit committee, nomination committee and remuneration committee in 1996, 2001, 2003 and 2004 respectively. He is a Chartered Accountant (Malaysian) and is a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants and the Malaysian Institute of Corporate Governance. He started his career in Ernst & Young and has over 18 years of professional experience in accounting, secretarial, assurance and advisory business services, taxation, management consultancy & corporate advisory services. Since April 1996, he has been the Managing Director of OMG Fidelity (Malaysia) Sdn. Bhd., a wholly owned subsidiary of OM Group, Inc., USA, a NYSE listed company. He is also a Non-Executive Independent Director in Kim Hin Industry Berhad. He is not related to any director/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

LAI YEW HOCK

A Malaysian citizen, aged 46, was appointed as the Independent Non-Executive Director on 24 February 2000. He was appointed as a member of the audit committee, nomination committee and remuneration committee in 2000, 2001, 2003 and 2004 respectively. He graduated from the University of Otago, New Zealand with a Bachelor of Laws Degree in 1985. He was variously admitted as a Barrister and Solicitor of the High Court of New Zealand in October 1985, as an Advocate of the High Court in Sabah and Sarawak in February 1986, and as an Advocate and Solicitor of the High Court of Malaya in October 1986. He is also a Commissioner for Oaths, a Notary Public, and an Accredited Mediator. He started his own legal firm in Miri, Sarawak in May 1992. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

WONG NGIE YONG

A Malaysian citizen, aged 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 25 years of experience in palm oil industry and engineering field, holding various positions as Mill Manager, Engineering Controller, Chief Engineer and Project Manager. He is currently a free-lance Consultant and Director of Utama Parts Trading (Sarawak) Sdn. Bhd. He is not related to any director/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

JAMIL BIN JAMALUDIN (Resigned on 26 April 2005)

A Malaysian citizen, aged 44, was appointed as a Non-Executive Director on 10 November 2003. He holds a Advanced Diploma in Accountancy from MARA University of Technology, Malaysia and is a registered member of the Malaysian Institute of Accountants. He is currently the Senior Manager at the Land Custody Development Authority, Sarawak. Prior to this, he has worked in Jabatan Audit Negara, Sarawak Economic Development Corporation and Hamden & Kiu dan Rakan-Rakan. He is an appointed representative of Pelita Holdings Sdn Bhd (PHSB), a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.





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 2004.

FINANCIAL REVIEWS

In line with buoyant palm oil prices ("CPO") and higher fresh fruit bunches ("FFB") production, the Group turnover increased by 60.1% to RM168.0 million, against RM104.9 million for last year. Profit from operations increased from RM38.9 million for last year (excluding exceptional gain on disposal of an associate) to RM52.4 million.

Profit after taxation and minority interests attributable to shareholders decreased by 21.3% to RM33.9 million compared to last year due mainly to the exceptional gain for last year as mentioned above.

Corresponding to the drop, the earnings per share of the Group decreased from 45.3 sen to 35.7 sen.

DIVIDEND

In tandem with our Group long term objective to sustain growth by substantially reinvesting its profits, the Board proposes a first and final dividend of 5% less tax at 28% per ordinary share amounting to RM3,418,857 for the Financial Year ended 31 December 2004.

OPERATIONS REVIEW

For the year under review, the average CPO price realized by the Group further increased from RM1,494 per tonne in 2003 (net of RM40 East Malaysia discount) to RM1,593 per tonne. The improvement in CPO price in 2004 was mainly due to tight supply of Soya Beans and other competing oil seeds worldwide as a result of disruptions of weather patterns and pests and diseases.

At the time of writing, the CPO price has remained stable at the range of RM1,300 to RM1,450 per tonne level and it appears that the price will be sustainable over the medium term.

Production of FFB for the Group increased by 38.9% to 327,623 tonnes compared to 236,591 tonnes recorded in 2003. Total matured area increased from 13,842 hectares to 20,020 hectares due to new young areas coming into maturing.



With the increase in young mature area, the Group average FFB yield per hectare dropped from 20.28 tonnes to 17.33 tonnes. Correspondingly, the Group oil per hectare also dropped from 4.4 tonnes to 3.7 tonnes. The marginal decline in FFB yield and oil extraction rate were due to the changes in age composition of the palms. The Group palm oil mills produced a total of 92,486 tonnes of CPO, an increase of 43.4% over last year.

Total area planted with oil palm increased marginally from 27,417 hectares to 28,733 hectares, comprising 20,020 hectares (70%) of mature oil palms and 8,713 hectares (30%) of immature oil palms. The FFB production of the Group is posed to increase further over the next few years as more than 75% of the palms are aged below tens year old.

In anticipation of higher FFB production from the increase in mature area, the Group is planning to construct a 90 MT/hour palm oil mill (POM) at Lambir estate, Miri, Sarawak and a 45 MT/hour POM at Balingian estate, Mukah, Sarawak. Both mills are expected to commence construction in 2005 and commission at the beginning of 2007. The Group is also in the process of upgrading the mill capacity of present Galasah POM, Miri, Sarawak from 45 MT/hour to 90MT/hour. The upgrade is expected to be completed by last quarter of 2005.

HUMAN RESOURCES

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

CORPORATE DEVELOPMENT

On 23 December 2004, the Group entered into a joint venture agreement with Sarawak Economic Development Corporation ("SEDC") to develop an area of 2,023 hectares of land into oil palm estate. To facilitate the joint venture arrangement, SOP Karabungan Sdn Bhd was incorporated. Upon completion of the exercise, the Group will have an equity interest of 70% in SOP Karabungan Sdn Bhd whilst SEDC will hold the balance of 30%. The joint venture exercise is still incomplete as both parties are still in the process of fulfilling the conditions precedent.

On 26 April 2005, the Board has proposed renounceable rights of 47,484,120 new ordinary shares of RM1.00 each together with 23,742,060 free detachable rights warrants at an issue price of RM1.40 per rights share on the two (2) rights shares together with one (1) free rights warrants attached thereto for every four (4) existing ordinary shares of RM1.00 each held. The gross proceeds from the proposed rights issue with warrants of RM66.48 million are to be utilized to part finance the construction of palm oil mills and oil palm development, defray expenses in connection to the proposed rights issue as well as to meet the general working capital requirement of the Group.

PROSPECT

Our Group will continue to invest wholly in the expansion of oil palms area and construction of palm oil mills. The prospect of our Group will continue to be subjected to the volatility of CPO prices and the current stable CPO prices has given the new financial year a good start.

APPRECIATION

On behalf of the Board of Directors, I would like to express our sincere appreciation to the directors, management and employees for their strong commitment and contribution towards the continued success of our Group. I would also like to thank our customers, bankers, business associates, relevant government authorities and shareholders for their continued invaluable support.

Datuk Ling Chiong Ho
Group Executive Chairman



**Bagi pihak Lembaga Pengarah,
saya dengan sukacitanya
ingin membentangkan Laporan
Tahunan Kumpulan Sarawak
Oil Palms Berhad ("Kumpulan")
bagi tahun kewangan berakhir
31 Disember 2004.**

SOROTAN KEWANGAN

Kenaikan mendadak harga kelapa sawit pada tahun 2004 telah mengakibatkan peningkatan pendapatan Kumpulan sebanyak 60.1% kepada RM168.0 juta berbanding dengan RM104.9 juta tahun lepas. Keuntungan dari operasi meningkat dari RM 38.9 juta bagi tahun lepas (tidak termasuk keuntungan luarbiasa akibat daripada pelupusan syarikat bersekutu) kepada RM 52.4 juta.

Keuntungan selepas cukai dan faedah minoriti milik pemegang saham menurun sebanyak 21.3% kepada RM 33.9 juta berbanding dengan tahun lepas disebabkan terutamanya keuntungan luarbiasa tersebut di atas.

Setara dengan penurunan keuntungan, perolehan sesaham Kumpulan menurun dari 45.3 sen kepada 35.7 sen.

DIVIDEN

Objektif Kumpulan adalah untuk meneruskan pertumbuhan melalui pelaburan semula keuntungannya. Maka Lembaga Pengarah mencadangkan dividen pertama dan terakhir sebanyak 5% ditolak cukai pada 28% sesaham biasa berjumlah RM3,418,857 untuk Tahun Kewangan yang berakhir 31 Disember 2004.

SOROTAN OPERASI

Bagi Tahun kewangan 2004, harga purata minyak sawit mentah ("CPO") untuk Kumpulan turut meningkat daripada RM1,494 setan bagi tahun 2003 (bersih setelah ditolak diskaun RM40 untuk Malaysia Timur) kepada RM1,593 setan. Pemulihan harga tersebut terutamanya disebabkan oleh kekecutan pembekalan kacang soya serta bijian minyak lain yang bersaing akibat daripada kesan keadaan cuaca, serangga dan juga penyakit.

Ketika ini, harga purata CPO kekal di paras RM1,300 hingga RM1,450 setan dan terdapat petanda yang menunjukkan bahawa harga tersebut dapat kekal bagi jangka masa sederhana.

