



**INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019**  
**Condensed Consolidated Statement of Financial Position as at 30 June 2019**  
(The figures have not been audited)

	Note	30 June 2019 RM'000	31 December 2018 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		1,022,756	1,559,560
Bearer plants		1,036,782	1,028,805
Land held for property development		40,465	37,483
Land use rights		-	4,996
Right-of-use assets	A1	521,039	-
Investment in a joint venture		16,891	-
Intangible assets		168,123	168,123
Derivatives	B9	-	1,952
Deferred tax assets		61,056	55,880
		2,867,112	2,856,799
<b>Current Assets</b>			
Inventories		286,471	325,228
Biological assets		11,767	8,745
Trade and other receivables		217,664	279,138
Derivatives	B9	1,501	1,593
Cash and bank balances		771,893	654,510
		1,289,296	1,269,214
<b>TOTAL ASSETS</b>		4,156,408	4,126,013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		820,085	820,085
Employee share option reserve		17,882	15,805
Other reserves		-	2,894
Retained earnings		1,313,876	1,303,852
		2,151,843	2,142,636
<b>Non-controlling interests</b>		102,945	108,194
<b>Total equity</b>		2,254,788	2,250,830

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Financial Position as at 30 June 2019 (Continued)**  
(The figures have not been audited)

	<b>Note</b>	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Non-current liabilities</b>			
Loans and borrowings	B8	868,624	756,819
Deferred tax liabilities		349,904	353,233
Government grant		13,773	14,170
Derivatives		60	-
Lease liabilities		289	-
		<u>1,232,650</u>	<u>1,124,222</u>
<b>Current liabilities</b>			
Loans and borrowings	B8	448,478	515,035
Trade and other payables		214,164	233,283
Government grant		796	796
Derivatives	B9	5,427	1,847
Lease liabilities		105	-
		<u>668,970</u>	<u>750,961</u>
<b>Total liabilities</b>		<u>1,901,620</u>	<u>1,875,183</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,156,408</u>	<u>4,126,013</u>
Net assets per share attributable to owners of the Company (RM)		3.77	3.75

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Comprehensive Income**  
**For the Six-Months Period Ended 30 June 2019**  
(The figures have not been audited)

	Note	INDIVIDUAL QUARTER 3 months ended 30 June		CUMULATIVE QUARTER 6 months ended 30 June	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Continuing Operations</b>					
Revenue		590,200	774,907	1,332,265	1,679,267
Cost of sales		(576,312)	(746,597)	(1,297,762)	(1,613,532)
<b>Gross profit</b>		13,888	28,310	34,503	65,735
Administrative expenses		(6,164)	(8,430)	(13,630)	(15,687)
Other operating income		2,096	6,260	7,179	25,527
<b>Operating profit</b>		9,820	26,140	28,052	75,575
Finance income		6,043	7,253	11,487	10,132
Finance costs		(14,516)	(14,438)	(28,290)	(28,970)
Share of results of a joint venture		54	-	54	-
<b>Profit before tax</b>	B5	1,401	18,955	11,303	56,737
Taxation	B6	(514)	(6,218)	(2,788)	(15,627)
<b>Profit for the period</b>		887	12,737	8,515	41,110
<b>Other comprehensive (loss)/income:</b>					
Foreign exchange translation differences for foreign operations		(1,534)	218	(1,039)	(806)
Fair value adjustment on cash flow hedge		(1,221)	1,567	(2,441)	1,306
Income tax relating to components of other comprehensive income		293	(376)	586	(313)
<b>Other comprehensive (loss)/income for the period, net of tax</b>		(2,462)	1,409	(2,894)	187
<b>Total comprehensive (loss)/income for the period</b>		(1,575)	14,146	5,621	41,297
<b>Profit/(loss) attributable to:</b>					
Owners of the Company		1,677	10,530	10,024	36,602
Non-controlling interests		(790)	2,207	(1,509)	4,508
		887	12,737	8,515	41,110
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the Company		(785)	11,939	7,130	36,789
Non-controlling interests		(790)	2,207	(1,509)	4,508
		(1,575)	14,146	5,621	41,297

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Comprehensive Income**  
**For the Six-Months Period Ended 30 June 2019 (Continued)**  
(The figures have not been audited)

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		6 months ended	
		30 June		30 June	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
<b>Earnings per share attributable to owners of the Company (Sen):</b>					
Basic	B12	0.29	1.85	1.76	6.41
Diluted	B12	0.29	1.84	1.76	6.40

