



INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position as at 31 December 2017

	Note	31 December 2017 RM'000	31 December 2016 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	A1	1,546,299	1,585,207
Plantation development expenditure	A1	1,032,046	1,037,688
Land held for property development		23,821	20,262
Land use rights	A1	5,016	5,009
Investment in associate		260	1,895
Intangible assets		168,123	168,123
Deferred tax assets		54,841	67,226
		2,830,406	2,885,410
Current Assets			
Inventories		367,837	315,711
Property development costs		21,202	29,482
Trade and other receivables		378,730	359,869
Derivatives financial assets		9,605	6,719
Cash and bank balances		636,006	736,111
		1,413,380	1,447,892
TOTAL ASSETS		4,243,786	4,333,302
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		570,818	570,111
Share premium		249,043	246,844
Employee share option reserve		10,606	7,695
Other reserves		2,131	1,954
Retained earnings		1,265,138	1,048,074
		2,097,736	1,874,678
Non-controlling interests		103,584	97,967
Total equity		2,201,320	1,972,645

(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 31 December 2017

	Note	31 December 2017 RM'000	31 December 2016 RM'000
Non-current liabilities			
Deferred tax liabilities		339,758	328,716
Loans and borrowings	B8	865,839	277,754
Government grant		15,232	13,658
Derivative financial liabilities	B9	-	48
		<u>1,220,829</u>	<u>620,176</u>
Current liabilities			
Loans and borrowings	B8	544,083	910,577
Trade and other payables		272,728	805,078
Government grant		-	782
Derivative financial liabilities	B9	4,826	24,044
		<u>821,637</u>	<u>1,740,481</u>
Total liabilities		<u>2,042,466</u>	<u>2,360,657</u>
TOTAL EQUITY AND LIABILITIES		<u>4,243,786</u>	<u>4,333,302</u>
Net assets per share attributable to owners of the Company (RM)		3.67	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 Twelve-Months Period Ended 31 December 2017**

	Note	INDIVIDUAL QUARTER 3 months ended 31 December		CUMULATIVE QUARTER 12 months ended 31 December	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing Operations					
Revenue		1,363,040	1,178,469	4,911,725	4,416,122
Operating expenses		(1,266,486)	(1,073,180)	(4,509,373)	(4,189,397)
Other operating (expenses)/income		9,549	(30,806)	48,430	39,137
Administrative expenses		(10,094)	(16,668)	(34,267)	(33,413)
Finance costs		(13,861)	(8,201)	(56,495)	(39,564)
Share of results of an associate, net of tax		261	909	(308)	3,075
Profit before tax		82,409	50,523	359,712	195,960
Taxation	B6	(28,965)	(11,605)	(101,502)	(53,672)
Profit for the period		53,444	38,918	258,210	142,288
Other comprehensive income:					
Net changes in fair value of derivatives	B9	301	45	368	13
Foreign exchange translation differences for foreign operations		639	2,103	(191)	328
Other comprehensive income for the period, net of tax		940	2,148	177	341
Total comprehensive income for the period		54,384	41,066	258,387	142,629
Profit attributable to:					
Owners of the Company		49,295	33,965	239,253	132,196
Non-controlling interests		4,149	4,953	18,957	10,092
		53,444	38,918	258,210	142,288
Total comprehensive income attributable to:					
Owners of the Company		50,235	36,113	239,430	132,537
Non-controlling interests		4,149	4,953	18,957	10,092
		54,384	41,066	258,387	142,629
Earning per share attributable to Owners of the Company (Sen):					
Basic	B12	8.64	7.32	41.92	28.05
Diluted	B12	8.62	7.24	41.87	28.02

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 Twelve-Months Period Ended 31 December 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		Non- controlling interests RM'000
					Employee share option reserve RM'000	Other reserve RM'000	Retained earnings RM'000	
At 1 January 2017	1,972,645	1,874,678	570,111	246,844	7,695	1,954	1,048,074	97,967
Total comprehensive income for the period	258,387	239,430	-	-	-	177	239,253	18,957
Transactions with owners								
Dividends paid to non-controlling interests in subsidiaries	(13,340)	-	-	-	-	-	-	(13,340)
Dividends on ordinary shares	(28,539)	(28,539)	-	-	-	-	(28,539)	-
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	1,549	1,549	707	842	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	10,618	10,618	-	-	10,618	-	-	-
Exercise of ESOS	-	-	-	1,357	(1,357)	-	-	-
Expiry of ESOS	-	-	-	-	(6,350)	-	6,350	-
At 31 December 2017	<u>2,201,320</u>	<u>2,097,736</u>	<u>570,818</u>	<u>249,043</u>	<u>10,606</u>	<u>2,131</u>	<u>1,265,138</u>	<u>103,584</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 Twelve-Months Period Ended 31 December 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
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	142,629	132,537	-	-	-	341	132,196	10,092
Transactions with owners								
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
At 31 December 2016	<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 Twelve-Months Period Ended 31 December 2017