Hasil keluaran "Fresh Fruit Bunches" (FFB) bagi Kumpulan telah meningkat sebanyak 38.9% kepada 327,623 tan berbanding dengan 236,591 tan pada tahun 2003. Jumlah kawasan matang bertambah daripada 13,842 hektar kepada 20,020 hektar hasil daripada kawasan baru yang mula matang.



Hasil FFB sehektar turun daripada 20.28 tan kepada 17.33 tan. Setara dengan itu, hasil minyak sehektar juga turun daripada 4.4 tan kepada 3.7 tan. Penurunan hasil FFB dan kadar ekstraksi minyak adalah disebabkan oleh penukaran komposisi umur kelapa sawit. Kilang-kilang minyak sawit bagi Kumpulan telah mengeluarkan sebanyak 92,486 tan CPO yang merupakan peningkatan sebanyak 43.4% berbanding tahun lepas.

Jumlah kawasan yang ditanam telah meningkat dengan sedikitnya daripada 27,417 hektar kepada 28,733 hektar, merangkumi 20,020 hektar (70%) tanaman matang dan 8,713 hektar (30%) tanaman belum matang. Keluaran FFB dijangka meningkat berterusan pada tahun-tahun akan datang kerana lebih daripada 75% jumlah kelapa sawit berusia di bawah sepuluh tahun.

Setara dengan keluaran FFB yang dijangka meningkat akibat daripada kawasan tanaman matang yang semakin bertambah, Kumpulan merancang pembinaan sebuah kilang kelapa sawit berkapasiti 90 tan sejam di Ladang Lambir, Miri, Sarawak dan sebuah lagi kilang kelapa sawit berkapasiti 45 tan sejam di Ladang Balingian, Mukah, Sarawak. Pembinaan kedua-dua kilang ini dijangka mulai pada tahun 2005 dan dijangka lengkap serta beroperasi pada awal tahun 2007. Tambahan pula, kerja-kerja meningkatkan kapasiti kilang di Galasah, Miri, Sarawak dari 45 tan sejam ke 90 tan sejam sedang dijalankan. Kerja peningkatan kapasiti ini dijangka siap pada suku akhir tahun 2005.

TENAGA KERJA

Sebahagian daripada strategi untuk mengekalkan daya kompetitifnya, Kumpulan terus mengadakan program-program latihan dalaman serta luaran untuk menaikkan taraf kemahiran dan pengetahuan para pekerja.

PEMBANGUNAN KORPORAT

Pada 23 Disember 2004, Kumpulan telah menandatangani satu perjanjian kerjasama dengan Sarawak Economic Development Corporation ("SEDC") untuk membangunkan kawasan seluas 2,023 hektar kepada ladang kelapa sawit. Untuk memudahkan pelaksanaan perjanjian kerjasama tersebut, SOP Karabungan Sdn Bhd telah ditubuhkan. Melalui perjanjian ini, Kumpulan akan memegang ekuiti SOP Karabungan Sdn Bhd sebanyak 70% manakala SEDC akan memegang bakinya 30%. Kerjasama ini belum lengkap lagi kerana kedua-dua pihak sedang mengambil langkah-langkah untuk memenuhi pra- syarat yang telah ditetapkan.

Pada 26 April 2005, Lembaga Pengarah bercadang menawar terbitan hak sebanyak 47,484,120 saham biasa berharga RM1.00 sesaham pada nilai terbitan RM1.40 setiap saham terbitan hak, berkembar dengan 23,742,060 waran hak untuk setiap dua (2) terbitan hak dan satu (1) waran hak untuk setiap empat (4) saham biasa yang sedia ada dipegang. Hasil kutipan kasar daripada terbitan hak berkembar waran sebanyak RM66.48 juta adalah untuk pembiayaan pembinaan kilang-kilang kelapa sawit, pembangunan ladang kelapa sawit, menanggung kos yang berkaitan dengan terbitan hak dan juga sebagai modal kerja bagi Kumpulan.

PROSPEK

Kumpulan akan terus memperkembangkan dalam ladang kelapa sawit dan pembinaan kilang minyak sawit. Masa depan Kumpulan adalah tertakluk kepada harga pasaran CPO yang tidak menentu. Namun, harga CPO kini yang stabil telah memberi tahun kewangan baru satu permulaan yang menggalakkan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya amat berbesar hati untuk menghulurkan sekalung budi dan penghargaan kepada pengarah-pengarah, pihak pengurusan dan pekerja-pekerja yang menunjukkan komitmen yang tinggi and sumbangan yang ketara kepada kejayaan Kumpulan. Saya juga berterima kasih kepada pelanggan, bank-bank, rakan-rakan niaga, pihak-pihak berkuasa kerajaan dan pemilik-pemilik saham yang telah memberi sokongan berterusan yang tidak ternilai.

Datuk Ling Chiong Ho
Pengerusi Eksekutif Kumpulan



STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance (“the Code”) sets out the principles and best practices for adoption in an effort to raise standards of corporate governance in the country. SOPB Board recognizes that the exercise of good corporate governance in all aspects of its business dealings is vital for the Group’s continued progress and success. The Board is therefore, committed to maintain a high standard of corporate governance throughout the Group.

BOARD OF DIRECTORS

The Group is led by an effective Board which sets the policies to enable them to lead and guide the Group to achieve its goals. The Board currently has nine members with only one Executive Director. The other eight members are Non-Executive Directors. The independent Non-Executive Directors are Fong Tshu Kwong @ Fong Tshun Kwong, Lai Yew Hock and Wong Ngie Yong. Therefore, the Group has met the Bursa Securities Listing Requirements which requires one third of the Board to be Independent Directors. Together, the Directors bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, law, business acumen, management and operations. For the financial year ended 31 December 2004, 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 15 of the Annual Report.

NOMINATION COMMITTEE

The Committee, formed on 16 May 2001, is responsible for recommending the right candidate with the necessary skills, experience and competencies to fill in the Board. The Committee is also responsible to systematically assess the effectiveness of the Board, its Committees and the performance of each individual Director annually. The members of the Nomination Committee are as follows:

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

The Committee met once during the financial year.



REMUNERATION COMMITTEE

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

The members of the Remuneration Committee are as follows:

Fong Tshu Kwong @ Fong Tshun Kwong	-	Chairman, Independent Non- Executive Director
Lai Yew Hock	-	Independent Non- Executive Director
Jamil Jamaludin	-	Non - Executive Director

The Committee met once during the financial year.

DIRECTORS' REMUNERATION

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

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

The aggregate and range of the Directors' remuneration for the Company for the financial year ended 31 December 2004 are as follows: -

Aggregate of remuneration	Directors	
	Executive RM'000	Non-Executive RM'000
Fees	24	192
Salaries	420	-
Bonus	192	-
Other Emoluments	59	20
Total	695	212

Range of remuneration	Number Of Directors	
	Executive	Non- Executive
0 to RM50,000	-	8
RM650,001 to RM700,000	1	-

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

RE - ELECTION OF DIRECTORS

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



SUPPLY OF INFORMATION TO BOARD MEMBERS

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

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

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

RELATIONS WITH 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 15 of the Annual Report.

COMPLIANCE WITH THE CODE

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

OTHER INFORMATION

Options warrants and convertible securities

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

Sanctions and/or penalties

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

Profit guarantee

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

Material contracts

Material contracts for the Group involving Directors either subsisting at the end of the financial year or entered into since the end of the previous financial year are disclosed in Note 28 to the financial statements under "Significant Related Party Transactions" on page 70 to 71.



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

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

Board Responsibility

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

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

Risk Management Framework

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

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

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

Other key components of internal control system

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

Board Meetings

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



Organizational structure with formally defined responsibility lines and delegation of authority

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

Performance Management framework

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

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

Operational policies and procedures

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

Weaknesses in internal control

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





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

1. NON-AUDIT FEES

The amount of non-audit fees paid in the financial year ended 31 December 2004 to SOP 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	9,350
KPMG	6,795
	<u>16,145</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 SOP Group since the end of the previous financial year up to 31 December 2004.

