



**INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

(The figures have not been audited)

**Condensed Consolidated Statement of Financial Position as at 30 June 2018**

	Note	30 June 2018	31 December 2017 (Restated)	01 January 2017 (Restated)
		RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property, plant and equipment	A1	2,571,258	2,578,203	2,622,895
Land held for property development		41,129	41,102	20,262
Land use rights	A1	4,966	5,016	5,009
Investment in associate		-	-	1,895
Intangible assets		168,123	168,123	168,123
Derivatives financial assets	B9	1,823	544	-
Deferred tax assets		53,206	55,930	67,226
		<u>2,840,505</u>	<u>2,848,918</u>	<u>2,885,410</u>
<b>Current Assets</b>				
Inventories		359,236	368,022	315,711
Biological assets		18,911	15,981	24,295
Property development costs		7,363	3,921	29,482
Trade and other receivables		362,837	404,545	359,869
Derivatives financial assets	B9	6,212	9,088	6,719
Cash and bank balances		686,565	639,177	736,111
		<u>1,441,124</u>	<u>1,440,734</u>	<u>1,472,187</u>
<b>TOTAL ASSETS</b>		<u>4,281,629</u>	<u>4,289,652</u>	<u>4,357,597</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital		820,063	819,860	570,111
Share premium		-	-	246,844
Employee share option reserve		13,217	10,607	7,695
Other reserves		2,286	2,099	1,954
Retained earnings		1,313,410	1,276,808	1,066,538
		<u>2,148,976</u>	<u>2,109,374</u>	<u>1,893,142</u>
<b>Non-controlling interests</b>		<u>106,625</u>	<u>104,457</u>	<u>97,967</u>
<b>Total equity</b>		<u>2,255,601</u>	<u>2,213,831</u>	<u>1,991,109</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Financial Position as at 30 June 2018**

	<b>Note</b>	<b>30 June 2018</b>	<b>31 December 2017 (Restated)</b>	<b>01 January 2017 (Restated)</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		341,893	345,844	334,547
Loans and borrowings	B8	778,052	796,991	277,754
Government grant		14,834	14,436	13,658
Derivative financial liabilities	B9	-	-	48
		<u>1,134,779</u>	<u>1,157,271</u>	<u>626,007</u>
<b>Current liabilities</b>				
Loans and borrowings	B8	622,416	615,890	910,577
Trade and other payables		263,969	297,011	805,078
Government grant		-	796	782
Derivative financial liabilities	B9	4,864	4,853	24,044
		<u>891,249</u>	<u>918,550</u>	<u>1,740,481</u>
<b>Total liabilities</b>		<u>2,026,028</u>	<u>2,075,821</u>	<u>2,366,488</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,281,629</u>	<u>4,289,652</u>	<u>4,357,597</u>
Net assets per share attributable to owners of the Company (RM)		3.76	3.70	3.32

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Comprehensive Income  
For the Six-Months Period Ended 30 June 2018**

	Note	INDIVIDUAL QUARTER 3 months ended 30 June		CUMULATIVE QUARTER 6 months ended 30 June	
		2018 RM'000	2017 (Restated) RM'000	2018 RM'000	2017 (Restated) RM'000
<b>Continuing Operations</b>					
Revenue		774,907	1,218,541	1,679,267	2,314,716
Cost of sales		(746,597)	(1,125,902)	(1,613,532)	(2,131,269)
<b>Gross profit</b>		28,310	92,639	65,735	183,447
Administrative expenses		(8,430)	(2,719)	(15,687)	(8,884)
Other operating income		6,260	12,969	25,527	37,250
<b>Operating profit</b>		26,140	102,889	75,575	211,813
Finance income		7,253	4,927	10,132	8,501
Finance costs		(14,438)	(15,745)	(28,970)	(25,083)
Share of results of an associate		-	10	-	(569)
<b>Profit before tax</b>	B5	18,955	92,081	56,737	194,662
Taxation	B6	(6,218)	(20,671)	(15,627)	(50,629)
<b>Profit for the period</b>		12,737	71,410	41,110	144,033
<b>Other comprehensive income:</b>					
Net changes in fair value of derivatives	B9	1,191	24	993	47
Foreign exchange translation differences for foreign operations		218	(381)	(806)	(585)
<b>Other comprehensive income for the period, net of tax</b>		1,409	(357)	187	(538)
<b>Total comprehensive income for the period</b>		14,146	71,053	41,297	143,495
<b>Profit attributable to:</b>					
Owners of the Company		10,530	67,278	36,602	134,203
Non-controlling interests		2,207	4,132	4,508	9,830
		12,737	71,410	41,110	144,033
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		11,939	66,921	36,789	133,665
Non-controlling interests		2,207	4,132	4,508	9,830
		14,146	71,053	41,297	143,495

