



INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

(The figures have not been audited)

Condensed Consolidated Statement of Financial Position as at 30 September 2018

| | Note | 30 September 2018 | 31 December 2017 (Restated) | 01 January 2017 (Restated) |
|---|------|-------------------------|-----------------------------------|----------------------------------|
| | | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | |
| Non-current Assets | | | | |
| Property, plant and equipment | A1 | 2,570,849 | 2,578,203 | 2,622,895 |
| Land held for property development | | 37,866 | 41,102 | 20,262 |
| Land use rights | A1 | 4,941 | 5,016 | 5,009 |
| Investment in associate | | - | - | 1,895 |
| Intangible assets | | 168,123 | 168,123 | 168,123 |
| Derivatives financial assets | B9 | 723 | 544 | - |
| Deferred tax assets | | 52,977 | 55,930 | 67,226 |
| | | <u>2,835,479</u> | <u>2,848,918</u> | <u>2,885,410</u> |
| Current Assets | | | | |
| Inventories | | 418,430 | 368,022 | 315,711 |
| Biological assets | | 16,747 | 15,981 | 24,295 |
| Property development costs | | 12,658 | 3,921 | 29,482 |
| Trade and other receivables | | 270,993 | 404,545 | 359,869 |
| Derivatives financial assets | B9 | 6,530 | 9,088 | 6,719 |
| Cash and bank balances | | 764,707 | 639,177 | 736,111 |
| | | <u>1,490,065</u> | <u>1,440,734</u> | <u>1,472,187</u> |
| TOTAL ASSETS | | <u><u>4,325,544</u></u> | <u><u>4,289,652</u></u> | <u><u>4,357,597</u></u> |
| EQUITY AND LIABILITIES | | | | |
| Equity attributable to owners of the Company | | | | |
| Share capital | | 820,063 | 819,860 | 570,111 |
| Share premium | | - | - | 246,844 |
| Employee share option reserve | | 14,662 | 10,607 | 7,695 |
| Other reserves | | 1,042 | 2,099 | 1,954 |
| Retained earnings | | 1,296,889 | 1,276,808 | 1,066,538 |
| | | <u>2,132,656</u> | <u>2,109,374</u> | <u>1,893,142</u> |
| Non-controlling interests | | <u>107,252</u> | <u>104,457</u> | <u>97,967</u> |
| Total equity | | <u><u>2,239,908</u></u> | <u><u>2,213,831</u></u> | <u><u>1,991,109</u></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 September 2018

| | Note | 30 September 2018 | 31 December 2017 (Restated) | 01 January 2017 (Restated) |
|--|------|----------------------|-----------------------------------|----------------------------------|
| | | RM'000 | RM'000 | RM'000 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | | 340,726 | 345,844 | 334,547 |
| Loans and borrowings | B8 | 796,546 | 796,991 | 277,754 |
| Government grant | | 13,839 | 14,436 | 13,658 |
| Derivative financial liabilities | B9 | - | - | 48 |
| | | <u>1,151,111</u> | <u>1,157,271</u> | <u>626,007</u> |
| Current liabilities | | | | |
| Loans and borrowings | B8 | 645,478 | 615,890 | 910,577 |
| Trade and other payables | | 282,920 | 297,011 | 805,078 |
| Government grant | | 796 | 796 | 782 |
| Derivative financial liabilities | B9 | 5,331 | 4,853 | 24,044 |
| | | <u>934,525</u> | <u>918,550</u> | <u>1,740,481</u> |
| Total liabilities | | <u>2,085,636</u> | <u>2,075,821</u> | <u>2,366,488</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>4,325,544</u> | <u>4,289,652</u> | <u>4,357,597</u> |
| Net assets per share attributable to owners of the Company (RM) | | 3.74 | 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 Nine-Months Period Ended 30 September 2018**