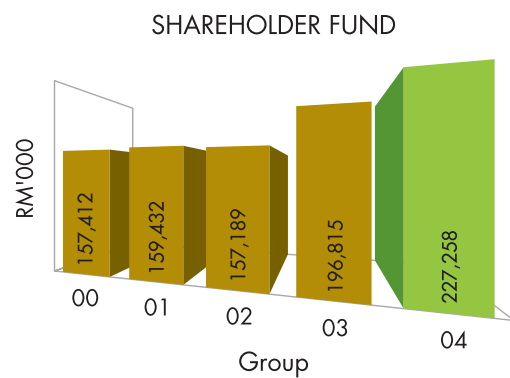
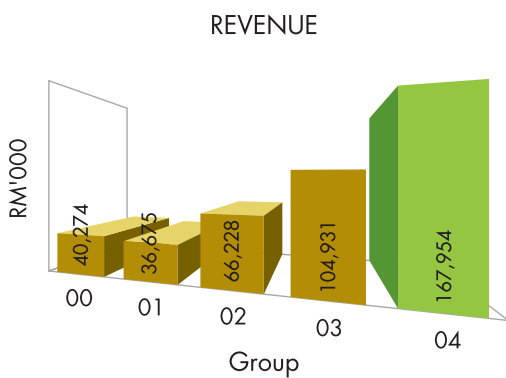
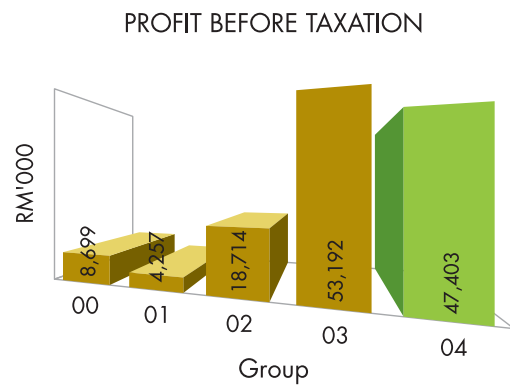
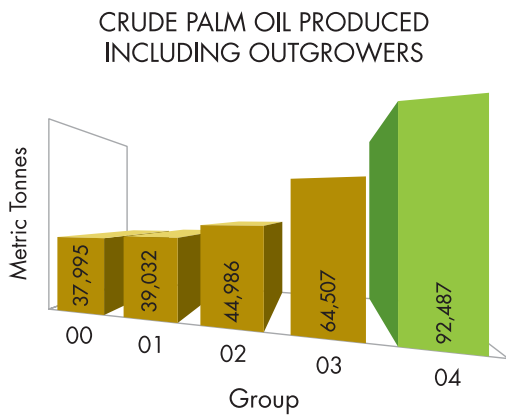
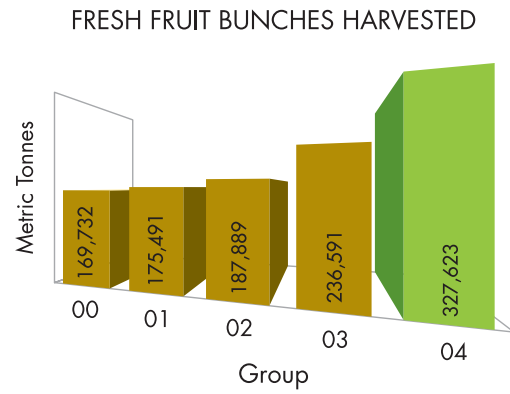
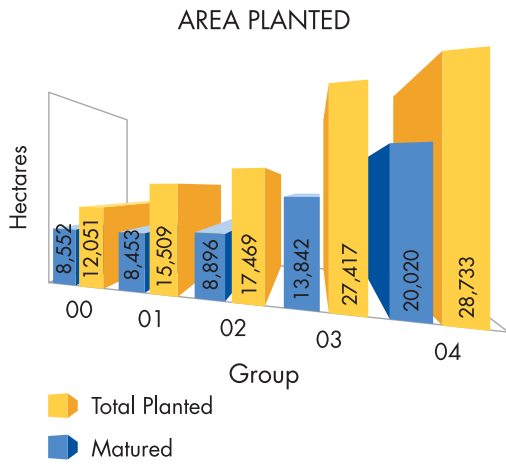
3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

The RRPTs entered into by SOPB Group during the financial year ended 31 December 2004 were as follows:-

Name of Transacting Party	Nature of Transaction	Related Party#	Year 2004 Actual (RM'000)
SOPB Group	Purchase of diesel and petrol to oil palm estates of SOPB Group from Shin Yang Services Sdn Bhd ("SY Services")	Datuk Ling Chiong Ho (1) Tang Tiong Ing (2) Ir. Gary Tan Yow Hoo (2)	2,545
SOPB Group	Purchase of lubricant, spare parts and tyres for the tractors and machinery from Shin Yang Trading Sdn Bhd ("SY Trading")	Datuk Ling Chiong Ho (1) Tang Tiong Ing (2)	247
SOPB Group	Provision of land clearing and development services by Shin Yang Sdn Bhd ("SYSB")	Datuk Ling Chiong Ho (1) Tang Tiong Ing (2) Ir. Gary Tan Yow Hoo (2)	2,736
SOPB Group	Purchase of gravel from Hollystone Quarry Sdn Bhd ("HQ")	Datuk Ling Chiong Ho (1) Tang Tiong Ing (2) Ir. Gary Tan Yow Hoo (2)	1,485
SOP Plantations (Borneo) Sdn Bhd	Interest charged by SYHSB for advances at a fixed rate of 5% per annum	Datuk Ling Chiong Ho (1) Tang Tiong Ing (2) Ir. Gary Tan Yow Hoo (2)	1,005
SOPB Group	Provision of maintenance services and supply of lubricants, spare parts and tyres for the tractors and machinery by Dai Lieng Trading Sdn Bhd ("DLT")	Datuk Ling Chiong Ho (1) Tang Tiong Ing (2) Ir. Gary Tan Yow Hoo (2)	991
SOPB Group	Purchase of fresh fruit bunches from Greenwood Estate Sdn Bhd ("GWE")	Datuk Ling Chiong Ho (1) Tang Tiong Ing (2) Ir. Gary Tan Yow Hoo (2)	1,206
SOPB Group	Purchase of fresh fruit bunches from Jati Vista Sdn Bhd ("JVS")	Datuk Ling Chiong Ho (1) Tang Tiong Ing (2) Ir. Gary Tan Yow Hoo (2)	1,092

Note

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





financial statement



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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 2004.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group	Company
	RM'000	RM'000
Profit after taxation	32,458	40,812
Loss attributable to minority interest	1,404	-
Net profit for the year	33,862	40,812

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

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

DIVIDEND

The amount of dividend paid by the Company since 31 December 2003 was as follows:

In respect of the financial year ended 31 December 2003 as reported in the Directors' report of that year	RM'000
	.
	.
First and final dividend of 5% less tax, paid on 28 July 2004	3,419

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004, of 5% less 28% taxation on 94,968,240 ordinary shares, amounting to a dividend payable of RM3,418,857 (3.6 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005.

DIRECTORS

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

Datuk Ling Chiong Ho
 Datu Haji Hamzah Haji Drahman
 Gerald Rentap Jabu
 Tang Tiong Ing
 Gary Tan Yow Hoo
 Fong Tshu Kwong @ Fong Tshun Kwong
 Lai Yew Hock
 Wong Ngie Yong
 Jamil Bin Jamaludin

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each			
	1 January 2004	Bought	Sold	31 December 2004
The Company	.	.	.	.
Direct interest	.	.	.	.
Datu Haji Hamzah Haji Drahman	5,000	-	-	5,000
Lai Yew Hock	10,000	-	-	10,000
Datuk Ling Chiong Ho	4,959,800	-	-	4,959,800
Tang Tiong Ing	5,000	-	-	5,000
Fong Tshu Kwong @ Fong Tshun Kwong	10,000	.	.	10,000
Deemed interest	.	.	.	.
Datuk Ling Chiong Ho	25,451,582	-	-	25,451,582

DIRECTORS' INTERESTS (Continued)

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

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

ISSUE OF SHARES

During the financial year, the Company increased its authorised share capital from RM110,100,000 to RM500,000,000 through the creation of 389,900,000 ordinary shares of RM1 each.

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 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 in respect of the Group or of the Company which has arisen since the end of the financial year.
- f) In the opinion of the Directors:
- i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and
 - ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

During the year, the Company entered into a joint-venture agreement with Sarawak Economic Development Corporation ("SEDC") to form a joint-venture company, SOP Karabungan Sdn. Bhd. ("SOP Karabungan"), for the development of the land located at Lot 15 Block 6, Niah Land District measuring approximately 2,023 hectares.

The Company will acquire 7,000,000 ordinary shares of RM1 each, representing 70% equity interest in SOP Karabungan for a cash consideration of RM7,000,000. SEDC will hold the balance of 3,000,000 ordinary shares in SOP Karabungan payable by way of the said land. Additionally, in conjunction with the acquisition of shares in SOP Karabungan, the Company will pay SEDC a sum of RM500,000. SOP Karabungan will pay via SEDC to the former joint venturer with SEDC RM1,504,046 and RM1,500,000 as refund of the land premium and compensation for development expenses incurred on the said land respectively.