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Changes in Equity**  
**For the Six-Months Period Ended 30 June 2019**  
(The figures have not been audited)

Equity Attributable to Owners of the Company

	Equity, total	Equity attributable to owners of the Company total	Non-Distributable			Distributable		Non- controlling interests
			Share capital	Employee share option reserve	Other reserves	Retained earnings		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2019</b>	2,250,830	2,142,636	820,085	15,805	2,894	1,303,852	108,194	
<b>Total comprehensive income for the period</b>	5,621	7,130	-	-	(2,894)	10,024	(1,509)	
<b>Transactions with owners</b>								
Dividends paid to non-controlling interests in subsidiaries	(4,230)	-	-	-	-	-	(4,230)	
Issuance of shares in a subsidiary	490	-	-	-	-	-	490	
Share options granted under ESOS	2,077	2,077	-	2,077	-	-	-	
<b>At 30 June 2019</b>	<u>2,254,788</u>	<u>2,151,843</u>	<u>820,085</u>	<u>17,882</u>	<u>-</u>	<u>1,313,876</u>	<u>102,945</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 2018 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Changes in Equity**  
**For the Six-Months Period Ended 30 June 2019 (Continued)**  
(The figures have not been audited)

Equity Attributable to Owners of the Company

	Equity, total	Equity attributable to owners of the Company total	Non-Distributable			Distributable		Non- controlling interests
			Share capital	Employee share option reserve	Other reserves	Retained earnings		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2018</b>	2,213,831	2,108,168	819,860	10,607	2,099	1,275,602	105,663	
<b>Total comprehensive income for the period</b>	68,702	63,297	-	-	795	62,502	5,405	
<b>Transactions with owners</b>								
Dividends paid to non-controlling interests in subsidiaries	(3,240)	-	-	-	-	-	(3,240)	
Dividends on ordinary shares	(34,252)	(34,252)	-	-	-	(34,252)	-	
Acquisition of a subsidiary	366	-	-	-	-	-	366	
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	202	202	202	-	-	-	-	
Share options granted under ESOS	5,221	5,221	-	5,221	-	-	-	
Exercise of share options	-	-	23	(23)	-	-	-	
<b>At 31 December 2018</b>	<u>2,250,830</u>	<u>2,142,636</u>	<u>820,085</u>	<u>15,805</u>	<u>2,894</u>	<u>1,303,852</u>	<u>108,194</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 2018 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Cash Flows**  
**For the Six-Months Period Ended 30 June 2019**  
(The figures have not been audited)

	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
<b>Profit before tax</b>	11,303	56,737
Adjustments for non-cash items:		
Depreciation and amortisation	73,192	71,131
Amortisation of government grant	(398)	(398)
Share options granted under ESOS	2,077	2,610
Gain on disposal of property, plant and equipment	(113)	(86)
Property, plant and equipment written off	259	44
Finance income	(11,487)	(10,132)
Finance costs	28,290	28,970
Fair value changes on biological assets	(3,022)	(2,930)
Unrealised loss on foreign exchange	664	1,234
Fair value changes on derivatives	3,235	2,981
Share of results of a joint venture	(54)	-
<b>Operating cash flows before working capital changes</b>	<u>103,946</u>	<u>150,161</u>
Decrease in inventories	35,774	5,367
Decrease in trade and other receivables	54,037	30,227
Decrease in trade and other payables	(19,523)	(7,559)
<b>Cash flows from operations</b>	<u>174,234</u>	<u>178,196</u>
Net income tax paid	(1,182)	(38,251)
<b>Net cash flows from operating activities</b>	<u>173,052</u>	<u>139,945</u>
<b>Investing activities</b>		
Additions of property, plant and equipment	(23,086)	(29,428)
Increase in bearer plants	(34,995)	(35,652)
Proceeds from disposal of property, plant and equipment	251	1,213
Investment in a joint venture	(16,837)	-
Interest received	11,487	10,132
<b>Net cash flows used in investing activities</b>	<u>(63,180)</u>	<u>(53,735)</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Cash Flows**  
**For the Six-Months Period Ended 30 June 2019 (Continued)**  
(The figures have not been audited)