| | Note | INDIVIDUAL QUARTER 3 months ended 30 September | | CUMULATIVE QUARTER 9 months ended 30 September | |
|---|------|--|------------------------------|--|------------------------------|
| | | 2018 RM'000 | 2017 RM'000 (Restated) | 2018 RM'000 | 2017 RM'000 (Restated) |
| Continuing Operations | | | | | |
| Revenue | | 870,342 | 1,204,956 | 2,549,609 | 3,519,672 |
| Cost of sales | | (822,724) | (1,080,518) | (2,436,257) | (3,211,787) |
| Gross profit | | 47,618 | 124,438 | 113,352 | 307,885 |
| Administrative expenses | | (9,382) | (14,317) | (25,068) | (23,201) |
| Other operating income | | 4,969 | (14,103) | 30,496 | 23,147 |
| Operating profit | | 43,205 | 96,018 | 118,780 | 307,831 |
| Finance income | | 5,490 | 4,926 | 15,622 | 13,427 |
| Finance costs | | (17,983) | (17,547) | (46,953) | (42,630) |
| Share of results of an associate | | - | - | - | (569) |
| Profit before tax | B5 | 30,712 | 83,397 | 87,449 | 278,059 |
| Taxation | B6 | (11,454) | (21,908) | (27,081) | (72,537) |
| Profit for the period | | 19,258 | 61,489 | 60,368 | 205,522 |
| Other comprehensive income: | | | | | |
| Net changes in fair value of derivatives | B9 | (881) | 20 | 112 | 67 |
| Foreign exchange translation differences for foreign operations | | (363) | (245) | (1,169) | (830) |
| Other comprehensive income for the period, net of tax | | (1,244) | (225) | (1,057) | (763) |
| Total comprehensive income for the period | | 18,014 | 61,264 | 59,311 | 204,759 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 17,731 | 56,511 | 54,333 | 190,714 |
| Non-controlling interests | | 1,527 | 4,978 | 6,035 | 14,808 |
| | | 19,258 | 61,489 | 60,368 | 205,522 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 16,487 | 56,286 | 53,276 | 189,951 |
| Non-controlling interests | | 1,527 | 4,978 | 6,035 | 14,808 |
| | | 18,014 | 61,264 | 59,311 | 204,759 |

(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 Nine-Months Period Ended 30 September 2018**

| | Note | INDIVIDUAL QUARTER 3 months ended 30 September | | CUMULATIVE QUARTER 9 months ended 30 September | |
|---|------|--|------------------------------|--|------------------------------|
| | | 2018 RM'000 | 2017 RM'000 (Restated) | 2018 RM'000 | 2017 RM'000 (Restated) |
| Earning per share attributable to Owners of the Company (Sen): | | | | | |
| Basic | B12 | 3.11 | 9.90 | 9.52 | 33.42 |
| Diluted | B12 | 3.10 | 9.89 | 9.51 | 33.40 |

(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 Nine-Months Period Ended 30 September 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 | |
| At 1 January 2018 as previously stated | 2,213,831 | 2,109,374 | 819,860 | - | 10,607 | 2,099 | 1,276,808 | 104,457 |
| Total comprehensive income for the period | 59,311 | 53,276 | - | - | - | (1,057) | 54,333 | 6,035 |
| Transactions with owners | | | | | | | | |
| Dividends paid to non-controlling interests in subsidiaries | (3,240) | - | - | - | - | - | - | (3,240) |
| Dividends on ordinary shares | (34,252) | (34,252) | - | - | - | - | (34,252) | - |
| Issuance of ordinary shares: | | | | | | | | |
| Pursuant to exercise of ESOS | 203 | 203 | 203 | - | - | - | - | - |
| Share options granted under ESOS | 4,055 | 4,055 | - | - | 4,055 | - | - | - |
| At 30 September 2018 | <u>2,239,908</u> | <u>2,132,656</u> | <u>820,063</u> | <u>-</u> | <u>14,662</u> | <u>1,042</u> | <u>1,296,889</u> | <u>107,252</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 2017 and the accompanying explanatory notes attached to this report)



