



**INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016**  
(The figures have not been audited)  
**Condensed Consolidated Statement of Financial Position as at 30 June 2016**

	Note	30 June 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	A1	1,168,600	1,170,276
Plantation development expenditure	A1	548,873	556,008
Land held for property development		6,764	6,764
Land use rights	A1	4,854	4,902
Investment in associate		11,530	10,081
Intangible assets		5,182	5,182
Deferred tax assets		69,158	64,307
		<u>1,814,961</u>	<u>1,817,520</u>
<b>Current Assets</b>			
Inventories		238,249	289,011
Property development costs		53,085	49,412
Trade and other receivables		303,388	422,717
Derivatives financial assets		5,215	11,017
Cash and bank balances		439,581	440,736
		<u>1,039,518</u>	<u>1,212,893</u>
<b>TOTAL ASSETS</b>		<u>2,854,479</u>	<u>3,030,413</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		441,791	441,307
Share premium		17,123	16,724
Employee share option reserve		7,509	6,191
Other reserves		5,024	1,613
Retained earnings		996,473	937,949
		<u>1,467,920</u>	<u>1,403,784</u>
<b>Non-controlling interests</b>		<u>88,583</u>	<u>96,084</u>
<b>Total equity</b>		<u>1,556,503</u>	<u>1,499,868</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Financial Position as at 30 June 2016**

	<b>Note</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		122,128	124,775
Loans and borrowings	B8	392,068	402,454
Government grant		12,564	12,174
Derivative financial liabilities	B9	104	90
		<u>526,864</u>	<u>539,493</u>
<b>Current liabilities</b>			
Loans and borrowings	B8	503,316	699,395
Trade and other payables		267,796	277,287
Derivative financial liabilities	B9	-	14,370
		<u>771,112</u>	<u>991,052</u>
<b>Total liabilities</b>		<u>1,297,976</u>	<u>1,530,545</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,854,479</u>	<u>3,030,413</u>
Net assets per share attributable to owners of the Company (RM)		3.32	3.18

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Comprehensive Income  
For the Six-Months Period Ended 30 June 2016**

		INDIVIDUAL QUARTER 3 months ended 30 June		CUMULATIVE QUARTER 6 months ended 30 June	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Continuing Operations</b>					
Revenue		953,597	764,582	1,989,306	1,395,455
Operating expenses		(901,103)	(731,206)	(1,914,563)	(1,340,586)
Other operating income/(expenses)		6,493	5,385	26,450	3,408
Administrative expenses		(5,500)	(4,672)	(8,432)	(5,916)
Finance costs		(9,763)	(9,528)	(18,699)	(19,009)
Share of results of an associate, net of tax		897	23	2,187	(779)
<b>Profit before tax</b>		<u>44,621</u>	<u>24,584</u>	<u>76,249</u>	<u>32,573</u>
Taxation	B6	(9,691)	(6,127)	(17,336)	(8,959)
<b>Profit for the period</b>		<u><u>34,930</u></u>	<u><u>18,457</u></u>	<u><u>58,913</u></u>	<u><u>23,614</u></u>
<b>Other comprehensive income:</b>					
Net changes in fair value of derivatives	B9	10	116	10	(12)
Foreign exchange translation differences for foreign operations		4,855	164	3,401	279
<b>Other comprehensive income for the period, net of tax</b>		<u>4,865</u>	<u>280</u>	<u>3,411</u>	<u>267</u>
<b>Total comprehensive income for the period</b>		<u><u>39,795</u></u>	<u><u>18,737</u></u>	<u><u>62,324</u></u>	<u><u>23,881</u></u>
<b>Profit attributable to:</b>					
Owners of the Company		33,560	17,073	58,592	22,523
Non-controlling interests		1,370	1,384	321	1,091
		<u>34,930</u>	<u>18,457</u>	<u>58,913</u>	<u>23,614</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		38,425	17,353	62,003	22,790
Non-controlling interests		1,370	1,384	321	1,091
		<u>39,795</u>	<u>18,737</u>	<u>62,324</u>	<u>23,881</u>
<b>Earning per share attributable to Owners of the Company (Sen):</b>					
Basic	B12	<u>7.60</u>	<u>3.88</u>	<u>13.26</u>	<u>5.12</u>
Diluted	B12	<u>7.48</u>	<u>3.85</u>	<u>13.17</u>	<u>5.09</u>

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Changes in Equity  
For the Six-Months Period Ended 30 June 2016**