	<b>30 June 2019 RM'000</b>	<b>30 June 2018 RM'000</b>
<b>Financing activities</b>		
Net movements in trade financing	(30,101)	4,378
Proceeds from loans and borrowings	187,176	42,808
Proceeds from issuance of shares in a subsidiary	490	-
Proceeds from issuance of share capital	-	401
Net repayment of obligations under finance leases	(3,589)	(2,960)
Repayment of loans and borrowings	(111,603)	(59,295)
Dividend paid to non-controlling interests	(4,230)	(2,340)
Interest paid	(29,281)	(26,582)
<b>Net cash from/(used in) financing activities</b>	<b>8,862</b>	<b>(43,590)</b>
<b>Net increase in cash and cash equivalents</b>	<b>118,734</b>	<b>42,620</b>
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>647,358</b>	<b>639,177</b>
Effect of exchange rate changes	(1,509)	576
<b>Cash and cash equivalents at end of the financial period</b>	<b>764,583</b>	<b>682,373</b>
Cash and cash equivalents at the end of the financial period comprised the following:		
Short term deposits with licensed banks	477,114	489,666
Cash in hand and at banks	294,779	196,899
Cash and bank balances	771,893	686,565
Less: Bank overdraft	(7,210)	(4,092)
Less: Short term deposit pledged as security	(100)	(100)
	<b>764,583</b>	<b>682,373</b>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this report)





## **Explanatory Notes To The Interim Report – 30 June 2019**

### **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 2018. 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 2018.

The accounting policies used in the preparation of interim financial statements are consistent with those adopted in the audited financial statements of the Group for the year ended 31 December 2018.

On 1 January 2019, the Group adopted the following new and amended Malaysian Financial Reporting Standards ("MFRSs") mandatory for annual financial periods beginning on or after 1 January 2019.

- MFRS 16: Leases
- Annual Improvements to MFRS Standards 2015 – 2017 Cycle
- IC Interpretation 23: Uncertainty over Income Tax Treatments
- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- Amendments to MFRS 119: Employee Benefits – Plan Amendment, Curtailment or settlement

The adoption of the above pronouncements did not have material impact on the financial statements of the Group, except for the following:

#### **MFRS 16, Leases**

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 Property, Plant and Equipment whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

In accordance with the transition requirements, comparative figures are not restated. The effect of the adoption of MFRS 16 is as follows:



**Explanatory Notes To The Interim Report – 30 June 2019**

**A1. Accounting Policies and Basis of Preparation (Continued)**

**MFRS 16, Leases (Continued)**

	As at 31 December 2018 (RM'000)	Effects on adoption of MFRS 16 (RM'000)	As at 1 January 2019 (RM'000)
<b>Non-current assets</b>			
Property, plant and equipment	1,559,560	(521,776)	1,037,784
Land use rights	4,996	(4,996)	-
Right-of-use assets	-	527,070	527,070
<b>Non-current liabilities</b>			
Lease liabilities	-	298	298

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>
• Amendments to MFRS 3: Definition of a Business	01 January 2020
• Amendments to MFRS 101: Definition of Material	01 January 2020
• Amendments to MFRS 108: Definition of Material	01 January 2020
• MFRS 17: Insurance Contracts	01 January 2021
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate 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 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 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.



**Explanatory Notes To The Interim Report – 30 June 2019**

**A6. Debt and Equity Securities**

There were no issuance, cancellations, repurchases, resale or repayment of debt and equity securities during the current quarter.

**A7. Dividends paid**

The Company has paid RM28,543,707 on 19 July 2019, being the first and final single tier dividend of 5 sen per ordinary share declared for the financial year ended 31 December 2018 and duly approved during Annual General Meeting held on 26 June 2019.

**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 2019**

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	1,954,816	3,387	(625,938)	1,332,265
Less: Inter-segment revenue	(625,938)	-	625,938	-
Revenue from external customers	<u>1,328,878</u>	<u>3,387</u>	<u>-</u>	<u>1,332,265</u>
Finance income	16,814	93	(5,420)	11,487
Finance costs	(33,103)	(461)	5,274	(28,290)
Depreciation and amortisation	(69,059)	(195)	(3,938)	(73,192)
Profit before taxation for financial period	<u>26,025</u>	<u>267</u>	<u>(14,989)</u>	<u>11,303</u>

**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	<u>1,674,637</u>	<u>4,630</u>	<u>-</u>	<u>1,679,267</u>
Finance income	14,083	57	(4,008)	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	<u>79,205</u>	<u>740</u>	<u>(23,208)</u>	<u>56,737</u>



## Explanatory Notes To The Interim Report – 30 June 2019

### 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 except investment in a joint venture company via subscription of 4,000,000 ordinary shares of USD\$4,000,000, representing 50% of equity interest holding in Seaworth Pte. Ltd by its wholly owned subsidiary company, Asia Oils Investment Pte. Ltd. during the financial period under review.

