



INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position as at 30 September 2016

	Note	30 September 2016 RM'000	31 December 2015 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	1,158,853	1,170,276
Plantation development expenditure	A1	546,874	556,008
Land held for property development		6,765	6,764
Land use rights	A1	4,831	4,902
Investment in associate		10,918	10,081
Intangible assets		5,182	5,182
Deferred tax assets		70,164	64,307
		<u>1,803,587</u>	<u>1,817,520</u>
Current Assets			
Inventories		241,921	289,011
Property development costs		54,185	49,412
Trade and other receivables		338,227	422,717
Derivatives financial assets		-	11,017
Cash and bank balances		560,492	440,736
		<u>1,194,825</u>	<u>1,212,893</u>
TOTAL ASSETS		<u>2,998,412</u>	<u>3,030,413</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		442,467	441,307
Share premium		20,506	16,724
Employee share option reserve		5,116	6,191
Other reserves		1,185	1,613
Retained earnings		1,011,875	937,949
		<u>1,481,149</u>	<u>1,403,784</u>
Non-controlling interests		<u>93,641</u>	<u>96,084</u>
Total equity		<u>1,574,790</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 September 2016

	Note	30 September 2016 RM'000	31 December 2015 RM'000
Non-current liabilities			
Deferred tax liabilities		126,497	124,775
Loans and borrowings	B8	399,825	402,454
Government grant		12,565	12,174
Derivative financial liabilities	B9	144	90
		<u>539,031</u>	<u>539,493</u>
Current liabilities			
Loans and borrowings	B8	581,768	699,395
Trade and other payables		297,872	277,287
Derivative financial liabilities	B9	4,951	14,370
		<u>884,591</u>	<u>991,052</u>
Total liabilities		<u>1,423,622</u>	<u>1,530,545</u>
TOTAL EQUITY AND LIABILITIES		<u>2,998,412</u>	<u>3,030,413</u>
Net assets per share attributable to owners of the Company (RM)		3.35	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 Nine-Months Period Ended 30 September 2016**

	Note	INDIVIDUAL QUARTER 3 months ended 30 September		CUMULATIVE QUARTER 9 months ended 30 September	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing Operations					
Revenue		1,134,731	886,306	3,124,037	2,340,328
Operating expenses		(1,045,484)	(809,568)	(2,960,047)	(2,208,721)
Other operating income/(expenses)		(7,202)	(33,630)	19,248	(30,222)
Administrative expenses		(6,623)	(3,404)	(15,055)	(9,320)
Finance costs		(13,446)	(12,064)	(32,145)	(31,073)
Share of results of an associate, net of tax		(612)	893	1,575	114
Profit before tax		61,364	28,533	137,613	61,106
Taxation	B6	(18,515)	(8,517)	(35,851)	(17,476)
Profit for the period		42,849	20,016	101,762	43,630
Other comprehensive income:					
Net changes in fair value of derivatives	B9	(42)	17	(32)	5
Foreign exchange translation differences for foreign operations		(3,797)	913	(396)	1,192
Other comprehensive income for the period, net of tax		(3,839)	930	(428)	1,197
Total comprehensive income for the period		39,010	20,946	101,334	44,827
Profit attributable to:					
Owners of the Company		37,491	18,342	96,083	40,865
Non-controlling interests		5,358	1,674	5,679	2,765
		42,849	20,016	101,762	43,630
Total comprehensive income attributable to:					
Owners of the Company		33,652	19,272	95,655	42,062
Non-controlling interests		5,358	1,674	5,679	2,765
		39,010	20,946	101,334	44,827
Earning per share attributable to Owners of the Company (Sen):					
Basic	B12	8.48	4.17	21.76	9.29
Diluted	B12	8.38	6.08	21.62	9.23

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 Nine-Months Period Ended 30 September 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 reserve RM'000	Retained earnings RM'000	Non- controlling interests RM'000
At 1 January 2016	1,499,868	1,403,784	441,307	16,724	6,191	1,613	937,949	96,084
Total comprehensive income for the period	101,334	95,655	-	-	-	(428)	96,083	5,679
Transactions with owners								
Dividend paid to non-controlling interests	(8,340)	-	-	-	-	-	-	(8,340)
Dividends on ordinary shares	(22,089)	(22,089)	-	-	-	-	(22,089)	-
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	1,860	1,860	1,160	700	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	2,007	2,007	-	-	2,007	-	-	-
Exercise of ESOS	-	-	-	3,082	(3,082)	-	-	-
Disposal of interest in a subsidiary	150	(68)	-	-	-	-	(68)	218
At 31 September 2016	<u>1,574,790</u>	<u>1,481,149</u>	<u>442,467</u>	<u>20,506</u>	<u>5,116</u>	<u>1,185</u>	<u>1,011,875</u>	<u>93,641</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 Statement of Changes in Equity
For the Nine-Months Period Ended 30 September 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
At 1 January 2015	1,428,906	1,330,724	439,498	14,656	5,206	(130)	871,494	98,182
Total comprehensive income for the period	93,646	90,195	-	-	-	1,743	88,452	3,451
Transactions with owners								
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)
At 31 December 2015	<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 Nine-Months Period Ended 30 September 2016**

