



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

	Note	30 September 2019 RM'000	31 December 2018 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		1,013,231	1,559,560
Bearer plants		1,036,759	1,028,805
Inventories		40,480	37,483
Land use rights		-	4,996
Right-of-use assets	A1	518,853	-
Investment in a joint venture		17,169	-
Intangible assets		168,123	168,123
Derivatives	B9	-	1,952
Deferred tax assets		59,822	55,880
		2,854,437	2,856,799
<b>Current Assets</b>			
Inventories		322,781	325,228
Biological assets		14,459	8,745
Trade and other receivables		212,430	279,138
Derivatives	B9	1,319	1,593
Cash and bank balances		731,300	654,510
		1,282,289	1,269,214
<b>TOTAL ASSETS</b>		4,136,726	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		19,193	15,805
Other reserves		(1,652)	2,894
Retained earnings		1,316,241	1,303,852
		2,153,867	2,142,636
<b>Non-controlling interests</b>		104,190	108,194
<b>Total equity</b>		2,258,057	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 September 2019 (Continued)**  
(The figures have not been audited)

	Note	30 September 2019 RM'000	31 December 2018 RM'000
<b>Non-current liabilities</b>			
Loans and borrowings	B8	811,893	756,819
Deferred tax liabilities		348,054	353,233
Government grant		15,674	14,170
Derivatives		1,654	-
Lease liabilities		289	-
		<u>1,177,564</u>	<u>1,124,222</u>
<b>Current liabilities</b>			
Loans and borrowings	B8	445,673	515,035
Trade and other payables		252,513	233,283
Government grant		796	796
Derivatives	B9	2,070	1,847
Lease liabilities		53	-
		<u>701,105</u>	<u>750,961</u>
<b>Total liabilities</b>		<u>1,878,669</u>	<u>1,875,183</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,136,726</u>	<u>4,126,013</u>
Net assets per share attributable to owners of the Company (RM)		3.77	3.75
No. of share ('000)		570,874	570,874

(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 Nine-Months Period Ended 30 September 2019**  
(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		9 months ended	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>					
Revenue		716,312	870,342	2,048,577	2,549,609
Cost of sales		(659,774)	(822,724)	(1,957,536)	(2,436,257)
<b>Gross profit</b>		56,538	47,618	91,041	113,352
Administrative expenses		(9,752)	(9,382)	(23,382)	(25,068)
Other operating income		3,374	4,969	10,553	30,496
<b>Operating profit</b>		50,160	43,205	78,212	118,780
Finance income		5,832	5,490	17,319	15,622
Finance costs		(13,024)	(17,983)	(41,314)	(46,953)
Share of results of a joint venture		279	-	333	-
<b>Profit before tax</b>	B5	43,247	30,712	54,550	87,449
Taxation	B6	(10,643)	(11,454)	(13,431)	(27,081)
<b>Profit for the period</b>		32,604	19,258	41,119	60,368
<b>Other comprehensive (loss)/income:</b>					
Foreign exchange translation differences for foreign operations		(223)	(363)	(1,262)	(1,169)
Fair value adjustment on cash flow hedge		(1,880)	(1,159)	(4,321)	147
Income tax relating to components of other comprehensive income		451	278	1,037	(35)
<b>Other comprehensive (loss)/income for the period, net of tax</b>		(1,652)	(1,244)	(4,546)	(1,057)
<b>Total comprehensive income for the period</b>		30,952	18,014	36,573	59,311
<b>Profit attributable to:</b>					
Owners of the Company		30,909	17,731	40,933	54,333
Non-controlling interests		1,695	1,527	186	6,035
		32,604	19,258	41,119	60,368
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		29,257	16,487	36,387	53,276
Non-controlling interests		1,695	1,527	186	6,035
		30,952	18,014	36,573	59,311

(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 Nine-Months Period Ended 30 September 2019 (Continued)**  
(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended 30 September		9 months ended 30 September	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Earnings per share attributable to owners of the Company (Sen):</b>					
Basic	B12	5.41	3.11	7.17	9.52
Diluted	B12	5.41	3.11	7.17	9.52

(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 Nine-Months Period Ended 30 September 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>	36,573	36,387	-	-	(4,546)	40,933	186	
<b>Transactions with owners</b>								
Dividends paid to non-controlling interests in subsidiaries	(4,680)	-	-	-	-	-	(4,680)	
Dividends on ordinary shares	(28,544)	(28,544)	-	-	-	(28,544)	-	
Issuance of shares in a subsidiary	490	-	-	-	-	-	490	
Share options granted under ESOS	3,388	3,388	-	3,388	-	-	-	
<b>At 30 September 2019</b>	<u>2,258,057</u>	<u>2,153,867</u>	<u>820,085</u>	<u>19,193</u>	<u>(1,652)</u>	<u>1,316,241</u>	<u>104,190</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 2018 and the accompanying explanatory notes attached to this report)