Seaworth Pte. Ltd., being an investment holding company incorporated in Singapore, owns subsidiaries engaged principally in shipping business.

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

There were no contingent liabilities or contingent assets as at 30 June 2019 except corporate guarantees of RM1,119.7 million favouring the banks in respect of banking facilities granted to the subsidiaries. The contingent liabilities of RM303.2 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 bearer plants not provided for in the financial statements as at 30 June 2019 is as follows:-

	<b>30 June 2019</b>
	<b>RM'000</b>
Property, plant and equipment	
Authorised but not contracted for	119,497
Contracted but not provided in the financial statements	13,869
	-----
	133,366
	=====
 Bearer plants	
Authorised but not contracted for	36,590
Contracted but not provided in the financial statements	4,319
	-----
	40,909
	=====



**Explanatory Notes To The Interim Report – 30 June 2019**

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

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

**Financial review for current quarter and financial period 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	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018		
<b>Revenue</b>	590,200	774,907	(24%)	1,332,265	1,679,267	(21%)
<b>Gross Profit</b>	13,888	28,310	(51%)	34,503	65,735	(48%)
<b>Operating profit</b>	9,820	26,140	(62%)	28,052	75,575	(63%)
<b>Profit Before Tax</b>	1,401	18,955	(93%)	11,303	56,737	(80%)
<b>Profit After Tax</b>	887	12,737	(93%)	8,515	41,110	(79%)
<b>Profit Attributable to Ordinary Equity Holders of the Parent</b>	1,677	10,530	(84%)	10,024	36,602	(73%)

**2<sup>nd</sup> Quarter FY2019 (“Q2FY2019”) vs 2<sup>nd</sup> Quarter FY2018 (“Q2FY2018”)**

The Group registered a total revenue of RM590.2 million for Q2FY2019 compared with RM774.9 million reported in Q2FY2018, representing a decrease of 23.8%. The decrease in revenue was mainly attributed to lower palm products average realised prices coupled with lower volume of palm products transacted.

As a result of the adverse price impact, the Group's profit before tax for the current quarter decreased to RM1.4 million compared with RM18.9 million reported in corresponding quarter last year.

**Current Year To Date (“2QFY2019”) vs Preceding Year To Date (“2QFY2018”)**

The Group registered a total revenue of RM1,332.3 million for the six months ended 30 June 2019 against RM1,679.3 million reported in the corresponding period year 2018, representing a decrease of 20.7%.

Group profit before tax for the period ended 30 June 2019 was RM11.3 million against RM56.7 million achieved during the corresponding period year 2018. The decrease in profit before tax was mainly attributed to the decline in palm products average realised prices and lower palm products transacted volume.



**Explanatory Notes To The Interim Report – 30 June 2019**

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

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	RM'000	RM'000	
	30/06/2019	31/03/2019	
<b>Revenue</b>	590,200	742,065	(20%)
<b>Gross Profit</b>	13,888	20,615	(33%)
<b>Operating profit</b>	9,820	18,232	(46%)
<b>Profit Before Tax</b>	1,401	9,902	(86%)
<b>Profit After Tax</b>	887	7,628	(88%)
<b>Profit Attributable to Ordinary Equity Holders of the Parent</b>	1,677	8,347	(80%)

**2<sup>nd</sup> Quarter FY2019 (“Q2FY2019”) vs 1<sup>st</sup> Quarter FY2019 (“Q1FY2019”)**

The Group posted total revenue of RM590.2 million in Q2FY2019 compared with RM742.1 million reported in Q1FY2019.

The Group reported a profit before tax of RM1.4 million compared with RM9.9 million reported in Q1FY2019. This was mainly attributed to lower average palm kernel products realised price together with lower transacted palm products volume. For the quarter under review, simple average palm products' realised prices against last quarter were as below:-

	Q2FY 2019	Q1FY 2019
Palm Oil Products (RM/mt)	2,052	1,982
Palm Kernel Products (RM/mt)	1,394	1,555

**B3. Prospect**

The performance of the Group would continue to be driven by the FFB production and palm products price movement which is dependent on the world edible oil market, movement of Ringgit Malaysia and economic situation.