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Comprehensive Income  
For the Six-Months Period Ended 30 June 2018**

	Note	INDIVIDUAL QUARTER 3 months ended 30 June		CUMULATIVE QUARTER 6 months ended 30 June	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)
<b>Earning per share attributable to Owners of the Company (Sen):</b>					
Basic	B12	1.85	11.79	6.41	23.52
Diluted	B12	1.84	11.72	6.40	23.38

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Changes in Equity  
For the Six-Months Period Ended 30 June 2018**

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	
<b>At 1 January 2018 as previously stated</b>	2,213,831	2,109,374	819,860	-	10,607	2,099	1,276,808	104,457
<b>Total comprehensive income for the period</b>	41,297	36,789	-	-	-	187	36,602	4,508
<b>Transactions with owners</b>								
Dividends paid to non-controlling interests in subsidiaries	(2,340)	-	-	-	-	-	-	(2,340)
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	203	203	203	-	-	-	-	-
Share options granted under ESOS	2,610	2,610	-	-	2,610	-	-	-
<b>At 30 June 2018</b>	<u>2,255,601</u>	<u>2,148,976</u>	<u>820,063</u>	<u>-</u>	<u>13,217</u>	<u>2,286</u>	<u>1,313,410</u>	<u>106,625</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 2017 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Changes in Equity  
For the Six-Months Period Ended 30 June 2018**

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 as previously stated</b>	1,972,645	1,874,678	570,111	246,844	7,695	1,954	1,048,074	97,967
Effects on adoption of MFRS	12,145	12,145	-	-	-	-	12,145	-
<b>Total comprehensive income for the period</b>	258,754	238,924	-	-	-	145	238,779	19,830
<b>Transactions with owners</b>								
Dividend paid to non-controlling interests in subsidiaries	(13,340)	-	-	-	-	-	-	(13,340)
Dividends on ordinary shares	(28,540)	(28,540)	-	-	-	-	(28,540)	-
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	1,549	1,549	1,516	33	-	-	-	-
Share options granted under ESOS	10,618	10,618	-	-	10,618	-	-	-
Exercise of share options	-	-	1,356	-	(1,356)	-	-	-
Reversal of employee share option reserve	-	-	-	-	(6,350)	-	6,350	-
Transfer pursuant to Companies Act 2016	-	-	246,877	(246,877)	-	-	-	-
<b>At 31 December 2017</b>	<u>2,213,831</u>	<u>2,109,374</u>	<u>819,860</u>	<u>-</u>	<u>10,607</u>	<u>2,099</u>	<u>1,276,808</u>	<u>104,457</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 2017 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Cash Flow Statement  
For the Six-Months Period Ended 30 June 2018**

	Note	30 June 2018	30 June 2017 (Restated)
		RM'000	RM'000
<b>Operating activities</b>			
<b>Profit before tax</b>		56,737	194,662
Adjustments for non-cash flow items:			
Depreciation and amortisation		71,131	67,798
Amortisation of government grant		(398)	-
Employee expenses under ESOS		2,610	-
(Gain) / loss on disposal of property, plant and equipment		(86)	351
Property, plant and equipment written off		44	62
Finance income		(10,132)	(8,501)
Finance costs		28,970	25,083
Fair value changes on biological assets		(2,930)	1,830
Unrealised loss/(gain) on foreign exchange		1,234	(3,524)
Fair value changes on derivative financial instruments		2,981	(26,893)
Provision for impairment of investment in a subsidiary		-	5,062
Loss on disposal on an associate		-	340
Share of results of an associate		-	569
<b>Operating profit before working capital changes</b>		150,161	256,839
Decrease in inventories		8,786	24,494
(Increase)/decrease in property development cost		(3,419)	6,922
Decrease in trade and other receivables		30,227	87,811
Decrease in trade and other payables		(3,367)	(578,034)
<b>Cash from/(used in) operations</b>		182,388	(201,968)
Tax paid		(38,251)	(33,231)
<b>Net cash flows from/(used in) operating activities</b>		144,137	(235,199)