Equity Attributable to Owners of the Company

	Equity, total RM'000	Equity attributable to owners of the Company total RM'000	Share capital RM'000	Share premium RM'000	Non- Distributable	Distributable		
					Employee share option reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Non- controlling interests RM'000
<b>At 1 January 2016</b>	1,499,868	1,403,784	441,307	16,724	6,191	1,613	937,949	96,084
<b>Total comprehensive income for the period</b>	62,324	62,003	-	-	-	3,411	58,592	321
<b>Transactions with owners</b>								
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	-	-	484	(484)	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	2,201	2,201	-	-	2,201	-	-	-
Exercise of ESOS	-	-	-	883	(883)	-	-	-
Dividend paid to non-controlling interests	(8,040)	-	-	-	-	-	-	(8,040)
Disposal of interest in a subsidiary	150	(68)	-	-	-	-	(68)	218
<b>At 30 June 2016</b>	<u>1,556,503</u>	<u>1,459,880</u>	<u>441,791</u>	<u>17,123</u>	<u>7,509</u>	<u>5,024</u>	<u>996,473</u>	<u>88,583</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Changes in Equity  
For the Six-Months Period Ended 30 June 2016**

Equity Attributable to Owners of the Company

	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Non- Distributable	Distributable		
					Employee share option reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Non – controlling interests RM'000
<b>At 1 January 2015</b>	1,428,906	1,330,724	439,498	14,656	5,206	(130)	871,494	98,182
<b>Total comprehensive income for the period</b>	93,646	90,195	-	-	-	1,743	88,452	3,451
<b>Transactions with owners</b>								
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	2,609	2,609	1,809	800	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	2,253	2,253	-	-	2,253	-	-	-
Exercise of ESOS	-	-	-	1,268	(1,268)	-	-	-
Dividends to owners of the Company	(21,997)	(21,997)	-	-	-	-	(21,997)	-
Dividend paid to non-controlling interests	(5,549)	-	-	-	-	-	-	(5,549)
<b>At 31 December 2015</b>	<u>1,499,868</u>	<u>1,403,784</u>	<u>441,307</u>	<u>16,724</u>	<u>6,191</u>	<u>1,613</u>	<u>937,949</u>	<u>96,084</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunctions with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Cash Flow Statement  
For the Six-Months Period Ended 30 June 2016**

	Note	30 June 2016 RM'000	30 June 2015 RM'000
<b>Operating activities</b>			
<b>Profit before tax</b>		76,249	32,573
Adjustments for non-cash flow items:			
Depreciation and amortisation		53,359	51,562
Employee expenses under ESOS		1,089	1,052
Gain on disposal of property, plant and equipment		(728)	(26)
Property, plant and equipment written off		150	81
Finance income		(6,300)	(5,624)
Finance costs		18,699	19,009
Unrealised losses/(gains) on foreign exchange		4,100	(4,367)
Unrealised gains on futures		(4,616)	-
Fair value changes on derivative financial instruments		(4,660)	(6,663)
Share of results of an associate		(2,187)	(779)
<b>Operating profit before working capital changes</b>		135,155	86,818
Decrease in inventories		46,552	20,505
Decrease/(Increase) in trade and other receivables		100,475	(96,186)
Decrease in trade and other payables		(6,105)	(82,519)
<b>Cash generated from/(used in) operations</b>		276,077	(71,382)
Tax paid		(14,476)	(29,637)
<b>Net cash flows from/(used in) operating activities</b>		261,601	(101,019)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(38,189)	(15,606)
Increase in plantation development expenditure		(6,278)	(3,039)
Increase in land held for property development		-	(6,160)
Proceeds from disposals of property, plant and equipment		708	8
Interest received		6,300	5,624
Subscription of shares in associate company		-	(1,350)
Disposal of interest in a subsidiary		150	-
<b>Net cash used in investing activities</b>		(37,309)	(20,523)

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Cash Flow Statement  
For the Six-Months Period Ended 30 June 2016**