	Note	30 September 2016 RM'000	30 September 2015 RM'000
Operating activities			
Profit before tax		137,613	61,106
Adjustments for non-cash flow items:			
Depreciation and amortisation		79,489	75,692
Employee expenses under ESOS		1,662	1,690
(Gain)/loss on disposal of property, plant and equipment		(487)	13
Property, plant and equipment written off		389	108
Finance income		(9,332)	(8,182)
Finance costs		32,145	31,073
Unrealised losses on foreign exchange		2,601	7,175
Unrealised gains/(loss) on futures		(2,335)	3,531
Fair value changes on derivative financial instruments		1,308	(3,186)
Share of results of an associate		(1,575)	(114)
Operating profit before working capital changes		241,478	168,906
Decrease in inventories		46,654	(22,995)
Decrease/(Increase) in trade and other receivables		98,116	(107,753)
Decrease in trade and other payables		(2,629)	(47,118)
Cash generated from/(used in) operations		383,619	(8,960)
Tax paid		(27,169)	(44,831)
Net cash flows from/(used in) operating activities		356,450	(53,791)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(48,214)	(56,759)
Increase in plantation development expenditure		(10,457)	(5,406)
Increase in property development cost		(4,777)	(8,366)
Proceeds from disposals of property, plant and equipment		883	53
Interest received		9,332	8,182
Dividend received		739	-
Subscription of shares in associate company		(1)	(1,350)
Disposal of interest in a subsidiary		150	-
Net cash used in investing activities		(52,345)	(63,646)

(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 Nine-Months Period Ended 30 September 2016

	Note	30 September	30 September
		2016	2015
		RM'000	RM'000
Cash flows from financing activities			
Net changes in trade facilities		(43,863)	117,643
Proceeds from loans and borrowings		1,768	49,910
Proceeds from issuance of share capital		1,862	981
Dividend paid		(30,430)	(27,548)
Government grant received		391	5,014
Repayment of hire purchase		(5,399)	(8,570)
Repayment of loans and borrowings		(73,735)	(67,163)
Interest paid		(33,170)	(31,012)
Net cash (used in)/from financing activities		(182,576)	39,255
Net increase/(decrease) in cash and cash equivalents		121,529	(78,182)
Cash and cash equivalents at beginning of the financial period		437,236	487,929
Effect of exchange rate changes on cash and cash equivalents		1,727	3,161
Cash and cash equivalents at end of financial period		560,492	412,908
Cash and cash equivalents at the end of the financial period comprised the following:			
Short term deposits with licensed banks		297,820	254,145
Cash in hand and at banks		262,672	158,763
Cash and bank balances		560,492	412,908

(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 September 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 September 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 676,600 shares exercised under the Employees’ Share Options Scheme.

A7. Dividends paid

In respect for financial period ended 30 September 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 September 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 September 2016

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	5,206,443	2,986	(2,085,392)	3,124,037
Less: Inter-segment revenue	(2,085,392)	-	2,085,392	-
Revenue from external customers	3,121,051	2,986	-	3,124,037
Finance income	9,309	23	-	9,332
Finance costs	(41,163)	-	9,019	(32,145)
Depreciation and amortisation	(77,481)	(286)	(1,722)	(79,489)
Share of results of associates	-	-	1,575	1,575
Profit before taxation for financial period	231,133	(551)	(92,969)	137,613

Period to date ended 30 September 2015

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	3,945,418	4,564	(1,609,654)	2,340,328
Less: Inter-segment revenue	(1,609,654)	-	1,609,654	-
Revenue from external customers	2,335,764	4,564	-	2,340,328
Finance income	8,140	42	-	8,182
Finance costs	(43,404)	(61)	12,392	(31,073)
Depreciation and amortisation	(73,377)	(249)	(2,066)	(75,692)
Share of results of associates	-	-	114	114
Profit before taxation for financial period	95,898	500	(35,292)	61,106



Explanatory Notes To The Interim Report – 30 September 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) Subscribed 45,000 ordinary shares of Sinar Asiamas Sdn Bhd representing 45% equity interest for RM45,000 on 18 August 2016. Upon the acquisition of 45,000 ordinary shares of Sinar Asiamas Sdn Bhd, Sinar Asiamas Sdn Bhd has become associate company of Sarawak Oil Palms Berhad;
- (ii) Subscribed 1,500 ordinary shares of Wawasan Asiamaju Sdn Bhd representing 1.5% equity interest for RM1,500 on 9 September 2016 by SOP Properties Sdn Bhd, a wholly-owned subsidiary of Sarawak Oil Palms Berhad. Upon the acquisition of 1,500 ordinary shares of Wawasan Asiamaju Sdn Bhd, SOP Properties has owned 51% of the equity interest in Wawasan Asiamaju Sdn Bhd.