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Cash Flow Statement**  
**For the Six-Months Period Ended 30 June 2018 (Continued)**

	Note	30 June 2018	30 June 2017 (Restated)
		RM'000	RM'000
<b>Cash flows from investing activities</b>			
Additions of property, plant and equipment		(29,428)	(16,024)
Plantation development expenditure		(35,652)	(19,665)
Disposal of interest in an associate		-	986
Deconsolidation of a subsidiary		-	(5,531)
Proceeds from disposals of property, plant and equipment		1,213	1,016
Interest received		10,132	8,501
<b>Net cash used in investing activities</b>		<u>(54,948)</u>	<u>(31,733)</u>
<b>Cash flows from financing activities</b>			
Net movements in trade financing		4,378	(322,064)
Proceeds from loans and borrowings		42,808	678,002
Proceeds from issuance of share capital		401	1,449
Net repayment of obligations under finance leases		(2,960)	(3,061)
Repayment of loans and borrowings		(59,295)	(103,105)
Dividend paid		(2,340)	(8,340)
Interest paid		(26,582)	(25,581)
<b>Net cash (used in) / from financing activities</b>		<u>(43,590)</u>	<u>217,300</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this report)





**Condensed Consolidated Cash Flow Statement**  
**For the Six-Months Period Ended 30 June 2018 (Continued)**

	Note	30 June 2018 RM'000	30 June 2017 (Restated) RM'000
<b>Net increase / (decrease) in cash and cash equivalents</b>		46,812	(48,616)
<b>Cash and cash equivalents at beginning of the financial period</b>		639,177	736,111
Effect of exchange rate changes on cash and cash equivalents		576	21
<b>Cash and cash equivalents at end of financial period</b>		<u>686,565</u>	<u>687,516</u>
Cash and cash equivalents at the end of the financial period comprised the following:			
Short term deposits with licensed banks		489,666	478,432
Cash in hand and at banks		196,899	209,084
Cash and bank balances		<u>686,565</u>	<u>687,516</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this report)



## **Explanatory Notes To The Interim Report – 30 June 2018**

### **A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on transition from FRS to MFRS as disclosed as follows:

#### **a) Bearer plants**

The amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. After initial recognition, bearer plants will now be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). As the Group is currently measuring the bearer biological assets at cost less amortisation, the change in accounting policies is limited to reclassification of the bearer assets from biological assets to property, plant and equipment and thus, the change will not impact comprehensive income or equity.

#### **b) Biological assets**

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants, biological assets which form part of the bearer plants were not recognised. With the adoption of the Amendments to MFRS 116 and MFRS 141, the biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. The changes in fair value less costs to sell of the biological assets was recognised in profit or loss.



**Explanatory Notes To The Interim Report – 30 June 2018**

**A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

b) Biological assets (continued)

The impact of the changes in accounting policy on the financial statements as a result of the transition to the MFRS Framework are as follows:

**Condensed Consolidated Statement of Financial Position**

	As at 31 December 2017			As at 1 January 2017		
	Previously reported under FRS (RM'000)	Effects on adoption of MFRS (RM'000)	Reported under MFRS (RM'000)	Previously reported under FRS (RM'000)	Effects on adoption of MFRS (RM'000)	Reported under MFRS (RM'000)
<b>Non-current assets</b>						
Property, Plant and equipment	1,547,257	1,030,946	2,578,203	1,585,207	1,037,688	2,622,895
Biological assets	1,030,946	(1,030,946)	-	1,037,688	(1,037,688)	-
<b>Current assets</b>						
Biological assets	-	15,981	15,981	-	24,295	24,295
<b>Non-current liabilities</b>						
Deferred tax liabilities	342,008	3,836	345,844	328,716	5,831	334,547
<b>Equity</b>						
Retained earnings	1,264,663	12,145	1,276,808	1,048,074	18,464	1,066,538