	Note	31 December 2017 RM'000	31 December 2016 RM'000
Operating activities			
Profit before tax		359,712	195,960
Adjustments for non-cash flow items:			
Depreciation and amortisation		140,410	106,983
Amortisation of government grant		(332)	-
Employee expenses under ESOS		10,618	2,567
Gain on disposal of property, plant and equipment		(244)	(1,216)
Property, plant and equipment written off		580	502
Plantation development expenditure written off		1,138	1,728
Inventory written off		7	-
Finance income		(19,116)	(13,633)
Finance costs		56,495	39,564
Unrealised loss/(gain) on foreign exchange		598	(376)
Fair value changes on derivative financial instruments		(21,814)	13,947
Provision for impairment of investment in a subsidiary		5,062	-
Loss on disposal of an associate		340	-
Impairment loss on receivables		-	128
Share of results of an associate		308	(3,074)
Operating profit before working capital changes		533,762	343,080
Increase in inventories		(52,179)	(3,967)
Decrease in property development cost		2,170	20,228
Decrease/(Increase) in trade and other receivables		(20,197)	(37,467)
(Decrease)/Increase in trade and other payables		(531,253)	5,631
Cash (used in)/from operations		(67,697)	327,505
Tax paid		(85,611)	(46,524)
Net cash flows (used in)/from operating activities		(153,308)	280,981

(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 Twelve-Months Period Ended 31 December 2017 (Continued)

	Note	31 December 2017 RM'000	31 December 2016 RM'000
Cash flows from investing activities			
Acquisition of property, plant and equipment		(46,962)	(55,705)
Increase in land held for property development		-	(13,498)
Increase in plantation development expenditure		(43,461)	(22,902)
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 disposal of an associate		-	8,824
Proceeds from disposals of property, plant and equipment		4,692	1,901
Net cash outflow arising from acquisition of subsidiary		-	(266,143)
Dividend received		-	2,370
Interest received		19,116	13,650
Net cash used in investing activities		(71,160)	(331,354)
Cash flows from financing activities			
Net movements in trade financing		(303,989)	145,247
Proceeds from loans and borrowings		687,601	86,126
Proceeds from issuance of share capital		1,549	357,861
Dividend paid		(41,880)	(30,430)
Government grant received		1,124	1,875
Net repayment of obligations under finance leases		(7,430)	(8,215)
Repayment of loans and borrowings		(153,098)	(163,100)
Interest paid		(56,740)	(41,305)
Net cash from financing activities		127,137	348,059

(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 Twelve-Months Period Ended 31 December 2017 (Continued)

	Note	31 December	31 December
		2017	2016
		RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents		(97,331)	297,686
Cash and cash equivalents at beginning of the financial period		736,111	437,236
Effect of exchange rate changes on cash and cash equivalents		(2,774)	1,189
Cash and cash equivalents at end of financial period		<u>636,006</u>	<u>736,111</u>
 Cash and cash equivalents at the end of the financial period comprised the following:			
Short term deposits with licensed banks		509,816	353,151
Cash in hand and at banks		126,190	382,960
Cash and bank balances		<u>636,006</u>	<u>736,111</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 – 31 December 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 – 31 December 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 other than the listing and quotation of 27,800 shares exercised under the Employees' Share Options Scheme.