AUDITORS

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

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

**FONG TSHU KWONG @
FONG TSHUN KWONG**

TANG TIONG ING

Miri, Malaysia
Date: 26 April 2005

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 73 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 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

**FONG TSHU KWONG @
FONG TSHUN KWONG**

TANG TIONG ING

Miri, Malaysia
Date: 26 April 2005

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 73 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
26 April 2005

WONG HEE KWONG

Before me,

DOMINIC LAI YEW HOCK
Commissioner For Oaths (No. Q 047)
Lot 2451, 1 st & 2 nd Floors,
Boulevard Commercial Centre
Jalan Miri-Pujut
98000 Miri, Sarawak

Report Of The Auditors To The Members Of Sarawak Oil Palms Berhad

We have audited the accompanying financial statements set out on pages 38 to 73. 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 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

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

Miri, Malaysia
Date: 26 April 2005

Income Statements For The Year Ended 31 December 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	3	167,954	104,931	163,106	103,337
Cost of sales		(105,259)	(59,732)	(93,221)	(57,148)
Gross profit		62,695	45,199	69,885	46,189
Gain on disposal of an associate		-	16,238	-	7,468
Other operating income		856	496	856	434
Administrative expenses		(989)	(567)	(556)	(329)
Other operating expenses		(146)	(147)	-	(25)
Distribution costs		(10,070)	(6,061)	(10,070)	(6,061)
Profit from operations	4	52,346	55,158	60,115	47,676
Finance costs, net	7	(4,943)	(1,966)	(1,606)	(890)
Profit before taxation		47,403	53,192	58,509	46,786
Taxation	8	(14,945)	(10,428)	(17,697)	(10,997)
Profit after taxation		32,458	42,764	40,812	35,789
Minority interests		1,404	281	-	-
Net profit for the year		33,862	43,045	40,812	35,789
Basic earnings per ordinary shares (sen)	9	35.7	45.3		
Dividend per ordinary shares - gross (sen)	10	5.0	5.0		

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

Balance Sheets As At 31 December 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	435,925	400,201	118,228	113,564
Investment in subsidiaries	12	-	-	84,337	83,737
Other investment	13	49	49	-	-
Amounts due from subsidiaries	14	-	-	39,800	30,700
Goodwill on consolidation	15	1,173	1,319	-	-
Deferred tax assets	25	4,491	1,739	-	-
		441,638	403,308	242,365	228,001
CURRENT ASSETS					
Inventories	16	13,564	9,180	9,085	5,520
Trade receivables	17	6,361	3,024	5,993	2,923
Other receivables	18	2,999	2,442	1,749	1,790
Amounts due from subsidiaries	14	-	-	41,564	37,492
Cash and bank balances	19	51,432	44,692	49,772	44,206
		74,356	59,338	108,163	91,931
CURRENT LIABILITIES					
Borrowings	20	37,806	23,318	29,543	18,974
Trade payables	21	23,983	18,739	7,553	5,559
Other payables	22	12,485	38,478	5,915	31,389
Taxation		3,511	3,306	3,511	3,306
		77,785	83,841	46,522	59,228
NET CURRENT (LIABILITIES)/ASSETS		(3,429)	(24,503)	61,641	32,703
		438,209	378,805	304,006	260,704

Balance Sheets As At 31 December 2004 (con't)

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
FINANCED BY:					
Share capital	23	94,968	94,968	94,968	94,968
Retained profits	24	132,290	101,847	141,903	104,510
Shareholders' equity		227,258	196,815	236,871	199,478
Minority interests		12,201	13,605	-	-
		239,459	210,420	236,871	199,478
NON-CURRENT LIABILITIES					
Borrowings	20	150,310	120,635	44,435	38,726
Other payables	22	21,903	21,413	-	-
Deferred tax liabilities	25	26,537	26,337	22,700	22,500
		198,750	168,385	67,135	61,226
		438,209	378,805	304,006	260,704

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

Statement Of Changes In Equity For The Year Ended 31 December 2004

	Share Capital RM'000	Retained Profits RM'000	Total RM'000
Group			
At 1 January 2003	94,968	62,221	157,189
Net profit for the year	-	43,045	43,045
Dividend – 2002 final (Note 10)	-	(3,419)	(3,419)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	94,968	101,847	196,815
Net profit for the year	-	33,862	33,862
Dividend – 2003 final (Note 10)	-	(3,419)	(3,419)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	94,968	132,290	227,258
Company			
At 1 January 2003	94,968	72,140	167,108
Net profit for the year	-	35,789	35,789
Dividend – 2002 final (Note 10)	-	(3,419)	(3,419)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	94,968	104,510	199,478
Net profit for the year	-	40,812	40,812
Dividend – 2003 final (Note 10)	-	(3,419)	(3,419)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	94,968	141,903	236,871

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

Cash Flow Statements For The Year Ended 31 December 2004

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	47,403	53,192	58,509	46,786
Adjustments for:				
Amortisation of goodwill	146	147	-	-
Depreciation and amortisation of property, plant and equipment	16,956	10,930	9,905	9,195
Dividend income	(1)	(1)	-	-
Gain on disposal of an associate	-	(16,238)	-	(7,468)
Loss on disposal of shares in subsidiaries	-	-	-	25
Gain on disposal of property, plant and equipment	(266)	(16)	(284)	(19)
Interest income	(1,168)	(1,003)	(1,168)	(1,000)
Interest expense	6,111	2,949	2,774	1,890
Inventories written off	-	1	-	-
Provision for doubtful debts	37	26	37	26
Operating profit before working capital changes	69,218	49,987	69,773	49,435
Increase in inventories	(4,384)	(1,253)	(3,565)	(2,116)
(Increase)/Decrease in receivables	(3,931)	86	(16,238)	(26,959)
Increase in payables	5,159	1,018	2,016	1,327
Cash generated from operations	66,062	49,838	51,986	21,687
Income taxes paid	(17,292)	(8,936)	(17,292)	(8,936)
Net cash from operating activities	48,770	40,902	34,694	12,751

Cash Flow Statements For The Year Ended 31 December 2004 (con't)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend received	1	1	-	-
Interest received	1,168	1,003	1,168	1,000
Purchase of property, plant and equipment (excluding loan interest and depreciation charge capitalised)	(49,459)	(41,146)	(14,541)	(8,150)
Proceeds from disposal of property, plant and equipment	1,360	549	582	202
Investment in subsidiaries	-	-	(600)	-
Net proceeds from disposal of associate	-	20,234	-	20,234
Net proceeds from disposal of shares in subsidiaries	-	-	-	173
Acquisition of subsidiary	(25,600)	(47,564)	(25,600)	(42,835)
Net cash used in investing activities	(72,530)	(66,923)	(38,991)	(29,376)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of loans	(15,722)	(40,428)	(11,722)	(7,700)
Proceeds from loans	57,591	88,825	28,000	41,800
Dividend paid	(3,419)	(3,419)	(3,419)	(3,419)
Interest paid	(10,244)	(6,567)	(2,996)	(1,829)
Repayment of hire purchase payables	-	(687)	-	-
Net cash from financing activities	28,206	37,724	9,863	28,852
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,446	11,703	5,566	12,227
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	44,348	32,645	44,206	31,979
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 19)	48,794	44,348	49,772	44,206

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 operation of palm oil mills. There have been no significant changes in the nature of the principal activities during the financial year.

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

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

The numbers of employees in the Group and the Company at the end of the financial year were 3,884 (2003: 3,112) and 1,715 (2003: 1,567) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 April 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia. During the financial year ended 31 December 2004, there are no new MASB standards which are applicable for adoption by the Group and the Company.

(b) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

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

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

(ii) Goodwill

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

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

(c) Investment in Subsidiaries

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

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

(d) Property, Plant and Equipment and Depreciation

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

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

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

All replanting expenditure is also capitalised in plantation development expenditure and amortised on the above-mentioned basis. Leasehold land is depreciated over the period of the respective leases. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset over the estimated useful life at the following annual rates:

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

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

Capital Work In Progress

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

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

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

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

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

(f) Cash and Cash Equivalents

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

(g) Income Tax

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

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

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

(h) Employee Benefits*Short Term Benefits*

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

Defined Contribution Plans

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

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

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

Revenue from sale of goods

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

(j) Impairment of Assets

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

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

(k) Financial Instruments

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

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

(i) Non-Current Investments

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

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

(ii) Trade Receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(iii) Trade Payables

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

(iv) Interest-Bearing Borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction 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 or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Company's borrowings that are outstanding during the year.