A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 30 September 2016 except corporate guarantees of RM553.8 million favouring the banks in respect of banking facilities granted to the subsidiaries. The contingent liabilities of RM295.6 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 September 2016 is as follows:-

	30 September 2016 RM'000
Property, plant and equipment	
Authorised but not contracted	52,327
Contracted but not provided in the financial statements	19,818
	72,145
Plantation Development Expenditure	
Authorised but not contracted	16,737



Explanatory Notes To The Interim Report – 30 September 2016

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

B1. Review of Performance

3rd Quarter FY2016 (“Q3FY2016”) vs 3rd Quarter FY2015 (“Q3FY2015”)

The Group registered a total revenue of RM1,134.7 million for Q3FY2016 compared with RM886.3 million reported in Q3FY2015, representing an increase of 28%.

Profit before tax for the quarter was RM61.4 million against RM28.5 million for corresponding quarter last year. Increase in profit before tax was mainly attributed to higher average palm products realised price.

Current Year To Date (“3QFY2016”) vs Preceding Year To Date (“3QFY2015”)

The Group registered a total revenue of RM3,124.0 million for the nine months ended 30 September 2016 against RM2,340.3 million reported in the corresponding period year 2015, representing an increase of 33%.

Group profit before tax for the period ended 30 September 2016 was RM137.6 million against RM61.1 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

3rd Quarter FY2016 (“Q3FY2016”) vs 2nd Quarter FY2016 (“Q2FY2016”)

The Group posted total revenue of RM1,134.7 million in Q3FY2016 compared with RM953.6 million reported in Q2FY2016.

The Group reported a profit before tax of RM61.4 million compared with RM44.6 million reported in Q2FY2016. The increase of profit was mainly attributed to average palm kernel products realised price improvement and higher volume of palm products sold. For the quarter under review, simple average palm products realised prices against last quarter were as below:-

	Q3FY 2016	Q2FY 2016
Palm Oil Products (RM/mt)	2,602	2,608
Palm Kernel Products (RM/mt)	2,906	2,637

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 September 2016

B5. Profit before tax

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

	Individual quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	26,130	24,130	79,489	75,692
Property, plant and equipment written off	239	27	389	108
(Gain)/Losses on disposal of property, plant and equipment	241	39	(487)	13
Finance income	(3,032)	(2,558)	(9,332)	(8,182)
Finance costs	13,446	12,064	32,145	31,073

B6. Taxation

Current tax expenses	15,152	14,770	39,986	28,824
Deferred tax	3,363	(6,253)	(4,135)	(11,348)
	<u>18,515</u>	<u>8,517</u>	<u>35,851</u>	<u>17,476</u>
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	<u>(13)</u>	<u>4</u>	<u>(10)</u>	<u>1</u>

The Group's effective tax rate is higher than the prevailing corporate tax rate of 24% due mainly to certain expenditures which are non tax deductible.

B7. Status of corporate proposal announced

Sarawak Oil Palms Berhad (“the Company”) has on 4th 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 undertakes 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 (15 November 2016).

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 September 2016

B8. Borrowing and debt securities

	Denominated in RM RM'000	Denominated in USD* RM'000	30 September 2016 RM'000
Current			
Secured	186,295	12,527	198,822
Unsecured	358,711	24,235	382,946
Non-current			
Secured	277,600	-	277,600
Unsecured	122,225	-	122,225
Total	944,831	36,762	981,593

*USD8.89 million equivalent

B9. Derivatives financial instruments

(a) The outstanding interest rate swap (IRS) contracts as at 30 September 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	7	12	-	19	(50)	(144)	-	(194)

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	14	-	19	(186)	-	-	(186)

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 September 2016

B9. Derivatives financial instruments (Continued)

(b) The outstanding forward currency contracts as at 30 September 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	72	-	-	72	(734)	-	-	(734)

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 September 2016

B11. Dividends

No interim dividend has been declared for the financial period ended 30 September 2016 (30 September 2016 : Nil).

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.

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	37,491	18,342	96,083	40,865
	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Weighted average number of Ordinary shares in issue	441,877	439,853	441,614	439,812
	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	Sen	Sen	Sen	Sen
Basic earning per share	8.48	4.17	21.76	9.29



Explanatory Notes To The Interim Report – 30 September 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.

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	37,491	18,342	96,083	40,865
	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Weighted average number of Ordinary shares in issue	447,371	443,371	444,316	442,982
	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	Sen	Sen	Sen	Sen
Diluted earning per share	8.38	6.08	21.62	9.23

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 30 November 2016.

By Order of the Board
Eric Kiu Kwong Seng
Company Secretary

Miri
30 November 2016