



**INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position as at 30 September 2017**

	Note	30 September 2017 RM'000	31 December 2016 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	A1	1,546,805	1,585,207
Plantation development expenditure	A1	1,040,852	1,037,688
Land held for property development		17,939	20,262
Land use rights	A1	4,936	5,009
Investment in associate		-	1,895
Intangible assets		168,123	168,123
Deferred tax assets		61,646	67,226
		<u>2,840,301</u>	<u>2,885,410</u>
<b>Current Assets</b>			
Inventories		378,963	315,711
Property development costs		26,634	29,482
Trade and other receivables		271,853	359,869
Derivatives financial assets		3,771	6,719
Cash and bank balances		706,309	736,111
		<u>1,387,530</u>	<u>1,447,892</u>
<b>TOTAL ASSETS</b>		<u>4,227,831</u>	<u>4,333,302</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		570,790	570,111
Share premium		248,959	246,844
Employee share option reserve		7,058	7,695
Other reserves		1,191	1,954
Retained earnings		1,215,843	1,048,074
		<u>2,043,841</u>	<u>1,874,678</u>
<b>Non-controlling interests</b>		<u>104,435</u>	<u>97,967</u>
<b>Total equity</b>		<u>2,148,276</u>	<u>1,972,645</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Financial Position as at 30 September 2017**

	Note	30 September 2017 RM'000	31 December 2016 RM'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		330,874	328,716
Loans and borrowings	B8	891,341	277,754
Government grant		13,861	13,658
Derivative financial liabilities	B9	33	48
		<u>1,236,109</u>	<u>620,176</u>
<b>Current liabilities</b>			
Loans and borrowings	B8	454,320	910,577
Trade and other payables		385,616	805,078
Government grant		1,570	782
Derivative financial liabilities	B9	1,940	24,044
		<u>843,446</u>	<u>1,740,481</u>
<b>Total liabilities</b>		<u>2,079,555</u>	<u>2,360,657</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,227,831</u>	<u>4,333,302</u>
Net assets per share attributable to owners of the Company (RM)		3.58	3.29

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Comprehensive Income  
For the Nine-Months Period Ended 30 September 2017**

	Note	INDIVIDUAL QUARTER 3 months ended 30 September		CUMULATIVE QUARTER 9 months ended 30 September	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Continuing Operations</b>					
Revenue		1,214,809	1,134,731	3,548,685	3,124,037
Operating expenses		(1,093,244)	(1,045,484)	(3,242,891)	(2,960,047)
Other operating (expenses)/income		(8,410)	(7,202)	38,881	19,248
Administrative expenses		(14,359)	(6,623)	(24,173)	(15,055)
Finance costs		(17,547)	(13,446)	(42,630)	(32,145)
Share of results of an associate, net of tax		-	(612)	(569)	1,575
<b>Profit before tax</b>		81,249	61,364	277,303	137,613
Taxation	B6	(21,908)	(18,515)	(72,537)	(35,851)
<b>Profit for the period</b>		59,341	42,849	204,766	101,762
<b>Other comprehensive income:</b>					
Net changes in fair value of derivatives	B9	20	(42)	67	(32)
Foreign exchange translation differences for foreign operations		(245)	(3,797)	(830)	(396)
<b>Other comprehensive income for the period, net of tax</b>		(225)	(3,839)	(763)	(428)
<b>Total comprehensive income for the period</b>		59,116	39,010	204,003	101,334
<b>Profit attributable to:</b>					
Owners of the Company		54,363	37,491	189,958	96,083
Non-controlling interests		4,978	5,358	14,808	5,679
		59,341	42,849	204,766	101,762
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		54,138	33,652	189,195	95,655
Non-controlling interests		4,978	5,358	14,808	5,679
		59,116	39,010	204,003	101,334
<b>Earning per share attributable to Owners of the Company (Sen):</b>					
Basic	B12	9.52	8.48	33.29	21.76
Diluted	B12	9.51	8.38	33.27	21.62

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Changes in Equity  
For the Nine-Months Period Ended 30 September 2017**