	Note	30 June 2016 RM'000	30 June 2015 RM'000
<b>Cash flows from financing activities</b>			
Net changes in trade facilities		(144,278)	144,023
Proceeds from loans and borrowings		1,768	44,194
Proceeds from issuance of share capital		883	846
Dividend paid		(8,040)	(5,550)
Government grant received		7,551	4,251
Repayment of hire purchase		(4,484)	(6,526)
Repayment of loans and borrowings		(57,958)	(61,938)
Interest paid		(19,280)	(19,166)
<b>Net cash (used in)/from financing activities</b>		<u>(223,838)</u>	<u>100,134</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		454	(21,408)
<b>Cash and cash equivalents at beginning of the financial period</b>		437,236	487,929
Effect of exchange rate changes on cash and cash equivalents		1,891	4,935
<b>Cash and cash equivalents at end of financial period</b>		<u>439,581</u>	<u>471,456</u>
Cash and cash equivalents at the end of the financial period comprised the following:			
Short term deposits with licensed banks		261,005	278,216
Cash in hand and at banks		178,576	193,240
Cash and bank balances		<u>439,581</u>	<u>471,456</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to this report)



**Explanatory Notes To The Interim Report – 30 June 2016**

**A. FRS (Financial Reporting Standards) 134 – Paragraph 16**

**A1. Accounting policies**

The interim financial statements have been prepared under the historical cost convention except for the revaluation of leasehold land.

The interim financial statements of the Group are audited and have been prepared in accordance with the requirements of FRS 134 – Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the last audited financial statements for the financial year ended 31 December 2015.

The Company has applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board effective for annual periods beginning on 1 January 2016:-

Amendments to FRS 2: Share-based Payment (Improvements 2012 Cycle)

FRS 3: Business Combinations

Amendments to FRS 3: Business Combinations (Improvements 2010-2012 Cycle)

Amendments to FRS 3: Business Combinations (Improvements 2011-2013 Cycle)

Amendments to FRS 8: Operating Segments (Improvements 2010-2012)

Amendments to FRS 10: Investment Entities

Amendments to FRS 12: Investment Entities

Amendments to FRS 13: Fair Value Measurement (Improvements 2011-2013)

Amendments to FRS 116: Property, Plant and Equipment (Improvements 2010-2012 Cycle)

Amendments to FRS 119: Defined Benefit Plans: Employee Contributions

Amendments to FRS 124: Related Party Disclosure (Improvements 2010-2012)

Amendments to FRS 127: Separate Financial Statements: Investment Entities

Amendments to FRS 132: Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 136: Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

Amendments to FRS 138: Intangible Assets (Improvements 2010-2012)

Amendments to FRS 139: Financial Instruments: Recognition and Measurement: Novation of Derivatives and continuation of Hedge Accounting

Amendments to FRS 140: Investment Property (Improvements 2011-2013)

IC Interpretation 21, Levies





## **Explanatory Notes To The Interim Report – 30 June 2016**

### **Malaysian Financial Reporting Standards (MFRS Framework)**

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”).

The MFRS Framework is to be applied by all Entities other than Private Entities for financial year beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (“MFRS 141”) and IC Interpretation 15 Agreements for Construction of Real Estate (“IC 15”), including its parent, significant investor and venture (herein called ‘Transitioning Entities’).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards framework until the MFRS Framework is mandated by the MASB. According to an announcement made by the MASB on 28 October 2015, all Transitioning Entities shall adopt the MFRS framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS framework in its first MFRS financial statements for the financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

**A2. Disclosure of audit report qualification and status of matters raised**

There were no qualifications in the audit report on the preceding annual financial statements.

**A3. Seasonality or cyclicity of interim operations**

The Group's performance is subjected to the cropping pattern of the palms.

**A4. Unusual Items affecting assets, liabilities, equity, net income, or cash flow**

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual in nature, size, or incidence during the interim period under review.

**A5. Material changes in estimates**

There were no changes in estimates of amounts reported in prior interim periods or changes in estimates of amounts reported in prior financial years, which have a material effect in the current interim period.

**A6. Debt and Equity Securities**

There were no issuance, cancellations, repurchases, resale or repayment of debt and equity securities during the current quarter other than the listing and quotation of 484,120 shares exercised under the Employees' Share Options Scheme.

**A7. Dividends paid**

In respect for financial period ended 30 June 2016, the Company has paid RM22,089,541 on 22 July 2016, being the first and final single tier dividend of 5% declared for the financial year ended 31 December 2015 and duly approved during Annual General Meeting held on 24 June 2016.



**Explanatory Notes To The Interim Report – 30 June 2016**

**A8. Segment Information**

Segment information is presented in respect of the Group's reportable segments which are based on the Group's management and internal reporting structure.