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

Equity Attributable to Owners of the Company

| | Equity, total | Equity attributable to owners of the Company total | Share capital | Share premium | Non- Distributable | Distributable | | |
|--|------------------|--|------------------|------------------|-------------------------------------|------------------|----------------------|----------------------------------|
| | | | | | Employee share option reserve | Other reserve | Retained earnings | Non- controlling interests |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2017 as previously stated | 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 | - |
| Total comprehensive income for the period | 258,754 | 238,924 | - | - | - | 145 | 238,779 | 19,830 |
| Transactions with owners | | | | | | | | |
| 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) | - | - | - | - |
| At 31 December 2017 | <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 Nine-Months Period Ended 30 September 2018

| | Note | 30 September 2018 | 30 September 2017 (Restated) |
|--|------|----------------------|------------------------------------|
| | | RM'000 | RM'000 |
| Operating activities | | | |
| Profit before tax | | 87,449 | 278,059 |
| Adjustments for non-cash flow items: | | | |
| Depreciation and amortisation | | 106,735 | 104,058 |
| Amortisation of government grant | | (597) | (199) |
| Employee expenses under ESOS | | 4,055 | 7,058 |
| (Gain) / loss on disposal of property, plant and equipment | | (319) | 194 |
| Property, plant and equipment written off | | 73 | 548 |
| Inventory written off | | - | 7 |
| Finance income | | (15,622) | (13,427) |
| Finance costs | | 46,953 | 42,630 |
| Fair value changes on biological assets | | (706) | (757) |
| Unrealised loss/(gain) on foreign exchange | | 2,025 | (3,563) |
| Fair value changes on derivative financial instruments | | 3,083 | (19,126) |
| Provision for impairment of investment in a subsidiary | | - | 5,062 |
| Loss on disposal on an associate | | 44 | 340 |
| Share of results of an associate | | - | 569 |
| Operating profit before working capital changes | | 233,173 | 401,453 |
| Increase in inventories | | (50,408) | (66,896) |
| (Increase)/decrease in property development cost | | (5,441) | 6,145 |
| Decrease in trade and other receivables | | 95,637 | 81,316 |
| Increase/(Decrease) in trade and other payables | | 46,021 | (432,633) |
| Cash from/(used in) operations | | 318,982 | (10,615) |
| Tax paid | | (55,776) | (53,458) |
| Net cash flows from/(used in) operating activities | | 263,206 | (64,073) |

(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 Nine-Months Period Ended 30 September 2018 (Continued)

| | Note | 30 September 2018 | 30 September 2017 (Restated) |
|--|------|----------------------|------------------------------------|
| | | RM'000 | RM'000 |
| Cash flows from investing activities | | | |
| Additions of property, plant and equipment | | (40,761) | (24,002) |
| Plantation development expenditure | | (54,345) | (34,218) |
| Disposal of interest in an associate | | (44) | 986 |
| Deconsolidation of a subsidiary | | - | (5,531) |
| Proceeds from disposals of property, plant and equipment | | 2,624 | 684 |
| Interest received | | 15,622 | 13,427 |
| Net cash used in investing activities | | (76,904) | (48,654) |
| Cash flows from financing activities | | | |
| Net movements in trade financing | | 81,325 | (389,518) |
| Proceeds from loans and borrowings | | 43,066 | 678,002 |
| Proceeds from issuance of share capital | | 201 | 1,449 |
| Net repayment of obligations under finance leases | | (4,462) | (5,566) |
| Repayment of loans and borrowings | | (97,287) | (128,063) |
| Government grant received | | - | 1,190 |
| Dividend paid | | (37,492) | (36,879) |
| Interest paid | | (45,786) | (36,362) |
| Net cash (used in) / from financing activities | | (60,435) | 84,253 |

(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 Nine-Months Period Ended 30 September 2018 (Continued)

| | Note | 30 September 2018 | 30 September 2017 (Restated) |
|---|------|----------------------|------------------------------------|
| | | RM'000 | RM'000 |
| Net increase / (decrease) in cash and cash equivalents | | 125,867 | (28,474) |
| Cash and cash equivalents at beginning of the financial period | | 639,177 | 736,111 |
| Effect of exchange rate changes on cash and cash equivalents | | (337) | (1,328) |
| Cash and cash equivalents at end of financial period | | 764,707 | 706,309 |
| Cash and cash equivalents at the end of the financial period comprised the following: | | | |
| Short term deposits with licensed banks | | 480,136 | 506,807 |
| Cash in hand and at banks | | 284,571 | 199,502 |
| Cash and bank balances | | 764,707 | 706,309 |