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 2017</b>	1,972,645	1,874,678	570,111	246,844	7,695	1,954	1,048,074	97,967
<b>Total comprehensive income for the period</b>	204,003	189,195	-	-	-	(763)	189,958	14,808
<b>Transactions with owners</b>								
Dividends paid to non-controlling interests in subsidiaries	(8,340)	-	-	-	-	-	-	(8,340)
Dividends on ordinary shares	(28,539)	(28,539)	-	-	-	-	(28,539)	-
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	1,449	1,449	679	770	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	7,058	7,058	-	-	7,058	-	-	-
Exercise of ESOS	-	-	-	1,345	(1,345)	-	-	-
Expiry of ESOS	-	-	-	-	(6,350)	-	6,350	-
<b>At 30 September 2017</b>	<u>2,148,276</u>	<u>2,043,841</u>	<u>570,790</u>	<u>248,959</u>	<u>7,058</u>	<u>1,191</u>	<u>1,215,843</u>	<u>104,435</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 2016 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Changes in Equity  
For the Nine-Months Period Ended 30 September 2017**

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>	142,629	132,537	-	-	-	341	132,196	10,092
<b>Transactions with owners</b>								
Dividend paid to non-controlling interests in subsidiaries	(8,340)	-	-	-	-	-	-	(8,340)
Dividends on ordinary shares	(22,090)	(22,090)	-	-	-	-	(22,090)	-
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	3,166	3,166	2,127	1,039	-	-	-	-
Pursuant to exercise of right issue	354,695	354,695	126,677	228,018	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	2,567	2,567	-	-	2,567	-	-	-
Exercise of ESOS	-	-	-	1,063	(1,063)	-	-	-
Disposal of interest in a subsidiary	150	19	-	-	-	-	19	131
<b>At 31 December 2016</b>	<u>1,972,645</u>	<u>1,874,678</u>	<u>570,111</u>	<u>246,844</u>	<u>7,695</u>	<u>1,954</u>	<u>1,048,074</u>	<u>97,967</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 2016 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Cash Flow Statement**  
**For the Nine-Months Period Ended 30 September 2017**

	Note	30 September 2017 RM'000	30 September 2016 RM'000
<b>Operating activities</b>			
<b>Profit before tax</b>		277,303	137,613
Adjustments for non-cash flow items:			
Depreciation and amortisation		104,058	79,489
Amortisation of government grant		(199)	-
Employee expenses under ESOS		7,058	1,662
Loss/(Gain) on disposal of property, plant and equipment		194	(487)
Property, plant and equipment written off		548	389
Inventory written off		7	-
Finance income		(13,427)	(9,332)
Finance costs		42,630	32,145
Unrealised (gain)/loss on foreign exchange		(3,563)	2,601
Fair value changes on derivative financial instruments		(19,126)	(1,027)
Provision for impairment of investment in a subsidiary		5,062	-
Loss on disposal of an associate		340	-
Share of results of an associate		569	(1,575)
<b>Operating profit before working capital changes</b>		401,454	241,478
(Increase)/Decrease in inventories		(66,896)	46,654
Decrease/(Increase) in property development cost		6,145	(4,777)
Decrease in trade and other receivables		81,316	98,116
Decrease in trade and other payables		(432,634)	(2,629)
<b>Cash (used in)/from operations</b>		(10,615)	378,842
Tax paid		(53,458)	(27,169)
<b>Net cash flows (used in)/from operating activities</b>		(64,073)	351,673

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Cash Flow Statement**  
**For the Nine-Months Period Ended 30 September 2017 (Continued)**

	Note	30 September 2017 RM'000	30 September 2016 RM'000
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(24,002)	(48,214)
Increase in plantation development expenditure		(34,218)	(10,457)
Disposal of interest in a subsidiary		-	150
Disposal of interest in an associate		986	-
Deconsolidation of a subsidiary		(5,531)	-
Subscription of shares in an associate company		-	(1)
Proceeds from disposals of property, plant and equipment		684	883
Dividend received		-	739
Interest received		13,427	9,332
<b>Net cash used in investing activities</b>		<u>(48,654)</u>	<u>(47,568)</u>
<b>Cash flows from financing activities</b>			
Net movements in trade financing		(389,518)	(43,863)
Proceeds from loans and borrowings		678,002	1,768
Proceeds from issuance of share capital		1,449	1,862
Dividend paid		(36,879)	(30,430)
Government grant received		1,190	391
Net repayment of obligations under finance leases		(5,566)	(5,399)
Repayment of loans and borrowings		(128,063)	(73,735)
Interest paid		(36,362)	(33,170)
<b>Net cash from/(used in) financing activities</b>		<u>84,253</u>	<u>(182,576)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(28,474)	121,529
<b>Cash and cash equivalents at beginning of the financial period</b>		736,111	437,236
Effect of exchange rate changes on cash and cash equivalents		(1,328)	1,727
<b>Cash and cash equivalents at end of financial period</b>		<u>706,309</u>	<u>560,492</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Cash Flow Statement**  
**For the Nine-Months Period Ended 30 September 2017 (Continued)**

