



**INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position as at 31 December 2016**

	Note	31 December 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	A1	1,582,124	1,170,276
Plantation development expenditure	A1	1,038,404	556,008
Land held for property development		6,777	6,764
Land use rights	A1	5,009	4,902
Investment in associate		2,958	10,081
Intangible assets		169,753	5,182
Deferred tax assets		71,577	64,307
		<u>2,876,602</u>	<u>1,817,520</u>
<b>Current Assets</b>			
Inventories		291,696	289,011
Property development costs		58,551	49,412
Trade and other receivables		456,843	422,717
Derivatives financial assets		6,575	11,017
Cash and bank balances		735,846	440,736
		<u>1,549,511</u>	<u>1,212,893</u>
<b>TOTAL ASSETS</b>		<u>4,426,113</u>	<u>3,030,413</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		570,111	441,307
Share premium		246,845	16,724
Employee share option reserve		7,694	6,191
Other reserves		3,333	1,613
Retained earnings		1,045,840	937,949
		<u>1,873,823</u>	<u>1,403,784</u>
<b>Non-controlling interests</b>		<u>98,594</u>	<u>96,084</u>
<b>Total equity</b>		<u>1,972,417</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 31 December 2016**

	Note	31 December 2016 RM'000	31 December 2015 RM'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		324,195	124,775
Loans and borrowings	B8	325,262	402,454
Government grant		14,440	12,174
Derivative financial liabilities	B9	48	90
		<u>663,945</u>	<u>539,493</u>
<b>Current liabilities</b>			
Loans and borrowings	B8	862,804	699,395
Trade and other payables		904,616	277,287
Derivative financial liabilities	B9	22,331	14,370
		<u>1,789,751</u>	<u>991,052</u>
<b>Total liabilities</b>		<u>2,453,696</u>	<u>1,530,545</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,426,113</u>	<u>3,030,413</u>
Net assets per share attributable to owners of the Company (RM)		3.29	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 Twelve-Months Period Ended 31 December 2016**

	Note	INDIVIDUAL QUARTER 3 months ended 31 December		CUMULATIVE QUARTER 12 months ended 31 December	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Continuing Operations</b>					
Revenue		1,178,469	1,360,624	4,302,506	3,670,787
Operating expenses		(1,073,180)	(1,293,820)	(4,033,227)	(3,518,568)
Other operating income/(expenses)		(30,806)	15,781	(11,558)	24,514
Administrative expenses		(16,668)	(6,950)	(31,721)	(14,225)
Finance costs		(8,201)	(16,602)	(40,348)	(39,274)
Share of results of an associate, net of tax		909	642	2,484	528
<b>Profit before tax</b>		<b>50,523</b>	<b>59,675</b>	<b>188,136</b>	<b>123,762</b>
Taxation	B6	(11,605)	(14,988)	(47,456)	(31,859)
<b>Profit for the period</b>		<b>38,918</b>	<b>44,687</b>	<b>140,680</b>	<b>91,903</b>
<b>Other comprehensive income:</b>					
Net changes in fair value of derivatives	B9	45	9	13	44
Foreign exchange translation differences for foreign operations		2,103	352	1,707	1,699
<b>Other comprehensive income for the period, net of tax</b>		<b>2,148</b>	<b>361</b>	<b>1,720</b>	<b>1,743</b>
<b>Total comprehensive income for the period</b>		<b>41,066</b>	<b>45,048</b>	<b>142,400</b>	<b>93,646</b>
<b>Profit attributable to:</b>					
Owners of the Company		33,965	44,073	130,048	88,452
Non-controlling interests		4,953	614	10,632	3,451
		<b>38,918</b>	<b>44,687</b>	<b>140,680</b>	<b>91,903</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		36,113	44,434	131,768	90,195
Non-controlling interests		4,953	614	10,632	3,451
		<b>41,066</b>	<b>45,048</b>	<b>142,400</b>	<b>93,646</b>
<b>Earning per share attributable to Owners of the Company (Sen):</b>					
Basic	B12	7.32	10.00	29.06	20.11
Diluted	B12	7.24	9.95	28.81	20.02