(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 September 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 September 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) |
| Non-current assets | | | | | | |
| 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) | - |
| Current assets | | | | | | |
| Biological assets | - | 15,981 | 15,981 | - | 24,295 | 24,295 |
| Non-current liabilities | | | | | | |
| Deferred tax liabilities | 342,008 | 3,836 | 345,844 | 328,716 | 5,831 | 334,547 |
| Equity | | | | | | |
| 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 September 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:

| MFRS, IC Interpretation and Amendments to IC Interpretations | Effective for annual periods beginning on or after |
|--|---|
| • 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 no quotation of 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 September 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 September 2018

| | Palm oil Segment RM'000 | Property Segment RM'000 | Consolidation Adjustment RM'000 | Consolidated RM'000 |
|---|-------------------------------|-------------------------------|---------------------------------------|------------------------|
| Total segment revenue | 3,677,873 | 8,456 | (1,136,720) | 2,549,609 |
| Less: Inter-segment revenue | (1,136,720) | - | 1,136,720 | - |
| Revenue from external customers | <u>2,541,153</u> | <u>8,456</u> | <u>-</u> | <u>2,549,609</u> |
| Finance income | 15,518 | 104 | - | 15,622 |
| Finance costs | (52,577) | (715) | 6,339 | (46,953) |
| Depreciation and amortisation | (99,836) | (297) | (6,602) | (106,735) |
| Profit before taxation for financial period | <u>118,650</u> | <u>2,241</u> | <u>(33,442)</u> | <u>87,449</u> |

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 | (1,440,423) | 3,519,672 |
| Less: Inter-segment revenue | (1,440,423) | - | 1,440,423 | - |
| Revenue from external customers | <u>3,512,558</u> | <u>7,114</u> | <u>-</u> | <u>3,519,672</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>(58,539)</u> | <u>278,059</u> |

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 September 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 except for the disposal of 45,000 ordinary shares of Sinar Asiamas Sdn Bhd representing 45% of paid-up share capital of Sinar Asiamas Sdn Bhd to Danum Shipping Sdn Bhd, a wholly owned subsidiary of Shin Yang Shipping Corporation Berhad for a total cash consideration of RM1.00 on 16 July 2018.

A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 30 September 2018 except corporate guarantees of RM1,119.7 million favouring the banks in respect of banking facilities granted to the subsidiaries. The contingent liabilities of RM415.3 million represents the outstanding banking facilities of the subsidiaries with corporate guarantee at the end of the reporting period.

A13. Capital Commitments

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

| | 30 September 2018 RM'000 |
|---|---|
| Property, plant and equipment | |
| Authorised but not contracted for | 104,398 |
| Contracted but not provided in the financial statements | 69,712 |
| | ----- |
| | 174,110 |
| | ===== |
| Plantation Development Expenditure | |
| Authorised but not contracted for | 29,799 |
| Contracted but not provided in the financial statements | 9,084 |
| | ----- |
| | 38,883 |
| | ===== |



Explanatory Notes To The Interim Report – 30 September 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 | |
| | 30/09/2018 | 30/09/2017 (Restated) | 30/09/2018 | 30/09/2017 (Restated) | | |
| Revenue | 870,342 | 1,204,956 | (28%) | 2,549,609 | 3,519,672 | (28%) |
| Gross Profit | 47,618 | 124,438 | (62%) | 113,352 | 307,885 | (63%) |
| Operating profit | 43,205 | 96,018 | (55%) | 118,780 | 307,831 | (61%) |
| Profit Before Tax | 30,712 | 83,397 | (63%) | 87,449 | 278,059 | (69%) |
| Profit After Tax | 19,258 | 61,489 | (69%) | 60,368 | 205,522 | (71%) |
| Profit Attributable to Ordinary Equity Holders of the Parent | 17,731 | 56,511 | (69%) | 54,333 | 190,714 | (72%) |

3rd Quarter FY2018 (“Q3FY2018”) vs 3rd Quarter FY2017 (“Q3FY2017”)

The Group registered a total revenue of RM870.3 million for Q3FY2018 compared with RM1,205.0 million reported in Q3FY2017, representing a decrease of 27.8%. 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 RM30.7 million compared with RM83.4 million in corresponding quarter last year.