**Condensed Consolidated Statement of Comprehensive Income**

	As at 31 December 2017		
	Previously reported under FRS (RM'000)	Effects on adoption of MFRS (RM'000)	Reported under MFRS (RM'000)
Cost of sales	4,369,903	(8,314)	4,361,589
Income tax expenses	101,163	1,995	103,158



**Explanatory Notes To The Interim Report – 30 June 2018**

**A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

At the date of authorization of these interim financial statements, the following MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

<b>MFRS, IC Interpretation and Amendments to IC Interpretations</b>	<b>Effective for annual periods beginning on or after</b>
• MFRS 16 Leases	01 January 2019
• Annual Improvements to MFRS Standards 2015 – 2017 Cycle	01 January 2019
• IC Int. 23 Uncertainty Over Income Tax Treatments	01 January 2019
• MFRS 17: Insurance Contracts	01 January 2021
• Amendments to MFRS 10 and MFRS 128 Sale and Contribution of Assets between an Investor and its Associates or Joint Venture	Deferred

**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 cyclical nature 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 unusual 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 5,100 shares exercised under the Employees' Share Options Scheme.

**A7. Dividends paid**

The company has paid RM34,252,449 on 20 July 2018, being the first and final single tier dividend of 6 sen per ordinary share declared for the financial year ended 31 December 2017 and duly approved during Annual General Meeting held on 27 June 2018.



**Explanatory Notes To The Interim Report – 30 June 2018**

**A8. Segment Information**

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

**Period to date ended 30 June 2018**

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	2,400,570	4,630	(725,933)	1,679,267
Less: Inter-segment revenue	(725,933)	-	725,933	-
Revenue from external customers	1,674,637	4,630	-	1,679,267
Finance income	10,075	57	-	10,132
Finance costs	(32,150)	(607)	3,787	(28,970)
Depreciation and amortisation	(66,430)	(190)	(4,511)	(71,131)
Profit before taxation for financial period	79,205	740	(23,208)	56,737

**Period to date ended 30 June 2017**

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	3,243,523	2,706	(931,513)	2,314,716
Less: Inter-segment revenue	(931,513)	-	931,513	-
Revenue from external customers	2,312,010	2,706	-	2,314,716
Finance income	8,441	60	-	8,501
Finance costs	(34,042)	(17)	8,976	(25,083)
Depreciation and amortisation	(65,816)	(199)	(1,783)	(67,798)
Share of results of an associate	-	-	(569)	(569)
Profit before taxation for financial period	235,199	256	(40,793)	194,662

**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.



## Explanatory Notes To The Interim Report – 30 June 2018

### 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 June 2018 except corporate guarantees of RM1,075.0 million favouring the banks in respect of banking facilities granted to the subsidiaries. The contingent liabilities of RM432.2 million represents the outstanding banking facilities of the subsidiaries with corporate guarantee at the end of the reporting period.

### A13. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment and for plantation development expenditure not provided for in the financial statements as at 30 June 2018 is as follows:-

	<b>30 June 2018</b> <b>RM'000</b>
Property, plant and equipment	
Authorised but not contracted for	158,851
Contracted but not provided in the financial statements	33,612
	-----
	192,463
	=====
Plantation Development Expenditure	
Authorised but not contracted for	41,827
Contracted but not provided in the financial statements	5,802
	-----
	47,629
	=====



**Explanatory Notes To The Interim Report – 30 June 2018**

**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			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	
	30/06/2018	30/06/2017 (Restated)	30/06/2018	30/06/2017 (Restated)		
<b>Revenue</b>	774,907	1,218,541	(36%)	1,679,267	2,314,716	(27%)
<b>Gross Profit</b>	28,310	92,639	(69%)	65,735	183,447	(64%)
<b>Operating profit</b>	26,140	102,889	(75%)	75,575	211,813	(64%)
<b>Profit Before Tax</b>	18,955	92,081	(79%)	56,737	194,662	(71%)
<b>Profit After Tax</b>	12,737	71,410	(82%)	41,110	144,033	(71%)
<b>Profit Attributable to Ordinary Equity Holders of the Parent</b>	10,530	67,278	(84%)	36,602	134,203	(73%)

**2<sup>nd</sup> Quarter FY2018 (“Q2FY2018”) vs 2<sup>nd</sup> Quarter FY2017 (“Q2FY2017”)**

The Group registered a total revenue of RM774.9 million for Q2FY2018 compared with RM1,218.5 million reported in Q2FY2017, representing a decrease of 36.4%. The decrease in revenue was mainly attributed to lower volume of palm products transacted and lower palm products average realised prices.