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 Twelve-Months Period Ended 31 December 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
<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>	142,400	131,768	-	-	-	1,720	130,048	10,632
<b>Transactions with owners</b>								
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	3,165	3,165	2,127	1,038	-	-	-	-
Pursuant to exercise of right issue	354,696	354,696	126,677	228,019	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	2,567	2,567	-	-	2,567	-	-	-
Exercise of ESOS	-	-	-	1,064	(1,064)	-	-	-
Disposal of interest in a subsidiary	150	(68)	-	-	-	-	(68)	218
<b>At 31 December 2016</b>	<u>1,972,417</u>	<u>1,873,823</u>	<u>570,111</u>	<u>246,845</u>	<u>7,694</u>	<u>3,333</u>	<u>1,045,840</u>	<u>98,594</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 Twelve-Months Period Ended 31 December 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 Twelve-Months Period Ended 31 December 2016**

	Note	31 December 2016 RM'000	31 December 2015 RM'000
<b>Operating activities</b>			
<b>Profit before tax</b>		188,136	123,762
Adjustments for non-cash flow items:			
Depreciation and amortisation		107,224	108,120
Employee expenses under ESOS		2,140	2,253
Gain on disposal of property, plant and equipment		(1,907)	(374)
Property, plant and equipment written off		553	344
Plantation development expenditure written off		1,728	-
Finance income		(13,042)	(13,269)
Finance costs		40,348	39,274
Unrealised gains/(loss) on foreign exchange		2,456	1,053
Fair value changes on derivative financial instruments		12,378	(6,582)
Share of results of an associate		(2,483)	(528)
<b>Operating profit before working capital changes</b>		337,531	254,053
Decrease/(Increase) in inventories		14,414	(56,192)
Increase in trade and other receivables		(49,578)	(218,020)
Increase in trade and other payables		19,291	27,959
<b>Cash generated from/(used in) operations</b>		321,658	7,800
Tax paid		(46,171)	(56,351)
<b>Net cash flows from/(used in) operating activities</b>		275,487	(48,551)

(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 Twelve-Months Period Ended 31 December 2016 (Continued)**

	Note	31 December 2016 RM'000	31 December 2015 RM'000
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(58,359)	(99,045)
Increase in plantation development expenditure		(24,127)	(9,849)
Increase in property development cost		(9,154)	(13,830)
Proceeds from disposals of property, plant and equipment		2,206	2,184
Interest received		13,042	13,269
Dividend received		739	-
Subscription of shares in associate company		(1)	(1,350)
Net cash outflow from investment in subsidiaries		(255,198)	-
Addition in prepared land lease payment		-	(368)
<b>Net cash used in investing activities</b>		<b>(330,852)</b>	<b>(108,989)</b>
<b>Cash flows from financing activities</b>			
Net changes in trade facilities		169,698	196,125
Proceeds from loans and borrowings		5,526	138,615
Proceeds from issuance of share capital		355,863	2,609
Dividend paid		(30,430)	(27,546)
Government grant received		1,875	12,565
Net repayment of hire purchase		(6,948)	(11,228)
Repayment of loans and borrowings		(105,400)	(165,188)
Interest paid		(41,742)	(42,353)
<b>Net cash from financing activities</b>		<b>348,442</b>	<b>103,599</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>293,077</b>	<b>(53,941)</b>
<b>Cash and cash equivalents at beginning of the financial period</b>		<b>437,236</b>	<b>487,929</b>
Effect of exchange rate changes on cash and cash equivalents		5,533	3,248
<b>Cash and cash equivalents at end of financial period</b>		<b>735,846</b>	<b>437,236</b>

(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 Twelve-Months Period Ended 31 December 2016 (Continued)**

	<b>Note</b>	<b>31 December</b>	<b>31 December</b>
		<b>2016</b>	<b>2015</b>
		<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents at the end of the financial period comprised the following:			
Short term deposits with licensed banks		347,569	323,886
Bank Overdraft		-	(3,500)
Cash in hand and at banks		388,277	116,850
Cash and bank balances		<u>735,846</u>	<u>437,236</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 – 31 December 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 – 31 December 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 966,500 shares exercised under the Employees’ Share Options Scheme and 126,677,437 shares from the right issues pursuant to the corporate exercise disclosed in Section B7.