**Period to date ended 30 June 2016**

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	3,653,878	3,016	(1,667,588)	1,989,306
Less: Inter-segment revenue	(1,667,588)	-	(1,667,588)	-
Revenue from external customers	1,986,290	3,016	-	1,989,306
Finance income	6,277	23	-	6,300
Finance costs	(27,213)	-	8,514	(18,699)
Depreciation and amortisation	(51,910)	(275)	(1,174)	(53,359)
Share of results of associates	-	-	2,187	2,187
Profit before taxation for financial period	131,294	133	(54,489)	76,249

**Period to date ended 30 June 2015**

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	2,044,887	3,043	(652,475)	1,395,455
Less: Inter-segment revenue	(652,475)	-	(652,475)	-
Revenue from external customers	1,392,412	3,043	-	1,395,455
Finance income	5,596	28	-	5,624
Finance costs	(22,583)	(61)	3,636	(19,008)
Depreciation and amortisation	(49,912)	(161)	(1,490)	(51,563)
Share of results of associates	-	-	(779)	(779)
Profit before taxation for financial period	69,525	131	(37,083)	32,573



**Explanatory Notes To The Interim Report – 30 June 2016**

**A9. Valuation of property, plant and equipment**

There were no amendments in the valuations of property, plant and equipment brought forward from previous annual financial statements.

**A10. Material events subsequent to the end of the interim period**

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

**A11. Changes in the composition of the Group**

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiary companies and long-term investments, restructurings, and discontinued operations for the current interim period except for the following:

- (i) Incorporation of Asia Oil Pte Ltd (formerly known as Asia Pte Ltd) on 3<sup>rd</sup> June 2016 with a paid up ordinary share capital of USD100,000. The company is held under SOP Edible Oils Sdn Bhd, a wholly owned subsidiary of SOP Industries Sdn Bhd, which is wholly owned by Sarawak Oil Palms Berhad;
- (ii) Incorporation of Investments Pte Ltd on 3<sup>rd</sup> June 2016 with a paid up share capital of SGD100,000 held under Sarawak Oils Palms Berhad; and
- (iii) Disposal of 30% ordinary shares of Subur Asiamas Sdn Bhd for RM150,000 on 23<sup>rd</sup> June 2016.

**A12. Changes in contingent liabilities and contingent assets**

There were no contingent liabilities or contingent assets as at 30 June 2016 except corporate guarantees of RM553.8 million favouring the banks in respect of banking facilities granted to the subsidiaries. The contingent liabilities of RM257.8 million represents the outstanding banking facilities of the subsidiaries with corporate guarantee at the end of the reporting period.

**A13. Capital Commitments**

The amount of commitments for the purchase of property, plant and equipment and for plantation development expenditure not provided for in the financial statements as at 30 June 2016 is as follows:-

	<b>30 June 2016</b>
	<b>RM'000</b>
Property, plant and equipment	
Authorised but not contracted	59,859
Contracted but not provided in the financial statements	24,494
	<u>84,353</u>
 Plantation Development Expenditure	
Authorised but not contracted	<u>20,195</u>



**Explanatory Notes To The Interim Report – 30 June 2016**

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

**B1. Review of Performance**

**2<sup>nd</sup> Quarter FY2016 (“Q2FY2016”) vs 2<sup>nd</sup> Quarter FY2015 (“Q2FY2015”)**

The Group registered a total revenue of RM953.6 million for Q2FY2016 compared with RM764.6 million reported in Q2FY2015, representing an increase of 24.7%.

Profit before tax for the quarter was RM44.6 million against RM24.6 million for corresponding quarter last year. Increase in profit before tax was mainly attributed to favourable average palm products realised price and fair value gain on outstanding derivatives contracts.

**Current Year To Date (“2QFY2016”) vs Preceding Year To Date (“2QFY2015”)**

The Group registered a total revenue of RM1,989.3 million for the six months ended 30 June 2016 against RM1,395.5 million reported in the corresponding period year 2015, representing an increase of 42.6%.

Group profit before tax for the period ended 30 June 2016 was RM76.2 million against RM32.6 million achieved during the corresponding period year 2015. The increase in profit before tax was mainly due to the higher sales volume and favourable palm products average realised prices.

**B2. Variation of Results to Preceding quarter**

**2<sup>nd</sup> Quarter FY2016 (“Q2FY2016”) vs 1<sup>st</sup> Quarter FY2016 (“Q1FY2016”)**

The Group posted total revenue of RM953.6 million in Q2FY2016 compared with RM1,035.7 million reported in Q1FY2016.