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

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



**Explanatory Notes To The Interim Report – 30 June 2019**

**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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	37,358	35,872	73,192	71,131
Property, plant and equipment written off	52	35	259	44
(Gain)/loss on disposal of property, plant and equipment	(86)	124	(113)	(86)
Finance income	(6,043)	(7,253)	(11,487)	(10,132)
Finance costs	14,516	14,438	28,290	28,970
Unrealised (gain)/loss on foreign exchange	(1,731)	(1,098)	664	1,234
Fair value changes on derivatives	789	959	3,235	2,981
Fair value changes on biological assets	(2,828)	(3,594)	(3,022)	(2,930)
<b>B6. Taxation</b>				
Current tax expenses	4,612	8,896	11,293	16,854
Deferred tax	(4,098)	(2,678)	(8,505)	(1,227)
	514	6,218	2,788	15,627
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	(293)	376	(586)	313

The Group's effective tax rate is higher than the prevailing corporate tax rate of 24% mainly due to 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 2019**

**B8. Loans and borrowings**

	As at 2 <sup>nd</sup> quarter ended 2019							
	Long term		Short term			Total borrowings		
	Denomination in		Denomination in			Denomination in		
	SGD	RM	SGD	USD	RM	SGD	USD	RM
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b><u>Secured</u></b>								
Finance leases	-	4,646	-	-	7,015	-	-	11,661
Revolving credits	-	-	-	-	69,500	-	-	69,500
Term loans	6,206	840,202	1,379	-	45,318	7,585	-	885,520
<b><u>Unsecured</u></b>								
Trust receipts	-	-	-	31,816	-	-	31,816	-
Revolving credits	-	-	-	-	30,000	-	-	30,000
Banker acceptance	-	-	-	80,953	161,137	-	80,953	161,137
Bank overdraft	-	-	-	-	7,210	-	-	7,210
Term loans	-	17,570	-	-	14,150	-	-	31,720
	<u>6,206</u>	<u>862,418</u>	<u>1,379</u>	<u>112,769</u>	<u>334,330</u>	<u>7,585<sup>^</sup></u>	<u>112,769<sup>*</sup></u>	<u>1,196,748</u>

\*USD27.28 million equivalent

<sup>^</sup>SGD2.48 million equivalent





**Explanatory Notes To The Interim Report – 30 June 2019**

**B8. Loans and borrowings (Continued)**

	As at 2 <sup>nd</sup> quarter ended 2018					
	Long term		Short term		Total borrowings	
	Denomination in		Denomination in		Denomination in	
	USD	RM	USD	RM	USD	RM
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	<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
Bank 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

**B9. Derivatives**

(a) The outstanding interest rate swap (IRS) contracts as at 30 June 2019 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	-	-	200	200	-	-	(633)	(633)

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.



**Explanatory Notes To The Interim Report – 30 June 2019**

**B9. Derivatives (continued)**

(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	3	-	-	3	(2)	-	-	(2)

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.

(b) The outstanding commodity forward contracts, commodity swaps and forward currency contracts as at 30 June 2019 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	51	-	-	51	662	-	-	662
Commodity forward contracts	USD	77	-	-	77	(2,503)	-	-	(2,503)
Forward currency contracts	USD	160	-	-	160	1	-	-	1
Commodity swaps	RM	14	-	-	14	(1,511)	-	-	(1,511)

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**

There was no new material litigation during the interim period under review.

**B11. Dividends**

First and final single-tier dividend in respect of the financial year ended 31 December 2018, of 5 sen per ordinary share amounting to RM28,543,707 has been approved by shareholders during Annual General Meeting held on 26 June 2019 and the payment was subsequently made on 19 July 2019.



**Explanatory Notes To The Interim Report – 30 June 2019**

**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.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30/06/2019</b>	<b>30/06/2018</b>	<b>30/06/2019</b>	<b>30/06/2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	1,677	10,530	10,024	36,602
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares in issue	570,874	570,874	570,874	570,861
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Basic earnings per share	0.29	1.85	1.76	6.41

*Diluted earnings per share*

The calculation of diluted earnings 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.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30/06/2019</b>	<b>30/06/2018</b>	<b>30/06/2019</b>	<b>30/06/2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	1,677	10,530	10,024	36,602
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares in issue	570,906	571,005	570,906	570,992
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Diluted earnings per share	0.29	1.84	1.76	6.40



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

**Explanatory Notes To The Interim Report – 30 June 2019**

**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 23 August 2019.

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

Miri  
**23 August 2019**