**A7. Dividends paid**

In respect for financial period ended 31 December 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 – 31 December 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 31 December 2016**

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	6,801,713	5,953	(2,505,160)	4,302,506
Less: Inter-segment revenue	(2,505,160)	-	2,505,160	-
Revenue from external customers	4,296,553	5,953	-	4,302,506
Finance income	12,954	88	-	13,042
Finance costs	(55,719)	(298)	15,671	(40,346)
Depreciation and amortisation	(104,882)	(384)	(1,958)	(107,224)
Share of results of associates	-	-	2,484	2,484
Profit before taxation for financial period	275,561	191	(87,616)	188,136

**Period to date ended 31 December 2015**

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	6,154,725	9,700	(2,493,638)	3,670,787
Less: Inter-segment revenue	(2,493,638)	-	2,493,638	-
Revenue from external customers	3,661,087	9,700	-	3,670,787
Finance income	13,218	51	-	13,269
Finance costs	(59,748)	(60)	20,534	(39,274)
Depreciation and amortisation	(104,540)	(310)	(3,191)	(108,041)
Share of results of associates	-	-	(756)	(756)
Profit before taxation for financial period	152,675	(167)	(28,746)	123,762



**Explanatory Notes To The Interim Report – 31 December 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 year.

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

There were no contingent liabilities or contingent assets as at 31 December 2016 except corporate guarantees of RM563.8 million favouring the banks in respect of banking facilities granted to the subsidiaries. The contingent liabilities of RM333.6 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 31 December 2016 is as follows:-

	<b>31 December 2016</b>
	<b>RM'000</b>
Property, plant and equipment	
Authorised but not contracted	40,656
Contracted but not provided in the financial statements	15,346
	<u>56,002</u>
Plantation Development Expenditure	
Authorised but not contracted	<u>2,276</u>



**Explanatory Notes To The Interim Report – 31 December 2016**

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

**B1. Review of Performance**

**4<sup>th</sup> Quarter FY2016 (“Q4FY2016”) vs 4<sup>th</sup> Quarter FY2015 (“Q4FY2015”)**

The Group registered a total revenue of RM1,178.5 million for Q4FY2016 compared with RM1,360.6 million reported in Q4FY2015, representing a decrease of 13%.

Profit before tax for the quarter was RM50.5 million against RM59.7 million for corresponding quarter last year. Decrease in profit before tax was mainly attributed to lower volume of palm products transacted despite favorable realised price.

**Current Year To Date (“4QFY2016”) vs Preceding Year To Date (“4QFY2015”)**

The Group registered a total revenue of RM4,302.5 million for the twelve months ended 31 December 2016 against RM3,670.8 million reported in the corresponding period year 2015, representing an increase of 17%.

Group profit before tax for the year ended 31 December 2016 was RM188.1 million against RM123.8 million achieved during the corresponding period year 2015. The increase in profit before tax was mainly due to the favourable palm products average realised prices despite the drop of the Group's FFB production by 11%. The lower FFB production was mainly attributed to the El-Nino phenomenon particularly at northern region of Sarawak.

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

**4<sup>th</sup> Quarter FY2016 (“Q4FY2016”) vs 3<sup>rd</sup> Quarter FY2016 (“Q3FY2016”)**

The Group posted total revenue of RM1,178.5 million in Q4FY2016 compared with 1,134.7 million reported in Q3FY2016.