The Group reported a profit before tax of RM44.6 million compared with RM31.6 million reported in Q1FY2016. The increase of profit was mainly attributed to average palm products realised price improvement in spite of lower volume of palm products sold. For the quarter under review, simple average palm products realised prices against last quarter were as below:-

	<b>Q2FY 2016</b>	<b>Q1FY 2016</b>
Palm Oil Products (RM/mt)	2,608	2,251
Palm Kernel Products (RM/mt)	2,637	2,117

**B3. Prospect**

The performance of the Group would continue to be driven by the palm products price movement which is dependent on the world edible oil market, movement of Ringgit Malaysia and economic situation.

**B4. Variance of actual profit from forecast profit**

The disclosure requirement for explanatory notes for the variance of actual profit after tax and non-controlling interest and forecast profit after tax and non-controlling interests and for the shortfall in profit guarantee are not applicable.



**Explanatory Notes To The Interim Report – 30 June 2016**

**B5. Profit before tax**

Profit before tax is arrived at after charging/(crediting):-

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	26,439	26,070	53,359	51,562
Property, plant and equipment written off	143	-	150	81
Gain on disposal of property, plant and equipment	(518)	(26)	(728)	(26)
Finance income	(4,253)	(2,379)	(6,300)	(5,624)
Finance costs	9,763	9,528	18,699	19,009

**B6. Taxation**

Current tax expenses	14,547	7,095	24,834	14,054
Deferred tax	(4,856)	(968)	(7,498)	(5,095)
	9,691	6,127	17,336	8,959
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	3	37	3	(4)

The Group's effective tax rate is lower than the prevailing corporate tax rate of 24% due mainly to consolidation of tax expenses from foreign subsidiaries which carry lower tax rate.

**B7. Status of corporate proposal announced**

Sarawak Oil Palms Berhad (“the Company”) has on 4<sup>th</sup> July 2016 entered into a conditional share sale agreement (“SSA”) with Shin Yang Holding Sdn Bhd (“SYHSB”) to acquire the entire equity interest in the issued and paid-up share capital of Shin Yang Oil Palms (Sarawak) Sdn Bhd (“SYOP”) from SYHSB and assume the inter-company balances owing by SYOP to Shin Yang Forestry Sdn Bhd, a separate wholly owned subsidiary of SYHSB, all for a total cash consideration of RM873.01 million. The main assets of SYOP comprise of a palm oil mill with processing capacity of 60 TPH and land bank measuring approximately 47,000 hectares in Sarawak, of which approximately 23,798 hectares have been fully planted with oil palms and approximately 6,772 hectares are suitable for oil palm cultivation.

In conjunction with the proposed acquisition, the Company intends to undertake a proposed renounceable rights issue of up to 127.76 million rights shares, on the basis of two (2) rights shares for every seven (7) existing SOPB shares held on the entitlement date.

The Company and SYHSB are currently working towards the fulfilments of conditions precedent within six (6) months from the date of the SSA. Subject to the relevant approvals being obtained and fulfilment of the conditions precedent of the SSA, SOPB will, upon the completion of SSA, hold the entire equity interest of SYOP free from all encumbrances, liens, charges and with all rights accruing to the SYOP shares.



**Explanatory Notes To The Interim Report – 30 June 2016**

**B8. Borrowing and debt securities**

	Denominated in RM RM'000	Denominated in USD* RM'000	30 June 2016 RM'000
Current			
Secured	414,964	10,886	425,850
Unsecured	77,466	-	77,466
Non-current			
Secured	319,497	-	319,497
Unsecured	72,571	-	72,571
<b>Total</b>	<b>884,498</b>	<b>10,886</b>	<b>895,384</b>

\*USD2.71 million equivalent

**B9. Derivatives financial instruments**

(a) The outstanding interest rate swap (IRS) contracts as at 30 June 2016 are as follows:-

(i) Interest rate swap - designated as hedging

	Contract/Notional Value (Million)					Fair Value Gain / (Loss) (RM'000)			
	Base Currency	<1 year	1 year to 3 years	More than 3 years	Total	<1 year	1 year to 3 years	More than 3 years	Total
Interest rate swap	RM	6	15	-	21	(36)	(104)	-	(140)

The Group uses IRS to manage part of its exposure to interest rate movements on its bank borrowings by swapping a proportion of its borrowings from floating rates to fixed rates and is designated as cash flow hedges. The fair value of IRS is measured at the present value of future cash flows estimated and discounted based on quoted interest rates. The IRS would reduce the group's cash flow exposure resulting from interest rate fluctuation. It satisfies the criteria for cash flow hedges and accordingly hedge accounting is applied.