As a result of the above, profit before tax for the quarter decreased to RM19.0 million compared with RM92.1 million in corresponding quarter last year.

**Current Year To Date (“2QFY2018”) vs Preceding Year To Date (“2QFY2017”)**

The Group registered a total revenue of RM1,679.3 million for the six months ended 30 June 2018 against RM2,314.7 million reported in the corresponding period year 2017, representing a decrease of 27.5%.

Group profit before tax for the period ended 30 June 2018 was RM56.7 million against RM194.7 million achieved during the corresponding period year 2017. The decrease in profit before tax was mainly attributed to lower volume of palm products transacted and lower palm products average realised prices.



**Explanatory Notes To The Interim Report – 30 June 2018**

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

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

	Current Quarter	Immediate Preceding Quarter (Restated)	Changes (%)
	RM'000	RM'000	
	30/06/2018	31/03/2018	
<b>Revenue</b>	774,907	904,360	(14%)
<b>Gross Profit</b>	28,310	37,425	(24%)
<b>Operating profit</b>	26,140	49,435	(47%)
<b>Profit Before Tax</b>	18,955	37,782	(50%)
<b>Profit After Tax</b>	12,737	28,373	(55%)
<b>Profit Attributable to Ordinary Equity Holders of the Parent</b>	10,530	26,072	(60%)

**2<sup>nd</sup> Quarter FY2018 (“Q2FY2018”) vs 1<sup>st</sup> Quarter FY2018 (“Q1FY2018”)**

The Group posted total revenue of RM774.9 million in Q2FY2018 compared with RM904.4 million reported in Q1FY2018.

The Group reported a profit before tax of RM19.0 million compared with RM37.8 million reported in Q1FY2018. The lower profit before tax was mainly attributed to lower transacted palm products volume and average realised price. For the quarter under review, simple average palm products' realised prices against last quarter were as below:-

	Q2FY 2018	Q1FY 2018
Palm Oil Products (RM/mt)	2,352	2,555
Palm Kernel Products (RM/mt)	2,041	2,583

**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. The Group anticipates a good recovery of FFB production in the coming quarter following the peak crop season.

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

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





**Explanatory Notes To The Interim Report – 30 June 2018**

**B5. Profit before tax**

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

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Restated)		(Restated)	
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	35,872	33,664	71,131	67,798
Property, plant and equipment written off	35	50	44	62
Loss/(gain) on disposal of property, plant and equipment	124	339	(86)	351
Finance income	(7,253)	(4,927)	(10,132)	(8,501)
Finance costs	14,438	15,745	28,970	25,083
Unrealised (gain)/loss on foreign exchange	(1,098)	(1,498)	1,234	(3,524)
Fair value changes on derivatives financial instruments	959	13,619	2,981	(26,893)
Fair value changes on biological assets	(3,594)	217	(2,930)	1,830
	<u>35,872</u>	<u>33,664</u>	<u>71,131</u>	<u>67,798</u>

**B6. Taxation**

Current tax expenses	8,896	21,929	16,854	44,217
Deferred tax	(2,678)	(1,258)	(1,227)	6,412
	<u>6,218</u>	<u>20,671</u>	<u>15,627</u>	<u>50,629</u>
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	<u>376</u>	<u>8</u>	<u>314</u>	<u>15</u>

The Group's effective tax rate is higher than the prevailing corporate tax rate of 24% mainly due to the losses which cannot be set-off against taxable profits made by subsidiaries and certain expenditure 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 – 30 June 2018**