Current Year To Date (“3QFY2018”) vs Preceding Year To Date (“3QFY2017”)

The Group registered a total revenue of RM2,549.6 million for the nine months ended 30 September 2018 against RM3,519.7 million reported in the corresponding period year 2017, representing a decrease of 27.6%.

Group profit before tax for the period ended 30 September 2018 was RM87.4 million against RM278.1 million achieved during the corresponding period year 2017. The decrease in profit before tax was mainly attributed to lower palm products average realised prices.



Explanatory Notes To The Interim Report – 30 September 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 | |
| | 30/09/2018 | 30/06/2018 | |
| Revenue | 870,342 | 774,907 | 12% |
| Gross Profit | 47,618 | 28,310 | 68% |
| Operating profit | 43,205 | 26,140 | 65% |
| Profit Before Tax | 30,712 | 18,955 | 62% |
| Profit After Tax | 19,258 | 12,737 | 51% |
| Profit Attributable to Ordinary Equity Holders of the Parent | 17,731 | 10,530 | 68% |

3rd Quarter FY2018 (“Q3FY2018”) vs 2nd Quarter FY2018 (“Q2FY2018”)

The Group posted total revenue of RM870.3 million in Q3FY2018 compared with RM774.9 million reported in Q2FY2018.

The Group reported a profit before tax of RM30.7 million compared with RM19.0 million reported in Q2FY2018. The increase in profit before tax was mainly attributed to higher fresh fruit bunches production and higher transacted palm products volume. For the quarter under review, simple average palm products' realised prices against last quarter were as below:-

| | Q3FY 2018 | Q2FY 2018 |
|------------------------------|-----------|-----------|
| Palm Oil Products (RM/mt) | 2,118 | 2,352 |
| Palm Kernel Products (RM/mt) | 2,007 | 2,041 |

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.



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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 | |
| | 2018 | 2017 | 2018 | 2017 |
| | | (Restated) | | (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation and amortisation | 35,604 | 36,260 | 106,735 | 104,058 |
| Property, plant and equipment written off | 29 | 486 | 73 | 548 |
| (Gain)/loss on disposal of property, plant and equipment | (233) | (157) | (319) | 351 |
| Finance income | (5,490) | (4,926) | (15,622) | (13,427) |
| Finance costs | 17,983 | 17,547 | 46,953 | 42,630 |
| Unrealised loss/(gain) on foreign exchange | 791 | (39) | 2,025 | (3,563) |
| Fair value changes on derivatives financial instruments | 102 | 7,767 | 3,083 | (19,126) |
| Fair value changes on biological assets | 2,224 | (2,587) | (706) | (757) |

B6. Taxation

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Current tax expenses | 12,392 | 20,582 | 29,246 | 64,799 |
| Deferred tax | (938) | 1,326 | (2,165) | 7,738 |
| | <u>11,454</u> | <u>21,908</u> | <u>27,081</u> | <u>72,537</u> |
| Deferred tax related to other comprehensive income:- | | | | |
| Derivative financial instruments | <u>(278)</u> | <u>6</u> | <u>35</u> | <u>21</u> |

The Group's effective tax rate is higher than the prevailing corporate tax rate of 24% mainly due to non recognition of deferred tax asset for loss making subsidiary 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 September 2018

B8. Borrowing and debt securities

As at 3rd quarter ended 2018

| | Long term | | Short term | | Total borrowings | |
|-------------------------|-----------------|----------------|-----------------|----------------|------------------|----------------|
| | Denomination in | | Denomination in | | Denomination in | |
| | USD (RM'000) | RM (RM'000) | USD (RM'000) | RM (RM'000) | USD (RM'000) | RM (RM'000) |
| <u>Secured</u> | | | | | | |
| Finance leases | - | 6,241 | - | 6,638 | - | 12,879 |
| Banker acceptance | - | - | - | 619 | - | 619 |
| Revolving credits | - | - | - | 106,000 | - | 106,000 |
| Term loans | - | 762,683 | 8,541 | 58,035 | 8,541 | 820,718 |
| <u>Unsecured</u> | | | | | | |
| Trust receipts | - | - | 75,089 | - | 75,089 | - |
| Banker acceptance | - | - | 69,775 | 296,464 | 69,775 | 296,464 |
| Revolving credits | - | - | - | 3,000 | - | 3,000 |
| Term loans | - | 27,622 | - | 21,317 | - | 48,939 |
| | - | 796,546 | 153,405* | 492,073 | 153,405 | 1,288,619 |