The Group reported a profit before tax of RM50.5 million compared with RM61.4 million reported in Q3FY2016. The decrease of profit was mainly attributed to lower volume of kernel products sold. For the quarter under review, simple average palm products realised prices against last quarter were as below:-

	Q4FY 2016	Q3FY 2016
Palm Oil Products (RM/mt)	2,980	2,602
Palm Kernel Products (RM/mt)	3,297	2,906

**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 – 31 December 2016**

**B5. Profit before tax**

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

	Individual quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	27,735	32,428	107,224	108,120
Property, plant and equipment written off	164	236	553	344
Gain on disposal of property, plant and equipment	(1,420)	(387)	(1,907)	(374)
Finance income	(3,710)	(5,087)	(13,042)	(13,269)
Finance costs	8,201	16,602	40,348	39,274

**B6. Taxation**

Current tax expenses	(56,937)	3,977	(16,951)	32,801
Deferred tax	68,542	10,406	64,407	(942)
	<u>11,605</u>	<u>14,383</u>	<u>47,456</u>	<u>31,859</u>
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	<u>14</u>	<u>3</u>	<u>4</u>	<u>5</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. (a) 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 (“Acquisition”). 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).

As at the date of the closing of acceptance and payment for the Rights Issue ( i.e. 30 November 2016 ), the company had received valid acceptances and excess applications for 148,966,795 Rights Shares, representing an over-subscription of 22,289,358 Rights Shares or approximately 17.60% over the total number of Rights Shares available for subscription.



**Explanatory Notes To The Interim Report – 31 December 2016**

**B7. (a) Status of corporate proposal announced (Continued)**

The 126,677,437 Rights Shares accepted were listed and quoted on the Main Market of Bursa Securities on 15 December 2016. Over-subscription / excess application were given refund and were completed on 21 December 2016.

Conditions precedent in the SSA had been fully fulfilled and the aforementioned Acquisition has been duly completed on 22 December 2016 upon completion of the transfer of SYOP shares to the Company on even date.

**(b) Status of utilization of rights issue**

The gross proceeds raised from the issuance of 126,677,437 Rights Share based on the issue price of RM2.80 per Rights Share was RM354,696,824. The status of utilization of proceeds is tabulated as follow:-

Details of utilization	Proposed utilization	Actual utilization	Intended time frame for utilization	Deviation		Explanation
				RM'000	%	
Acquisition	354,697	353,691	Within 6 months -	1,006	0.28	Variation of professional fees against the estimation



**Explanatory Notes To The Interim Report – 31 December 2016**

**B8. Borrowing and debt securities**

	Denominated in RM RM'000	Denominated in USD* RM'000	30 September 2016 RM'000
Current			
Secured	529,503	41,174	570,677
Unsecured	292,127	-	292,127
Non-current			
Secured	249,570	-	249,570
Unsecured	75,692	-	75,692
<b>Total</b>	<b>1,146,892</b>	<b>41,174</b>	<b>1,188,066</b>

\*USD9.18 million equivalent

**B9. Derivatives financial instruments**

(a) The outstanding interest rate swap (IRS) contracts as at 31 December 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	8	10	-	18	-	(135)	-	(135)

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	12	-	17	(60)	-	-	(60)

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 – 31 December 2016**

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

(b) The outstanding forward currency contracts as at 31 December 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	13	-	-	13	592	-	-	592

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 – 31 December 2016**

**B11. Dividends**

No interim dividend has been declared for the financial period ended 31 December 2016 (31 December 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.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	33,965	44,073	130,048	88,452
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Weighted average number of Ordinary shares in issue	464,305	440,816	441,614	439,894
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Basic earning per share	7.32	10.00	29.06	20.11



**Explanatory Notes To The Interim Report – 31 December 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>12 months ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	33,965	44,073	130,048	88,452
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Weighted average number of Ordinary shares in issue	469,331	442,791	451,426	441,784
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Diluted earning per share	7.24	9.95	28.81	20.02

**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 24 February 2017.

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

Miri  
**24 February 2017**