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

(v) Equity Instruments

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

3. REVENUE

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

4. PROFIT FROM OPERATIONS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
This is arrived at after crediting:				
Bad debts recovered	-	90	-	-
Gross dividend income from quoted shares	1	1	-	-
Gain on disposal of property, plant and equipment	266	16	284	19
Rental income from land and building	44	46	34	42
and after charging:				
Staff costs (Note 5)	23,030	16,734	15,203	13,805
Amortisation of goodwill	146	147	-	-
Audit fees				
- Current year	49	47	25	25
- Over provision in previous year	(1)	-	-	-
Depreciation (Note 11)	16,956	10,930	9,905	9,195
Incorporation fees	8	-	-	-
Inventories written off	-	1	-	-
Loss on disposal of shares in subsidiaries	-	-	-	25
Non-Executive Directors' fees	302	247	212	172
Provision for doubtful debts	37	26	37	26

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

5. STAFF COSTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Salaries and wages and other related expenses	28,074	21,138	14,535	13,224
EPF contributions	1,384	1,053	755	710
	29,458	22,191	15,290	13,934
Less: Amount capitalised in plantation development expenditure	(6,428)	(5,457)	(87)	(129)
	23,030	16,734	15,203	13,805

Included in staff costs of the Group and of the Company are the Executive Director's remuneration amounting to RM695,000 (2003: RM345,000) and RM695,000 (2003: RM342,000) respectively as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Directors of the Company				
Executive:				
Salary	420	240	420	240
Bonus	192	87	192	87
EPF	56	-	56	-
Fees	24	17	24	14
Board of Director meeting fees	3	1	3	1
	695	345	695	342
Non-executive:				
Fees	282	226	192	151
Board of Director meeting fees	20	21	20	21
	302	247	212	172
	997	592	907	514

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

	Number of Directors	
	2004	2003
Executive Directors:		
RM300,001 - RM350,000	-	1
RM650,001 - RM700,000	1	-
Non-Executive Directors:		
Below RM50,000	8	8

7. FINANCE COSTS, NET

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest expense	10,426	6,674	3,100	1,890
Interest income	(1,168)	(1,003)	(1,168)	(1,000)
	9,258	5,671	1,932	890
Less: Amount capitalised in plantation development expenditure	(4,315)	(3,705)	(326)	-
	4,943	1,966	1,606	890

8. TAXATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tax expense for the year:				
Based on profit for the year	17,304	10,855	17,304	10,855
Under/(Over) provision in prior year	193	(258)	193	(258)
	17,497	10,597	17,497	10,597
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	(2,943)	(169)	(177)	400
Under provision of deferred tax in previous year	391	-	377	-
	(2,552)	(169)	200	400
	14,945	10,428	17,697	10,997

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:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit before taxation	47,403	53,192	58,509	46,786
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	13,273	14,894	16,383	13,100
Expenses not deductible for tax purposes	1,091	197	744	94
Income not subject to tax	(82)	(4,558)	(81)	(2,091)
Tax incentives	-	(181)	-	(181)
Others	79	334	81	333
Under/(Over) provision in prior year	193	(258)	193	(258)
Under provision of deferred tax in previous year	391	-	377	-
	14,945	10,428	17,697	10,997

9. EARNINGS PER SHARE

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

	2004	2003
	RM'000	RM'000
Net profit for the year (RM'000)	33,862	43,045
Weighted average number of ordinary shares in issue ('000)	94,968	94,968
Basic earnings per share (sen)	35.7	45.3

10. DIVIDEND

	Group/Company	
	2004	2003
	RM'000	RM'000
Proposed dividend paid:		
First and final dividend of 5% (2003: 5%) less tax	3,419	3,419

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004, of 5% less 28% taxation on 94,968,240 ordinary shares, amounting to a dividend payable of RM3,418,857 (3.6 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005.

11. PROPERTY, PLANT AND EQUIPMENT

	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						
Cost						
At 1.1.2004	380,844	42,254	3,094	8,903	54,866	489,961
Additions	32,655	4,612	501	2,760	7,689	48,217
Disposals	(158)	-	-	(489)	(1,208)	(1,855)
At 31.12.2004	413,341	46,866	3,595	11,174	61,347	536,323
Representing:						
At cost	352,754	39,988	3,595	11,174	61,347	468,858
At valuation - 1991	60,587	6,878	-	-	-	67,465
	413,341	46,866	3,595	11,174	61,347	536,323
Accumulated Depreciation						
At 1.1.2004	35,872	19,253	2,145	5,142	29,638	92,050
Charge for the year	8,605	2,752	201	1,587	5,126	18,271
Disposals	(83)	-	-	(406)	(272)	(761)
At 31.12.2004	44,394	22,005	2,346	6,323	34,492	109,560

11. 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						
Net Book Value						
At 31.12.2004	368,947	24,861	1,249	4,851	26,855	426,763
Capital work-in-progress						
At 1.1.2004						2,290
Add: Additions						8,568
Less: Transferred to property, plant and equipment						(1,696)
At 31.12.2004						9,162
						435,925
At 31.12.2003	344,972	23,001	949	3,761	25,228	397,911
Capital work-in-progress						
At 1.1.2003						1,277
Acquisition of subsidiary						855
Add: Additions						3,842
Less: Transferred to property, plant and equipment						(3,684)
At 31.12.2003						2,290
						400,201
Depreciation charge for 2003	4,547	2,538	164	1,074	4,452	12,775

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP

*Leasehold Land and Plantation Development Expenditure

	Long Term Leasehold Land RM'000	Plantation Development Expenditure RM'000	Total RM'000
Cost			
At 1.1.2004	100,210	280,634	380,844
Additions	3,127	29,528	32,655
Disposals	(25)	(133)	(158)
At 31.12.2004	103,312	310,029	413,341
Accumulated Depreciation			
At 1.1.2004	6,127	29,745	35,872
Charge for the year	891	7,714	8,605
Reclassification	(453)	453	-
Disposals	(4)	(79)	(83)
At 31.12.2004	6,561	37,833	44,394
Net Book Value			
At 31.12.2004	96,751	272,196	368,947
At 31.12.2003	94,083	250,889	344,972
Depreciation charge for 2003	620	3,927	4,547

11. 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						
At 1.1.2004	102,198	37,128	2,530	6,853	46,053	194,762
Additions	1,925	4,326	252	2,473	2,834	11,810
Disposals	(158)	-	-	(112)	(382)	(652)
At 31.12.2004	103,965	41,454	2,782	9,214	48,505	205,920
Representing:						
At cost	43,378	34,576	2,782	9,214	48,505	138,455
At valuation - 1991	60,587	6,878	-	-	-	67,465
	103,965	41,454	2,782	9,214	48,505	205,920
Accumulated Depreciation						
At 1.1.2004	31,692	17,239	2,019	3,915	26,858	81,723
Charge for the year	3,261	1,724	126	1,274	3,635	10,020
Disposals	(83)	-	-	(111)	(160)	(354)
At 31.12.2004	34,870	18,963	2,145	5,078	30,333	91,389

11. 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						
Net Book Value						
At 31.12.2004	69,095	22,491	637	4,136	18,172	114,531
Capital work-in-progress						
At 1.1.2004						525
Add: Additions						3,923
Less: Transferred to property, plant and equipment						(751)
At 31.12.2004						3,697
						118,228
At 31.12.2003	70,506	19,889	511	2,938	19,195	113,039
Capital work-in-progress						
At 1.1.2003						1,099
Add: Additions						1,779
Less: Transferred to property, plant and equipment						(2,353)
At 31.12.2003						525
						113,564
Depreciation charge for 2003	3,011	1,837	124	804	3,626	9,402

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

*Leasehold Land and Plantation Development Expenditure

	Long Term Leasehold Land RM'000	Plantation Development Expenditure RM'000	Total RM'000
Cost			
At 1.1.2004	26,669	75,529	102,198
Additions	-	1,925	1,925
Disposals	(25)	(133)	(158)
At 31.12.2004	26,644	77,321	103,965
Accumulated Depreciation			
At 1.1.2004	4,412	27,280	31,692
Reclassification	(453)	453	-
Charge for the year	487	2,774	3,261
Disposals	(4)	(79)	(83)
At 31.12.2004	4,442	30,428	34,870
Net Book Value			
At 31.12.2004	22,202	46,893	69,095
At 31.12.2003	22,257	48,249	70,506
Depreciation charge for 2003	310	2,701	3,011

Current year changes to plantation development expenditure include:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Depreciation	1,315	1,845	115	207
Loan interest	4,315	3,705	326	-
Hire of heavy equipment	11	90	-	53

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Average rate of interest capitalised per annum	5.60	4.62	5.75	-

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income statement (Note 4)	16,956	10,930	9,905	9,195
Plantation development expenditure	1,315	1,845	115	207
	<u>18,271</u>	<u>12,775</u>	<u>10,020</u>	<u>9,402</u>

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

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

	Group/Company	
	2004 RM'000	2003 RM'000
Long term leasehold land and Plantation development expenditure	<u>16,286</u>	<u>17,262</u>

The leasehold land of the Group and the Company amounting to RM23,659,000 (2003: RM24,052,000) and RM6,548,000 (2003: RM6,622,000) respectively have been charged as security for borrowings as referred to in Note 20.

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares at cost	<u>84,337</u>	<u>83,737</u>

12. INVESTMENT IN SUBSIDIARIES (Continued)

Acquisition of subsidiary:

On 23 June 2003, the Group acquired 85% equity interest in SOP Plantations (Borneo) Sdn. Bhd. (Formerly known as Shin Yang Oil Palm Sdn. Bhd.) for a cash consideration of RM63,600,000.

The Group also acquired the entire issued and paid-up cumulative preference shares of SOP Plantations (Borneo) Sdn. Bhd. (Formerly known as Shin Yang Oil Palm Sdn. Bhd.) for a purchase consideration of RM4,250,000.