	<b>Note</b>	<b>30 September</b>	<b>30 September</b>
		<b>2017</b>	<b>2016</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		506,807	297,820
Cash in hand and at banks		199,502	262,672
Cash and bank balances		<u>706,309</u>	<u>560,492</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this report)





**Explanatory Notes To The Interim Report – 30 September 2017**

**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 unaudited 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 2016.

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 2017:-

Amendments to FRS 12, Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)

Amendments to FRS 107, Statement of Cash Flows - Disclosures Initiatives

Amendments to FRS 112, Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

**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 2019.

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 2019. 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 2019.



**Explanatory Notes To The Interim Report – 30 September 2017**

**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.

**A7. Dividends paid**

In respect for financial period ended 30 September 2017, the Company has paid RM28,539,522 on 21 July 2017, being the first and final single tier dividend of 5% declared for the financial year ended 31 December 2016 and duly approved during Annual General Meeting held on 20 June 2017.

**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 2017**

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	4,952,981	7,114	(1,411,410)	3,548,685
Less: Inter-segment revenue	(1,411,410)	-	1,411,410	-
Revenue from external customers	<u>3,541,571</u>	<u>7,114</u>	<u>-</u>	<u>3,548,685</u>
Finance income	13,355	72	-	13,427
Finance costs	(53,253)	(1,731)	12,354	(42,630)
Depreciation and amortisation	(99,071)	(301)	(4,686)	(104,058)
Share of results of an associate	-	-	(569)	(569)
Profit before taxation for financial period	<u>336,262</u>	<u>336</u>	<u>(59,295)</u>	<u>277,303</u>



**Explanatory Notes To The Interim Report – 30 September 2017**

**A8. Segment Information (Continued)**

**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	(32,144)
Depreciation and amortisation	(77,481)	(286)	(1,722)	(79,489)
Share of results of an associate	-	-	1,575	1,575
Profit before taxation for financial period	231,133	(551)	(92,969)	137,613

**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.

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

There were no contingent liabilities or contingent assets as at 30 September 2017 except corporate guarantees of RM928.0 million favouring the banks in respect of banking facilities granted to the subsidiaries. The contingent liabilities of RM386.5 million represents the outstanding banking facilities of the subsidiaries with corporate guarantee at the end of the reporting period.



**Explanatory Notes To The Interim Report – 30 September 2017**

**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 2017 is as follows:-

	<b>30 September 2017</b> <b>RM'000</b>
Property, plant and equipment	
Authorised but not contracted for	93,140
Contracted but not provided in the financial statements	20,762
	<u>113,902</u>
Plantation Development Expenditure	
Authorised but not contracted for	17,193
Contracted but not provided in the financial statements	17,281
	<u>34,474</u>



**Explanatory Notes To The Interim Report – 30 September 2017**

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

**B1. Review of Group's Financial Performance**

**Financial review for current quarter and financial year to date**

	Individual Period (3 <sup>rd</sup> quarter)			Cumulative Period		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes (%)	Current Year To-date	Preceding Year Corresponding Period	Changes (%)
	RM'000	RM'000		RM'000	RM'000	
	30/9/2017	30/9/2016		30/9/2017	30/9/2016	
<b>Revenue</b>	1,214,809	1,134,731	7%	3,548,685	3,124,037	14%
<b>Operating Profit</b>	117,752	82,674	42%	318,561	157,193	103%
<b>Profit before Interest and Tax</b>	93,869	71,779	31%	306,505	160,427	91%
<b>Profit Before Tax</b>	81,249	61,364	32%	277,303	137,613	102%
<b>Profit After Tax</b>	59,341	42,849	38%	204,766	101,762	101%
<b>Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent</b>	54,363	37,491	31%	189,958	96,083	98%

**3<sup>rd</sup> Quarter FY2017 (“Q3FY2017”) vs 3<sup>rd</sup> Quarter FY2016 (“Q3FY2016”)**

The Group registered a total revenue of RM1,214.8 million for Q3FY2017 compared with RM1,134.7 million reported in Q3FY2016, representing an increase of 7.1%.