(ii) Interest rate swap - fair value to profit or loss

	Contract/Notional Value (Million)					Fair Value Gain / (Loss) (RM'000)			
	Base Currency	<1 year	1 year to 3 years	More than 3 years	Total	<1 year	1 year to 3 years	More than 3 years	Total
Interest rate swap	RM	5	15	-	20	(144)	-	-	(144)

Interest rate swap does not qualify for cash flow hedges is measured at its fair value to profit or loss at the end of each reporting date.



**Explanatory Notes To The Interim Report – 30 June 2016**

**B9. Derivatives financial instruments (Continued)**

(b) The outstanding forward currency contracts as at 30 June 2016 are as follows:-

	Contract/Notional Value (Million)					Fair Value Gain / (Loss) (RM'000)			
	Base Currency	<1 year	1 year to 3 years	More than 3 years	Total	<1 year	1 year to 3 years	More than 3 years	Total
Forward currency contracts	USD	52	-	-	52	4,804	-	-	4,804

The Company uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivative do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group sales and purchases denominated in foreign currency for which firm commitments existed at the reporting date.

**B10. Changes in material litigation**

On 30 September 2010, SOP Plantations (Borneo) Sdn Bhd, a subsidiary of the Company had been served with a Writ of Summons (“**the Writ**”) in the High Court of Sabah and Sarawak at Bintulu under Suit No. 21-06-2010(BTU) (“**Douglas Ding Suit**”) wherein it was named as the fifth (5th) defendant along with other defendants which include Government of Sarawak, Director of Forests, Superintendent of Land & Surveys, Kapit and Pusaka KTS Forests Plantation Sdn Bhd.

The High Court has made a judgment on 8 August 2014, and the area affected is insignificant and has no significant impact to the Company.

On 3 September 2014, the plaintiff appealed against the judgment of the High Court on 8 August 2014 and similarly, the Company had filed a cross appeal against the same judgment on 4 November 2014.

Subsequently, the native residents of a nearby settlement of Uma Long Bangan, i.e. Uma Kahei, Long Mekero, applied to the Court of Appeal to be added as a party (as respondents) to the same appeal filed by the Plaintiff which was allowed by the Court of Appeal on 20 April 2016. In response, the Plaintiff filed a motion for leave to appeal to the Federal Court against the said Court of Appeal’s decision made on 20 April 2016.

The Plaintiff/NCR Claimants of Uma Long Bangan have also recently filed an application to the Court of Appeal, seeking a stay of their appeal against the High Court’s decision of 8 August 2014, until the disposal of the abovesaid motion for leave to appeal to the Federal Court (against the Court of Appeal’s decision of 20 April 2016).

On 18 August 2016, the Court of Appeal had granted Douglas Ding Jangan and the residents of Uma Long Bangan a stay of hearing of their appeal pending the disposal of their motion for leave to appeal to the Federal Court.



**Explanatory Notes To The Interim Report – 30 June 2016**

**B11. Dividends**

First and final single tier dividend in respect of the financial year ended 31 December 2015, of 5% on 441,790,829 ordinary shares, amounting to a dividend payable of RM22,089,541 (5.00 sen per ordinary share) has been approved by shareholders during Annual General Meeting held on 24 June 2016.

**B12. Earnings per share**

*Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to owners of the Company holders of the parent divided by the weighted average number of ordinary shares of RM1 each in issue during the period.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	33,560	17,073	58,592	22,523
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Weighted average number of Ordinary shares in issue	441,640	439,798	441,791	439,673
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Basic earning per share	7.60	3.88	13.26	5.12





**Explanatory Notes To The Interim Report – 30 June 2016**

*Diluted earnings per share*

The diluted earning per share is based on the profit attributable to owners of the Company divided by the weighted average number of ordinary shares of RM1 each in issue during the period.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	33,560	17,073	58,592	22,523

  

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Weighted average number of Ordinary shares in issue	448,487	443,042	444,859	442,917

  

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Diluted earning per share	7.48	3.85	13.17	5.09

**B13. Authorised for Issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 29 August 2016.

*By Order of the Board*  
Eric Kiu Kwong Seng  
Company Secretary

Miri  
**29 August 2016**