The acquisition had the following effects on the Group's financial results for the year:

	2004 RM'000	2003 RM'000
Revenue	-	3,224
Operating cost	-	(3,806)
Net loss	-	(582)

The acquisition had the following effects on the financial position of the Group:

	2004 RM'000	2003 RM'000
Property, plant and equipment	-	61,144
Plantation development expenditure	-	95,847
Other investment	-	49
Goodwill on consolidation	-	1,319
Inventories	-	2,403
Trade and other receivables	-	213
Cash and bank balances	-	7
Bank overdraft	-	(344)
Trade and other payables	-	(43,794)
Term loans	-	(35,408)
Deferred taxation	-	(2,764)
Minority interest	-	(11,171)
Group's share of net assets	-	67,501

12. INVESTMENT IN SUBSIDIARIES (Continued)

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiary was as follows:

	31.12.2004	23.6.2003
	RM'000	RM'000
Net Assets Acquired		
Property, plant and equipment	-	50,389
Plantation development expenditure	-	95,846
Other investment	-	49
Inventories	-	2,219
Trade and other receivables	-	195
Tax recoverable	-	1
Cash and bank balances	-	8
Trade and other payables	-	(29,544)
Bank overdraft	-	(4,737)
Hire purchase payables	-	(687)
Term loans	-	(32,712)
Preference shares	-	(4,250)
Deferred tax liabilities	-	(2,990)
	-	-
Fair value of total net assets	-	73,787
Less: Minority interest	-	(11,068)
	-	-
Group's share of net assets	-	62,719
Goodwill on acquisition (Note 15)	-	1,466
	-	-
Total consideration	-	64,185
	-	-
Net cash outflow arising on acquisitions:		
Total purchase consideration	-	63,600
Expenses directly attributable to the acquisition	-	585
	-	-
	-	64,185
Acquisition of preference shares in subsidiary	-	4,250
	-	-
	-	68,435
Less: Consideration payable	-	(25,600)
	-	-
	-	42,835
Add: Cash and cash equivalents of subsidiary acquired	-	4,729
	-	-
Net cash outflow on acquisition	-	47,564

12. INVESTMENT IN SUBSIDIARIES (Continued)

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

Name of subsidiaries	Equity Interest Held (%)		Principal activities
	2004	2003	
Ebal Plantation Sdn. Bhd.	100	50	Inactive
SOP Karabungan Sdn. Bhd.	100	-	Cultivation of oil palms
SOP Plantations (Balingian) Sdn. Bhd.*	80	80	Cultivation of oil palms
SOP Plantations (Niah) Sdn. Bhd.*	80	80	Cultivation of oil palms
SOP Plantations (Suai) Sdn. Bhd.*	85	85	Cultivation of oil palms
SOP Plantations (Sarawak) Sdn. Bhd.	100	100	Investment holding
SOP Plantations (Borneo) Sdn. Bhd.	85	85	Cultivation of oil palms

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

13. OTHER INVESTMENT

	Group	
	2004 RM'000	2003 RM'000
Shares quoted in Malaysia, at cost	86	86
Less: Accumulated impairment losses	(37)	(37)
	<hr/>	<hr/>
	49	49
	<hr/>	<hr/>
Market value of quoted shares	38	50
	<hr/>	<hr/>

14. AMOUNTS DUE FROM SUBSIDIARIES

Included in the amounts due from subsidiaries are RM11,900,000 (2003: RM11,900,000), being advance which bears interest ranging from 4.38% - 4.40% (2003: 4.40% - 4.75%) per annum.

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

15. GOODWILL ON CONSOLIDATION

	Group	
	2004 RM'000	2003 RM'000
At 1 January	1,466	-
Arising from acquisition of subsidiary	-	1,466
	1,466	1,466
Less: Accumulated amortisation	(293)	(147)
At 31 December	1,173	1,319

16. INVENTORIES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At cost:				
Processed inventories (crude palm oil and palm kernel)	5,305	2,871	5,305	2,871
Stores and spares	6,604	4,685	3,519	2,490
Nursery inventories	1,632	1,560	238	95
Compost plant	23	64	23	64
	13,564	9,180	9,085	5,520

17. TRADE RECEIVABLES

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

18. OTHER RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sundry receivables	2,210	2,195	1,057	1,567
Less: Provision for bad and doubtful debts	(37)	(26)	(37)	(26)
	2,173	2,169	1,020	1,541
Deposits	540	22	540	22
Prepayments	285	250	189	227
Tax recoverable	1	1	-	-
	2,999	2,442	1,749	1,790

18. OTHER RECEIVABLES (Continued)

Included in sundry receivables are unsecured amounts of RM129,000 (2003: RM198,000) and RM122,000 (2003:RM162,000) due from staff of the Group and the Company respectively. These amounts bear interest at 6% (2003: 6.00%) per annum and are repayable in accordance with agreed repayment schedules.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Fixed deposits with licensed banks	45,135	40,575	45,135	40,575
Cash on hand and at bank	6,297	4,117	4,637	3,631
Cash and bank balances	51,432	44,692	49,772	44,206
Bank overdraft – secured (Note 20)	(2,638)	(344)	-	-
	48,794	44,348	49,772	44,206

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

	Interest Rates		Maturities Days	
	2004 %	2003 %	2004	2003
Licensed banks	2.25 - 3.00	2.60 - 3.00	30 - 90	30 - 90

20. BORROWINGS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Short Term Borrowings				
Secured:				
Bank overdraft (Note 19)	2,638	344	-	-
Revolving credit	6,000	1,000	6,000	1,000
Term loans	9,825	4,350	4,200	350
	18,463	5,694	10,200	1,350
Unsecured:				
Revolving credits	13,900	14,900	13,900	14,900
Term loans	5,443	2,724	5,443	2,724
	19,343	17,624	19,343	17,624
	37,806	23,318	29,543	18,974

20. BORROWINGS (Continued)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Long Term Borrowings				
Secured:				
Term loans	141,675	106,559	35,800	24,650
Unsecured:				
Term loans	8,635	14,076	8,635	14,076
	150,310	120,635	44,435	38,726
Total Borrowings				
Bank overdraft (Note 19)	2,638	344	-	-
Revolving credits	19,900	15,900	19,900	15,900
Term loans	165,578	127,709	54,078	41,800
	188,116	143,953	73,978	57,700
Maturity of borrowings:				
Within one year	37,806	23,318	29,543	18,974
More than 1 year and less than 2 years	21,293	15,273	10,543	9,648
More than 2 years and less than 5 years	105,617	83,987	29,142	29,078
5 years or more	23,400	21,375	4,750	-
	188,116	143,953	73,978	57,700

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

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Overdraft	7.25	7.25	-	-
Revolving credits	4.40 - 4.75	4.40 - 4.75	4.40 - 4.75	4.40 - 4.75
Term loans:				
fixed rates	5.85 - 6.75	5.85 - 6.75	5.85	5.85
floating rates	5.10 - 5.75	5.00 - 7.25	5.75	5.75

The bank borrowings are secured by the following:

- A first registered charge (first party) of RM20,000,000 over the Company's properties described as Lot 135, 136 and 139 all of Suai Land District, Lot 52 Sawai Land District and Lot 3 Block 15 Sawai Land District;
- A second registered charge (first party) of RM40,000,000 over the same properties as described in (a) above; and
- A third registered charge (first party) of RM18,500,000 over the same properties as described in (a) above.

21. TRADE PAYABLES

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

Included in trade payables of the Group and the Company are amounts of RM12,275,000 (2003: RM5,396,000) and RM442,000 (2003: Nil) respectively due to companies in which a Director has substantial financial interests.

22. OTHER PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current:				
Retention sums payable to contractors	167	626	167	626
Staff remuneration payable	943	861	943	862
Deposit	7	63	7	63
Land premium payable	1,929	-	-	-
Sundry payable and accruals	9,439	36,928	4,798	29,838
	12,485	38,478	5,915	31,389
Non-current:				
Land premium payable	1,903	1,413	-	-
Sundry payables and accruals	20,000	20,000	-	-
	21,903	21,413	-	-
	34,388	59,891	5,915	31,389

Included in sundry payables of the Group is amounts of RM85,000 (2003: RM25,954,000) due to a company in which a Director has substantial financial interest.

Included in sundry payables of the Company was amounts of RM25,600,000 in 2003 due to a company in which a Director has substantial financial interest.

The long term payable of the Group is an amount due to a company in which a Director of the Company has substantial interest. This amount bears interest at 5% (2003: 5%) per annum or at the prevailing commercial interest rate, whichever is lower and is unsecured. The loan is repayable by three annual instalments of RM6,700,000, RM6,700,000 and RM6,600,000 respectively commencing on 23 June 2005.

23. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2004 '000	2003 '000	2004 RM'000	2003 RM'000
Authorised:				
At 1 January	110,100	110,100	110,100	110,100
Created during the year	389,900	-	389,900	-
At 31 December	500,000	110,100	500,000	110,100
Issued and fully paid	94,968	94,968	94,968	94,968

During the financial year, the Company increased its authorised share capital from RM110,100,000 to RM500,000,000 through the creation of 389,900,000 ordinary shares of RM1 each.