Profit before tax for the quarter was RM81.2 million against RM61.4 million for corresponding quarter last year. Increase in profit before tax was mainly attributed to improved Fresh Fruit Bunches (“FFB”) production coupled with palm products transacted volume and price.

**Current Year To Date (“3QFY2017”) vs Preceding Year To Date (“3QFY2016”)**

The Group registered a total revenue of RM3,548.7 million for the nine months ended 30 September 2017 against RM3,124.0 million reported in the corresponding period year 2016, representing an increase of 13.6%.

Group profit before tax for the period ended 30 September 2017 was RM277.3 million against RM137.6 million achieved during the corresponding period year 2016. The increase of profit was mainly attributed to higher FFB production volume, average palm products realised price improvement and fair value gain on derivative financial instruments.



**Explanatory Notes To The Interim Report – 30 September 2017**

**B2. Group's Financial Performance Review and Segmental Analysis**

**Financial review for current quarter compared with immediate preceding quarter**

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	RM'000	RM'000	
	30/9/2017	30/6/2017	
<b>Revenue</b>	1,214,809	1,216,508	0%
<b>Operating Profit</b>	117,752	118,435	(1%)
<b>Profit before Interest and Tax</b>	93,869	102,678	(9%)
<b>Profit Before Tax</b>	81,249	91,860	(12%)
<b>Profit After Tax</b>	59,341	71,189	(17%)
<b>Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent</b>	54,363	67,057	(19%)

**3<sup>rd</sup> Quarter FY2017 (“Q3FY2017”) vs 2<sup>nd</sup> Quarter FY2017 (“Q2FY2017”)**

The Group posted total revenue of RM1,214.8 million in Q3FY2017 compared with RM1,216.5 million reported in Q2FY2017.

The Group reported a profit before tax of RM81.2 million compared with RM91.9 million reported in Q2FY2017. The drop of profit was mainly attributable to decrease of average palm products realised price and provision of ESOS expenses pursuant to the new ESOS scheme offered on 28 September 2017. For the quarter under review, simple average palm products realised prices against last quarter were as below:-

	Q3FY 2017	Q2FY 2017
Palm Oil Products (RM/mt)	2,677	2,814
Palm Kernel Products (RM/mt)	2,553	2,262

**B3. Prospect**

The performance of the Group would continue to be driven by the FFB production and 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 2017**

**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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	36,260	26,130	104,058	79,489
Property, plant and equipment written off	486	239	548	389
(Gain)/Loss on disposal of property, plant and equipment	(157)	241	194	(487)
Finance income	(4,926)	(3,032)	(13,427)	(9,332)
Finance costs	17,547	13,446	42,630	32,145
Unrealised (gain)/loss on foreign exchange	(39)	(1,499)	(3,563)	2,601
Fair value changes on derivatives financial instruments	7,767	8,249	(19,126)	(1,027)

**B6. Taxation**

Current tax expenses	20,582	15,152	64,799	39,986
Deferred tax	1,326	3,363	7,738	(4,135)
	<u>21,908</u>	<u>18,515</u>	<u>72,537</u>	<u>35,851</u>
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	<u>6</u>	<u>(13)</u>	<u>21</u>	<u>(10)</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**

There was no corporate proposal announced that was not completed as at the date of this announcement except the proposed establishment of new employees' share option scheme ("**Proposed ESOS**") of up to ten percent (10%) of the total number of issued ordinary shares of the Company. The maximum number of shares involved pursuant to the Proposed ESOS is up to 57.07 million shares for a duration of ten years.

The Proposed ESOS has been approved by shareholders at extraordinary general meeting held on 9 August 2017. Having fulfilled all the required conditions and approval obtained from relevant authorities, the proposed ESOS Scheme became effective from 19 September 2017 for a duration of 10 years.

On 28 September 2017, a total of 36,959,300 ESOS options were offered to eligible employees and directors at an offer price of RM3.60 per option, which was at 10% discount from the five(5) day weighted average market price of the company share. Vesting of ESOS options offered is graduated vesting spread over a period of 10 years.