A7. Dividends paid

In respect for financial year ended 31 December 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 31 December 2017

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	6,791,264	11,406	(1,890,945)	4,911,725
Less: Inter-segment revenue	(1,890,945)	-	1,890,945	-
Revenue from external customers	4,900,319	11,406	-	4,911,725
Finance income	20,318	86	(1,288)	19,116
Finance costs	(69,189)	(2,189)	14,883	(56,495)
Depreciation and amortisation	(133,261)	(351)	(6,798)	(140,410)
Share of results of an associate	-	-	(308)	(308)
Profit before taxation for financial period	421,237	737	(62,262)	359,712



Explanatory Notes To The Interim Report – 31 December 2017

A8. Segment Information (Continued)

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	6,716,461	8,317	(2,308,656)	4,416,122
Less: Inter-segment revenue	(2,308,656)	-	2,308,656	-
Revenue from external customers	4,407,805	8,317	-	4,416,122
Finance income	33,608	88	(20,063)	13,633
Finance costs	(57,233)	(15)	17,684	(39,564)
Depreciation and amortisation	(104,764)	(384)	(1,835)	(106,983)
Share of results of an associate	-	-	3,075	3,075
Profit before taxation for financial period	272,195	2,069	(78,304)	195,960

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 31 December 2017 except corporate guarantees of RM1,075.0 million favouring the banks in respect of banking facilities granted to the subsidiaries. The contingent liabilities of RM406.8 million represents the outstanding banking facilities of the subsidiaries with corporate guarantee at the end of the reporting period.



SARAWAK OIL PALMS BERHAD

(Incorporated in Malaysia – 7949-M)

Explanatory Notes To The Interim Report – 31 December 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 31 December 2017 is as follows:-

	31 December 2017 RM'000
Property, plant and equipment	
Authorised but not contracted for	104,264
Contracted but not provided in the financial statements	22,129
	<u>126,393</u>
Plantation Development Expenditure	
Authorised but not contracted for	9,440
Contracted but not provided in the financial statements	15,745
	<u>25,185</u>



Explanatory Notes To The Interim Report – 31 December 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 (4 th 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	
	31/12/2017	31/12/2016		31/12/2017	31/12/2016	
Revenue	1,363,040	1,178,469	16%	4,911,725	4,416,122	11%
Operating Profit	96,554	105,289	(6%)	402,352	226,725	77%
Profit before Interest and Tax	90,585	61,464	47%	397,091	221,891	79%
Profit Before Tax	82,409	50,523	63%	359,712	195,960	84%
Profit After Tax	53,444	38,918	37%	258,210	142,288	81%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	49,295	33,965	45%	239,253	132,196	81%

4th Quarter FY2017 (“Q4FY2017”) vs 4th Quarter FY2016 (“Q4FY2016”)

The Group registered a total revenue of RM1,363.0 million for Q4FY2017 compared with RM1,178.5 million reported in Q4FY2016, representing an increase of 15.7%.

Profit before tax for the quarter was RM82.4 million against RM50.5 million for corresponding quarter last year. Increase in profit before tax was mainly attributed to higher Fresh Fruit Bunches (“FFB”) production and palm products transacted volume.

Current Year To Date (“4QFY2017”) vs Preceding Year To Date (“4QFY2016”)

The Group registered a total revenue of RM4,911.7 million for the twelve months ended 31 December 2017 against RM4,416.1 million reported in the corresponding period year 2016, representing an increase of 11.2%.

Group profit before tax for the year ended 31 December 2017 was RM359.7 million against RM196.0 million achieved during the corresponding period year 2016. The increase of profit was mainly attributed to improved average palm products realised price, higher FFB production and palm products transacted volume.



Explanatory Notes To The Interim Report – 31 December 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	
	31/12/2017	30/9/2017	
Revenue	1,363,040	1,214,809	12%
Operating Profit	96,554	117,752	(18%)
Profit before Interest and Tax	90,585	93,869	(3%)
Profit Before Tax	82,409	81,249	1%
Profit After Tax	53,444	59,341	(10%)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	49,295	54,363	(10%)

4th Quarter FY2017 (“Q4FY2017”) vs 3rd Quarter FY2017 (“Q3FY2017”)

The Group posted total revenue of RM1,363.0 million in Q4FY2017 compared with RM1,214.8 million reported in Q3FY2017.