24. RETAINED PROFITS

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2004.

25. DEFERRED TAX

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At 1 January	24,598	21,777	22,500	22,100
Acquisition of subsidiary	-	2,990	-	-
Recognised in the income statement (Note 8)	(2,552)	(169)	200	400
At 31 December	22,046	24,598	22,700	22,500
Presented after appropriate offsetting as follows:				
Deferred tax assets	(4,491)	(1,739)	-	-
Deferred tax liabilities	26,537	26,337	22,700	22,500
	22,046	24,598	22,700	22,500

25. 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 2004	7,267	64,357	71,624
Recognised in the income statement	(75)	6,472	6,397
At 31 December 2004	7,192	70,829	78,021
At 1 January 2003	3,478	39,451	42,929
Acquisition of subsidiary	3,837	13,960	17,797
Recognised in the income statement	(48)	10,946	10,898
At 31 December 2003	7,267	64,357	71,624

Deferred Tax Assets of the Group:

	Unabsorbed Losses RM'000	Unabsorbed Capital Allowances and Agriculture Allowances RM'000	Total RM'000
At 1 January 2004	10,878	36,148	47,026
Recognised in the income statement	3,061	5,888	8,949
At 31 December 2004	13,939	42,036	55,975
At 1 January 2003	4,027	17,125	21,152
Acquisition of subsidiary	4,584	10,223	14,807
Recognised in the income statement	2,267	8,800	11,067
At 31 December 2003	10,878	36,148	47,026

25. DEFERRED TAX (Continued)

Deferred Tax Liabilities of the Company:

	Revaluation of Leasehold Land RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 January 2004	3,430	19,070	22,500
Recognised in the income statement	(75)	275	200
At 31 December 2004	3,355	19,345	22,700
At 1 January 2003	3,478	18,622	22,100
Recognised in the income statement	(48)	448	400
At 31 December 2003	3,430	19,070	22,500

26. CAPITAL COMMITMENTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Capital expenditure:				
Approved and contracted for:				
Property, plant and equipment	16,065	6,092	10,224	2,624
Approved but not contracted for:				
Plantation development expenditure	32,847	33,883	943	1,611
Property, plant and equipment	64,663	22,227	45,815	11,522
	113,575	62,202	56,982	15,757

27. CONTINGENT LIABILITIES

	Company	
	2004 RM'000	2003 RM'000
Unsecured		
Corporate guarantees given to banks for credit facilities granted to: Subsidiaries	65,500	50,500

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2004 RM'000	2003 RM'000
Significant transactions with subsidiaries		
Purchase of fresh fruit bunches from subsidiaries	17,897	4,679
Sale of seedlings to subsidiaries	(82)	(72)
Sale of compost fertilizer to subsidiaries	(287)	-
Sale of property, plant and equipment to subsidiaries	(239)	(201)
Purchase of property, plant and equipment from subsidiaries	479	99
Non-trade transaction:		
Interest recharged to subsidiaries*	545	435

* Interest on the revolving credits of RM11,900,000 (2003: RM11,900,000) obtained by the Company and on-lent to the subsidiaries is recharged to the latter.

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
a) Transactions with companies owned substantially by a Director, Datuk Ling Chiong Ho				
Purchase of spare parts and consumables from:				
Dai Lieng Machinery Sdn. Bhd.	163	74	26	3
Dai Lieng Trading Sdn. Bhd.	117	-	2	24
Hollystone Quarry Sdn. Bhd.	1,485	555	650	238
Perkerjaan Piasau Konkerit Sdn. Bhd.	3	8	3	8
Shin Yang Sawmill Sdn. Bhd.	288	188	80	4
Shin Yang Sdn. Bhd.	2,736	4,095	-	-
Shin Yang Services Sdn. Bhd.	2,545	1,444	1,468	1,240
Shin Yang Trading Sdn. Bhd.	247	238	187	214
Scott and English Trading (Sarawak) Sdn. Bhd.	58	322	10	288

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Property, plant and equipment bought from:				
Dai Lieng Machinery Sdn. Bhd.	428	-	308	-
Dai Lieng Trading Sdn. Bhd.	874	775	409	214
Piasau Slipways Sdn. Bhd.	-	137	-	-
Scott and English Trading (Sarawak) Sdn. Bhd.	8	-	-	-
Shin Yang Holding Sdn. Bhd.	931	-	931	-
Shin Yang Sdn. Bhd.	1,031	-	1,031	-
Shin Yang Trading Sdn. Bhd.	930	-	930	-
Tung Yuen Tugboat Sdn. Bhd.	930	-	930	-
Interest charged by Shin Yang Holding Sendirian Berhad	1,003	504	-	-
Purchase of fresh fruit bunches from:				
Green Wood Estate Sdn. Bhd.	1,206	496	1,206	496
Jati Vista Sdn. Bhd.	1,092	34	1,092	34
SOP Plantations (Borneo) Sdn. Bhd.	-	1,340	-	1,340
Purchase of transportation charges from:				
Melinau Transport Sdn. Bhd.	63	-	2	-
Miri Belait Transport Company Berhad	7	-	7	-
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.	116	77	116	77

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 related parties.

29. OTHER SIGNIFICANT EVENTS

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

Titles of seven provisional land leases were issued in previous year for Lot 157, Suai Land District; Lots 931 and 932, Niah Land District; and Lots 73, 74, 75 and 77 Sawai Land District. The titles of Lot 76 and Lot 78, Sawai Land District have yet to be issued due to land disputes and claims from local natives. To date, there is no development on these two parcels of land.

A suit was filed by five individuals who claimed to have native customary rights over Lot 78, Sawai Land District, Sarawak, in which the Superintendent of Lands and Surveys, Sarawak, the State Government of Sarawak, and the Company, were named as defendants. The reliefs sought by the plaintiffs include a declaration that the plaintiffs have native customary rights over the land and an order to cancel the alienation of the said land. The trial date has been fixed on 26 May 2005.

On 27 April 2004, a suit was filed by sixteen individuals who claimed to have native customary right over Lot 931, Niah Land District to totalling 1,054 hectares. The Company has filed a reply to dismiss the claim and the hearing was fixed on 17 January 2005 and subsequently rescheduled to 16 May 2005.

On 14 May 2004, the Company has obtained an order from High Court to recover possession of Lot 931 from six individuals who are also members of the sixteen individuals mentioned above.

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 December 2004. 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.

30. FINANCIAL INSTRUMENTS (Continued)**(c) Liquidity Risk**

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

(d) Credit Risks

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

(e) Fair Values

The fair value of financial asset which is not carried at fair value on the balance sheet of the Company as at 31 December 2004 is represented as follows:

	Note	Carrying Amount RM'000	Fair Value RM'000
Financial Asset			
Amounts due from subsidiaries	14	81,364	*

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

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

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

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

(ii) Borrowings

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

31. FINANCIAL INFORMATION BY SEGMENT

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

	Group				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
RESULTS					
Turnover	40,274	36,675	66,228	104,931	167,954
Profit before taxation	8,699	4,257	18,714	53,192	47,403
Profit after taxation	5,338	2,020	14,204	43,045	33,862
Total Shareholders' Fund	157,412	159,432	157,189	196,815	227,258
Total assets	198,329	216,053	268,632	462,646	515,994
Total borrowing	11,330	29,200	62,500	143,953	188,116
Issued & paid -up capital	94,968	94,968	94,968	94,968	94,968
Dividend (Net of tax)	3,419	3,419	2,051	3,419	3,419
FINANCIAL STATISTICS					
Profit before taxation / turnover (%)	21.6	11.6	28.3	50.7	28.2
Gross Dividend (sen / share)	5.0	5.0	3.0	5.0	5.0
Net Earnings per share of RM 1 each (sen)	5.6	2.1	15.0	45.3	35.7
Net tangible assets of RM 1 each (RM)	1.65	1.68	1.66	2.07	2.38

Five Years Crop Record

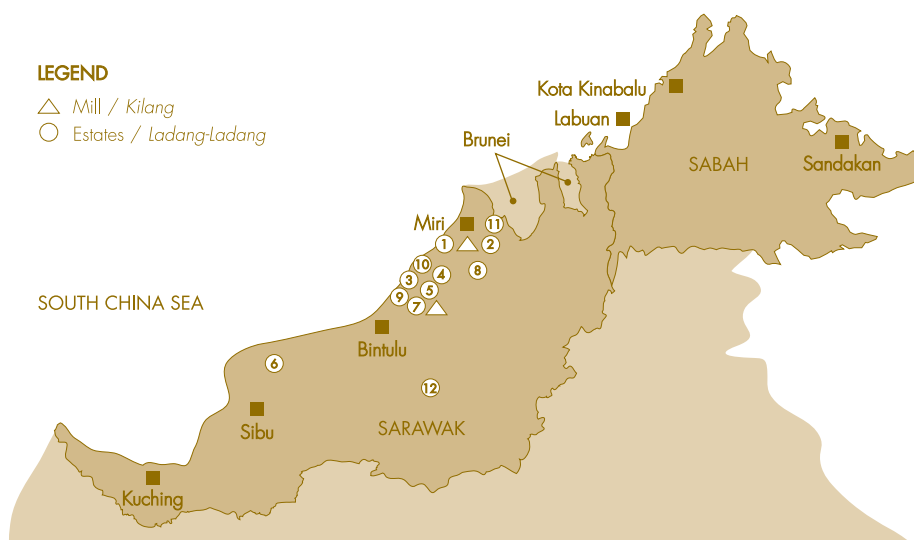
PLANTED HECTARAGE, PRODUCTION AND PRODUCE PRICES