**B8. Borrowing and debt securities**

	<b>As at 2<sup>nd</sup> quarter ended 2018</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 (RM'000)</b>	<b>RM (RM'000)</b>	<b>USD (RM'000)</b>	<b>RM (RM'000)</b>	<b>USD (RM'000)</b>	<b>RM (RM'000)</b>
<b><u>Secured</u></b>						
Finance leases	-	3,948	-	4,450	-	8,398
Banker acceptance	-	-	-	1,764	-	1,764
Revolving credits	-	-	-	86,200	-	86,200
Term loans	-	743,043	8,707	78,950	8,707	821,993
<b><u>Unsecured</u></b>						
Trust receipts	-	-	93,567	-	93,567	-
Banker acceptance	-	-	35,415	275,808	35,415	275,808
Revolving credits	-	-	-	8,000	-	8,000
Islamic overdraft	-	-	-	4,092	-	4,092
Term loans	-	31,061	-	25,463	-	56,524
	-	778,052	137,689*	484,727	137,689	1,262,779

\*USD34.10 million equivalent

	<b>As at 2<sup>nd</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 (RM'000)</b>	<b>RM (RM'000)</b>	<b>USD (RM'000)</b>	<b>RM (RM'000)</b>	<b>USD (RM'000)</b>	<b>RM (RM'000)</b>
<b><u>Secured</u></b>						
Finance leases	-	3,880	-	5,212	-	9,092
Banker acceptance	-	-	-	64,881	-	64,881
Revolving credits	-	-	-	61,000	-	61,000
Term loans	-	842,632	-	42,950	-	885,582
<b><u>Unsecured</u></b>						
Banker acceptance	-	-	42,525	268,573	42,525	268,573
Revolving credits	-	-	-	21,200	-	21,200
Term loans	-	53,631	-	33,650	-	87,281
	-	900,143	42,525*	497,466	42,525	1,397,609

\*USD9.90 million equivalent



**Explanatory Notes To The Interim Report – 30 June 2018**

**B9. Derivatives financial instruments**

(a) The outstanding interest rate swap (IRS) contracts as at 30 June 2018 are as follows:-

(i) Interest rate swap - designated as hedging

	Contract/Notional Value (Million)					Fair Value – assets/(liabilities) (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	-	-	150	150	-	-	1,656	1,656

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 – assets/(liabilities) (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	34	-	-	34	(9)	-	-	(9)

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



**Explanatory Notes To The Interim Report – 30 June 2018**

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

(b) The outstanding commodity forward contracts, commodity swaps and forward currency contracts as at 30 June 2018 are as follows:-

	Contract/Notional Value (Million)					Fair Value assets/(liabilities) (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	176	-	-	176	1,535	-	-	1,535
Commodity forward contracts	USD	42	-	-	42	2,055	-	-	2,055
Forward currency contracts	USD	218	-	-	218	(2,066)	-	-	(2,066)

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.

**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 thereafter 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).



**Explanatory Notes To The Interim Report – 30 June 2018**

**B10. Changes in material litigation (continued)**

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.

On 7 March 2018, the Plaintiff had filed an application for leave to the Federal Court to appeal against the Court of Appeal's decision. No hearing date had been fixed.

**B11. Dividends**

First and final single-tier dividend in respect of the financial year ended 31 December 2017, of 6 sen per ordinary shares amounting to RM34,252,449 has been approved by shareholders during Annual General Meeting held on 27 June 2018 and the payment was subsequently made on 20 July 2018.



**Explanatory Notes To The Interim Report – 30 June 2018**

**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 in issue during the period.

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30/06/2018	30/06/2017 (Restated)	30/06/2018	30/06/2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	10,530	67,278	36,602	134,203
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	570,874	570,790	570,861	570,586
	Sen	Sen	Sen	Sen
Basic earning per share	1.85	11.79	6.41	23.52

*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 in issue during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30/06/2018	30/06/2017 (Restated)	30/06/2018	30/06/2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	10,530	67,278	36,602	134,203
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	571,005	574,224	570,992	574,019
	Sen	Sen	Sen	Sen
Diluted earning per share	1.84	11.72	6.40	23.38



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

**Explanatory Notes To The Interim Report – 30 June 2018**

**B13. Authorised for Issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 29 August 2018.

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

Miri  
**29 August 2018**