*USD37.09 million equivalent

As at 3rd quarter ended 2017

| | Long term | | Short term | | Total borrowings | |
|-------------------------|-----------------|----------------|-----------------|----------------|------------------|----------------|
| | Denomination in | | Denomination in | | Denomination in | |
| | USD (RM'000) | RM (RM'000) | USD (RM'000) | RM (RM'000) | USD (RM'000) | RM (RM'000) |
| <u>Secured</u> | | | | | | |
| Finance leases | - | 7,458 | - | 4,809 | - | 12,267 |
| Revolving credits | - | - | - | 61,000 | - | 61,000 |
| Term loans | - | 837,832 | - | 31,100 | - | 868,932 |
| <u>Unsecured</u> | | | | | | |
| 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



Explanatory Notes To The Interim Report – 30 September 2018

B9. Derivatives financial instruments

(a) The outstanding interest rate swap (IRS) contracts as at 30 September 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 | - | - | 497 | 497 |

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 | 6 | - | - | 6 | (6) | - | - | (6) |

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 2018

B9. Derivatives financial instruments (continued)

(b) The outstanding commodity forward contracts, commodity swaps and forward currency contracts as at 30 September 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 | 107 | - | - | 107 | 1,109 | - | - | 1,109 |
| Commodity forward contracts | USD | 42 | - | - | 42 | 631 | - | - | 631 |
| Forward currency contracts | USD | 290 | - | - | 290 | (310) | - | - | (310) |

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 September 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. The plaintiff thereafter has on 7 March 2018 applied for leave to the Federal Court to appeal the decision of the Court of Appeal.

On 24 October 2018, the Federal Court has rejected the leave application against the Court of Appeal judgement that the plaintiff has no NCR rights over the area originally claimed by them, except one leave granted on the question arising out of the cross appeals in respect of the numbered patches of land. No hearing date had been fixed.

B11. Dividends

No interim dividend has been declared for the financial period ended 30 September 2018 (30 September 2017 : Nil).



Explanatory Notes To The Interim Report – 30 September 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 | | Cumulative Quarter | |
|---|--------------------|------------|--------------------|------------|
| | 3 months ended | | 9 months ended | |
| | 30/09/2018 | 30/09/2017 | 30/09/2018 | 30/09/2017 |
| | | (Restated) | | (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit attributable to owners of the Company | 17,731 | 56,511 | 54,333 | 190,714 |
| | '000 | '000 | '000 | '000 |
| Weighted average number of ordinary shares in issue | 570,874 | 570,790 | 570,865 | 570,655 |
| | Sen | Sen | Sen | Sen |
| Basic earning per share | 3.11 | 9.90 | 9.52 | 33.42 |

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 | | Cumulative Quarter | |
|---|--------------------|------------|--------------------|------------|
| | 3 months ended | | 9 months ended | |
| | 30/09/2018 | 30/09/2017 | 30/09/2018 | 30/09/2017 |
| | | (Restated) | | (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit attributable to owners of the Company | 17,731 | 56,511 | 54,333 | 190,714 |
| | '000 | '000 | '000 | '000 |
| Weighted average number of ordinary shares in issue | 570,893 | 571,132 | 570,884 | 570,997 |
| | Sen | Sen | Sen | Sen |
| Diluted earning per share | 3.10 | 9.89 | 9.51 | 33.40 |



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

Explanatory Notes To The Interim Report – 30 September 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 28 November 2018.

By Order of the Board
Eric Kiu Kwong Seng
Company Secretary

Miri
28 November 2018