	2000	2001	2002	2003	2004
	Ha.	Ha.	Ha.	Ha.	Ha.
OIL PALMS					
Mature	8,552	8,453	8,896	13,842	20,020
Immature	3,499	7,056	8,573	13,575	8,713
Total	12,051	15,509	17,469	27,417	28,733
Reserves, Unplanted, Building sites, etc	14,399	10,941	8,981	12,921	14,942
Total Area Under Lease	26,450	26,450	26,450	40,338	43,675
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
FFB CROP					
Estate Crop	169,732	175,491	187,889	236,591	327,623
Outside Crop	3,072	7,186	16,236	63,543	120,404
	172,804	182,677	204,125	300,134	448,027
Crude Palm Oil	37,995	39,032	44,986	64,507	92,487
Palm Kernels	9,567	10,185	11,068	14,361	18,740
YIELD PER HECTARE					
Tonnes FFB / Mature palms	19.85	20.76	21.12	20.28	17.33
Crude Palm Oil / FFB	22.02%	21.4%	22.08%	21.94%	21.59%
Palm Kernels / FFB	5.55%	5.59%	5.43%	4.88%	4.38%
AVERAGE PRICES					
FOB Bintulu / Miri					
Crude Palm Oil	906	823	1,327	1,494	1,593
Palm Kernels	548	377	610	707	1,018

Properties Of The Group As At 31 December 2004

Location of Property Sarawak	Tenure	Year of Expiry	Size Hectares	Description	Net Book Value As At 31 Dec 2004 (RM Million)	Age of Building (Years)
1. Kebuloh Estate, Miri	Leasehold 87 to 97 years	2067	1,841	Oil Palm Estate & Oil Mill	93,379	1 to 34
2. Luak Estate, Miri	Leasehold 87 to 97 years	2067	2,785	Oil Palm Estate		
3. Telabit Estate, Miri	Leasehold 99 years	2085	2,762	Oil Palm Estate		
4. Pinang Estate, Miri	Leasehold 99 years	2090	1,482	Oil Palm Estate		
5. Galasah Estate, Miri	Leasehold 99 years	2084	1,907	Oil Palm Estate		
6. Balingian Estate 1, Balingian	Leasehold 60 years	2057	1,669	Land under Oil Palm Development	49,284	1 to 6
Balingian Estate 2, Balingian	Leasehold 60 years	2059	2,368	Land for Oil Palm Development		
7. Sengah/Tibus Estate, Miri*	Leasehold 60 years	2063-2064	2,725	Land for Oil Palm Development	20,257	1 to 7
8. Lamaus Estate, Miri*	Leasehold 60 years	2063-2064	3,911	Land under Oil Palm Development		
9. Suai Estate, Miri	Leasehold 60 years	2064	3,337	Land for Oil Palm Development		
10. Niah Estate, Miri	Leasehold 60 years	2059	5,000	Land under Oil Palm Development	63,859	1 to 6
11. Taniku Estate, Miri	Leasehold 60 years	2058	4,858	Land under Oil Palm Development		
12. Sepakau Estate, Belaga	Leasehold 60 years	2059	9,030	Land under Oil Palm Development	92,752	1 to 7

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



Shareholdings Statistics As At 31 December 2004

SHARE CAPITAL

Authorised	:	500,000,000 Ordinary Shares of RM1.00 each
Issued and Fully Paid	:	94,968,240 Ordinary Shares of RM1.00 each
Voting Rights	:	One Vote Per Share

BREAKDOWN OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 1,000	767	13.64	192,987	
1,000 - 10,000	4,479	79.63	11,228,201	
10,001 - 100,000	348	6.19	8,694,400	
100,001 to less than 5% of issued shares	27	0.48	16,462,412	17.33
5% and above of issued shares	4	0.07	58,390,240	61.48
Total	5,625	100.00	94,968,240	100.00

Substantial Shareholders

	No. of Shares Held	% of Issued Capital
1. Pelita Holdings Sdn. Bhd.	24,334,458	25.62
2. AMMB Nominees (Tempatan) Sdn. Bhd. AM International (L) Ltd for Shin Yang Plantation Sdn. Bhd.	25,451,582	26.80
3. HSBC Nominees (Asing) Sdn. Bhd. HPBS SG for Perra Group Ltd	5,346,000	5.63
4. Datuk Ling Chiong Ho	4,959,800	5.22

Directors' Interests In Shares

Size of Holdings	Direct Interest		Deemed Interest	
	No. of shares	% of Issued capital	No. of shares	% of Issued capital
In the company				
Datuk Ling Chiong Ho	4,959,800	5.22	25,451,582	26.80
Datu Haji Hamzah Haji Drahman	5,000	*	-	-
Tang Tiong Ing	5,000	*	-	-
Fong Tshu Kwong @ Fong Tshun Kwong	10,000	0.01	-	-
Lai Yew Hock	10,000	0.01	-	-

* negligible

Thirty Largest Shareholders

Name	No. of Shares	%
1. Pelita Holdings Sdn. Bhd.	24,334,458	25.62
2. AMMB Nominees (Tempatan) Sdn. Bhd. AM International (L) Ltd. For Shin Yang Plantation Sdn. Bhd.	23,749,982	25.01
3. HSBC Nominees (Asing) Sdn. Bhd. HPBS SG for Perra Group Ltd	5,346,000	5.63
4. Datuk Ling Chiong Ho	4,959,800	5.22
5. Vision Classic Holdings Limited	4,371,900	4.60
6. HSBC Nominees (Asing) Sdn. Bhd. HSBC Trustee SG Ltd for Millionasia Properties Limited	1,873,000	1.97
7. Shin Yang Plantation Sdn. Bhd.	1,701,600	1.79
8. HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	1,538,800	1.62
9. Pekan Megah Sdn. Bhd.	1,278,200	1.35
10. Citicorp Nominees (Asing) Sdn. Bhd. MLPFS for Shea Kin Kwok	923,400	0.97
11. Ki Yien Ping	475,000	0.50
12. HDM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for LSM Enterprises Sdn. Bhd.	422,000	0.44
13. Menteri Kewangan Malaysia Section 29 (SICDA)	375,412	0.40
14. Wong Ing Yung	321,000	0.34
15. Citicorp Nominees (Asing) Sdn. Bhd. MLPFS for Shea Kin Kwok	316,000	0.33
16. AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pheim Asset Management Sdn. Bhd. for Employees Provident Fund	310,000	0.33
17. HLG Nominee (Asing) Sdn. Bhd. UOB Kay Hian Pte Ltd for Quek Leng Chye	240,000	0.25
18. Ling Pien Huoi @ Ling Beng Hui	236,800	0.25
19. Adinamaju Sdn. Bhd.	225,200	0.24
20. HDM Nominees (Asing) Sdn. Bhd. Kim Eng Securities Pte. Ltd. For Global Bridge Venture Ltd.	220,000	0.23
21. Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Ing Kee (E-BTR)	200,000	0.21
22. Eng Nominees (Asing) Sdn. Bhd. Kim Eng Securities Pte. Ltd. For Tan How Nguang	180,000	0.19
23. Eow Cheng Siew	179,400	0.19
24. Ha Diong Ing	165,000	0.17
25. Lee Yoke Wan	150,000	0.16
26. HSBC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for LHG Holdings Sdn. Bhd	145,000	0.15
27. Bee San Lim Sdn. Bhd.	145,000	0.15
28. Ling Chiong Pin	125,000	0.13
29. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account For LHG Holdings Sdn Bhd	124,000	0.13
30. Ang Hioh	110,700	0.12

Form Of Proxy

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 attend and vote for * me/us and on * my/our behalf at the Thirty-Seventh Annual General Meeting of the Company, to be held at the Sarawak Oil Palms Berhad, No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak on the 25th day of June 2005 at 10.00 a.m. and, at every adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Annual General Meeting as indicated with an "X" in the appropriate spaces.

NO.	RESOLUTIONS	FOR	AGAINST
1.	Adoption of Annual Accounts and Reports of the Directors and Auditors		
2.	Declaration of Final Dividend		
3.	Approval of Directors' fees		
4.	Re-election of retiring directors:- Fong Tshu Kwong @ Fong Tshun Kwong Lai Yew Hock Wong Ngie Yong		
5.	Appointment of Auditors		
6.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature		

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

Dated this day of 2005

.....
 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 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.
 - 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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