**Explanatory Notes To The Interim Report – 30 September 2017**

**B8. Borrowing and debt securities**

	<b>As at 3<sup>rd</sup> quarter ended 2017</b>					
	<b>Long term</b>		<b>Short term</b>		<b>Total borrowings</b>	
	<b>Denomination in</b>		<b>Denomination in</b>		<b>Denomination in</b>	
	<b>USD'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>RM'000</b>
<b><u>Secured</u></b>						
Finance leases	-	7,458	-	4,809	-	12,267
Revolving credits	-	-	-	61,000	-	61,000
Term loans	-	837,832	-	31,100	-	868,932
<b><u>Unsecured</u></b>						
Trust receipts	-	-	60,283	-	60,283	-
Banker acceptance	-	-	15,724	232,833	15,724	232,833
Revolving credits	-	-	-	15,650	-	15,650
Term loans	-	46,051	-	32,921	-	78,972
	-	891,341	76,007*	378,313	76,007	1,269,654

\*USD18.01 million equivalent

	<b>As at 3<sup>rd</sup> quarter ended 2016</b>					
	<b>Long term</b>		<b>Short term</b>		<b>Total borrowings</b>	
	<b>Denomination in</b>		<b>Denomination in</b>		<b>Denomination in</b>	
	<b>USD'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>RM'000</b>
<b><u>Secured</u></b>						
Finance leases	-	4,643	-	4,896	-	9,539
Banker acceptance	-	-	-	37,040	-	37,040
Revolving credits	-	30,000	-	51,000	-	81,000
Term loans	-	270,067	-	50,800	-	320,867
<b><u>Unsecured</u></b>						
Banker acceptance	-	-	48,232	295,104	48,232	295,104
Revolving credits	-	5,650	-	103,550	-	109,200
Term loans	-	61,112	-	19,500	-	80,612
	-	371,472	48,232*	561,890	48,232	933,362

\*USD11.66 million equivalent





**Explanatory Notes To The Interim Report – 30 September 2017**

**B9. Derivatives financial instruments**

(a) The outstanding interest rate swap (IRS) contracts as at 30 September 2017 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	6	-	13	55	12	-	67

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	6	8	-	14	7	9	-	16

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 2017**

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

(b) The outstanding commodity forward contracts, commodity swaps and forward currency contracts as at 30 September 2017 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
Commodity forward contracts	RM	80	-	-	80	15,962	-	-	15,962
Commodity forward contracts	USD	19	-	-	19	1,871	-	-	1,871
Commodity swaps	RM	15	-	-	15	287	-	-	287
Forward currency contracts	USD	39	-	-	39	990	-	-	990

The Group uses commodity forward contracts, currency contracts and commodity swap 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 derivatives do not qualify for hedge accounting.

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



## **Explanatory Notes To The Interim Report – 30 September 2017**

### **B10. Changes in material litigation**

- (i) 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 above said 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.

The Federal Court has refused the application for leave to appeal to the Federal Court on 13 September 2017. The net effect on this being the residents of Rumah Kahei, Long Mekero are interveners to be parties on the main appeal pending before the Court of Appeal. The appeal is fixed for hearing on 8 February 2018.

- (ii) On 8 May 2017, SOPB Pte Ltd, a subsidiary of SOPB, had been served with a Writ of Summons and Statement of Claim in the High Court of the Republic of Singapore under Case No. HC/S 398/2017 (the “**Case**”) wherein it was named as the defendant.

The Case was initiated by Posco Daewoo Corporation (formerly known as Daewoo International Corporation) claiming against the defendant for damages amounting to USD3.55 million that arises out of a sales contract dispute between the parties in determining the rightful recipient of the letter of indemnity issued by the defendant.

The liquidator was appointed to place SOPB Pte Ltd under creditors’ voluntary liquidation.

### **B11. Dividends**

No interim dividend has been declared for the financial period ended 30 September 2017 (30 September 2016 : Nil)



**Explanatory Notes To The Interim Report – 30 September 2017**

**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>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	54,363	37,491	189,958	96,083
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</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	570,790	441,877	570,655	441,614
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Basic earning per share	9.52	8.48	33.29	21.76

*Diluted earnings per share*

The calculation of 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>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	54,363	37,491	189,958	96,083
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</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	571,132	447,371	570,997	444,316
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Diluted earning per share	9.51	8.38	33.27	21.62



**SARAWAK OIL PALMS BERHAD**  
(Incorporated in Malaysia – 7949-M)

**Explanatory Notes To The Interim Report – 30 September 2017**

**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 November 2017.

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

Miri  
**29 November 2017**