The Group reported a profit before tax of RM82.4 million compared with RM81.2 million reported in Q3FY2017. For the quarter under review, simple average palm products realised prices against last quarter were as below:-

	Q4FY 2017	Q3FY 2017
Palm Oil Products (RM/mt)	2,748	2,677
Palm Kernel Products (RM/mt)	2,864	2,553

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 – 31 December 2017

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	36,352	27,735	140,410	106,983
Property, plant and equipment written off	32	164	580	502
(Gain)/Loss on disposal of property, plant and equipment	(438)	(1,420)	(244)	(1,216)
Finance income	(5,689)	(3,710)	(19,116)	(13,633)
Finance costs	13,865	8,201	56,495	39,564
Unrealised (gain)/loss on foreign exchange	4,161	(2,977)	598	(376)
Fair value changes on derivatives financial instruments	(2,688)	14,974	(21,814)	13,947

B6. Taxation

Current tax expenses	12,026	(56,937)	78,075	57,316
Deferred tax	15,689	68,542	23,427	(3,644)
	<u>28,965</u>	<u>11,605</u>	<u>101,502</u>	<u>53,672</u>
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	<u>95</u>	<u>14</u>	<u>116</u>	<u>4</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.



Explanatory Notes To The Interim Report – 31 December 2017

B8. Borrowing and debt securities

	As at 4 th quarter ended 2017					
	Long term		Short term		Total borrowings	
	Denomination in		Denomination in		Denomination in	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
<u>Secured</u>						
Finance leases	-	5,787	-	5,572	-	11,359
Revolving credits	-	-	-	61,000	-	61,000
Term loans	-	820,149	9,599	32,083	9,599	852,232
<u>Unsecured</u>						
Trust receipts	-	-	76,674	-	76,674	-
Banker acceptance	-	-	75,050	248,371	75,050	248,371
Revolving credits	-	-	-	5,000	-	5,000
Term loans	-	39,903	-	30,733	-	70,636
	-	865,839	161,323*	382,759	161,323	1,248,598

**USD39.858 million equivalent*

	As at 4 th quarter ended 2016					
	Long term		Short term		Total borrowings	
	Denomination in		Denomination in		Denomination in	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
<u>Secured</u>						
Finance leases	-	2,884	-	5,933	-	8,817
Banker acceptance	-	-	-	133,956	-	133,956
Revolving credits	-	-	-	91,000	-	91,000
Term loans	-	204,208	-	103,580	-	307,788
<u>Unsecured</u>						
Trust receipts	-	-	87,846	-	87,846	-
Banker acceptance	-	-	41,175	327,187	41,175	327,187
Revolving credits	-	-	-	100,400	-	100,400
Term loans	-	70,662	-	19,500	-	90,162
	-	277,754	129,021*	781,556	129,021	1,059,310

**USD28.8 million equivalent*



Explanatory Notes To The Interim Report – 31 December 2017

B9. Derivatives financial instruments

(a) The outstanding interest rate swap (IRS) contracts as at 31 December 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	-	-	50	50	(195)	43	501	349

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	17	6	-	23	(38)	19	-	(19)

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 2017

B9. Derivatives financial instruments (Continued)

(b) The outstanding commodity forward contracts, commodity swaps and forward currency contracts as at 31 December 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	50	-	-	50	11,392	-	-	11,392
Commodity forward contracts	USD	5	-	-	5	5,061	-	-	5,061
Commodity swaps	RM	24	-	-	24	2,019	-	-	2,019
Forward currency contracts	USD	37	-	-	37	3,361	-	-	3,361

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 – 31 December 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. On 8 February 2018, the Court of Appeal dismissed the appeal made by Plaintiff and allowed the cross appeal of the Company over the judgment made on 8 August 2014. In connection therewith, the Plaintiff would have 30 days to apply for the leave to appeal to the Federal Court against the said Court of Appeal’s decision.

- (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 year ended 31 December 2017 (31 December 2016 : Nil)



Explanatory Notes To The Interim Report – 31 December 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.

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	49,295	33,965	239,253	132,196
	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Weighted average number of ordinary shares in issue	570,814	464,305	570,692	471,341
	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Sen	Sen	Sen	Sen
Basic earning per share	8.64	7.32	41.92	28.05

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.

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	49,295	33,965	239,253	132,196
	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Weighted average number of ordinary shares in issue	571,573	469,331	571,447	471,716
	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Sen	Sen	Sen	Sen
Diluted earning per share	8.62	7.24	41.87	28.02



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

Explanatory Notes To The Interim Report – 31 December 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 28 February 2017.

By Order of the Board
Eric Kiu Kwong Seng
Company Secretary

Miri
28 February 2017