**Condensed Consolidated Statement of Changes in Equity**  
**For the Nine-Months Period Ended 30 September 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	Share capital	Non-Distributable Employee share option reserve	Other reserves	Distributable Retained earnings	Non- controlling interests
	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 Nine-Months Period Ended 30 September 2019**  
(The figures have not been audited)

	<b>30 September 2019 RM'000</b>	<b>30 September 2018 RM'000</b>
<b>Operating activities</b>		
<b>Profit before tax</b>	54,550	87,449
Adjustments for non-cash items:		
Depreciation and amortisation	110,231	106,735
Amortisation of government grant	(597)	(597)
Share options granted under ESOS	3,388	4,055
Gain on disposal of property, plant and equipment	(246)	(319)
Property, plant and equipment written off	703	73
Bearer plants written off	47	-
Impairment loss on other receivables	9	-
Inventories written off	3	-
Finance income	(17,319)	(15,622)
Finance costs	41,314	46,953
Fair value changes on biological assets	(5,714)	(706)
Unrealised loss on foreign exchange	384	2,025
Fair value changes on derivatives	(220)	3,083
Share of results of a joint venture	(333)	-
<b>Operating cash flows before working capital changes</b>	<u>186,200</u>	<u>233,129</u>
Increase in inventories	(554)	(55,849)
Decrease in trade and other receivables	57,044	95,637
Increase in trade and other payables	16,938	45,921
<b>Cash flows from operations</b>	<u>259,628</u>	<u>318,838</u>
Income tax paid, net of refund	(7,726)	(55,776)
<b>Net cash flows from operating activities</b>	<u>251,902</u>	<u>263,062</u>
<b>Investing activities</b>		
Additions of property, plant and equipment	(36,790)	(40,761)
Increase in bearer plants	(46,593)	(54,345)
Proceeds from disposal of property, plant and equipment	571	2,624
Investment in a joint venture	(16,836)	-
Interest received	17,319	15,622
<b>Net cash flows used in investing activities</b>	<u>(82,329)</u>	<u>(76,860)</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 Nine-Months Period Ended 30 September 2019 (Continued)**  
(The figures have not been audited)

	<b>30 September 2019 RM'000</b>	<b>30 September 2018 RM'000</b>
<b>Financing activities</b>		
Net movements in trade financing	(55,224)	81,325
Proceeds from loans and borrowings	199,419	43,066
Proceeds from issuance of shares in a subsidiary	490	-
Proceeds from issuance of share capital	-	201
Proceeds from government grant	2,100	-
Net repayment of obligations under finance leases	(5,605)	(4,462)
Repayment of loans and borrowings	(153,466)	(97,287)
Dividend paid	(28,544)	(34,252)
Dividend paid to non-controlling interests	(4,680)	(3,240)
Interest paid	(42,719)	(45,786)
<b>Net cash used in financing activities</b>	<u>(88,229)</u>	<u>(60,435)</u>
<b>Net increase in cash and cash equivalents</b>	81,344	125,767
<b>Cash and cash equivalents at beginning of the financial period</b>	647,358	639,177
Effect of exchange rate changes	(1,110)	(337)
<b>Cash and cash equivalents at end of the financial period</b>	<u>727,592</u>	<u>764,607</u>
Cash and cash equivalents at the end of the financial period comprised the following:		
Short term deposits with licensed banks	504,468	480,136
Cash in hand and at banks	226,832	284,571
Cash and bank balances	<u>731,300</u>	<u>764,707</u>
Less: Bank overdraft	(3,608)	-
Less: Short term deposit pledged as security	(100)	(100)
	<u>727,592</u>	<u>764,607</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)





## **Explanatory Notes To The Interim Report – 30 September 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*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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.



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

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

**MFRS 16, Leases (Continued)**

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

	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	Yet to be determined

**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 September 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 September 2019**

	Palm oil Segment RM'000	Property Segment RM'000	Consolidation Adjustment RM'000	Consolidated RM'000
Total segment revenue	3,047,039	7,478	(1,005,940)	2,048,577
Less: Inter-segment revenue	(1,005,940)	-	1,005,940	-
Revenue from external customers	2,041,099	7,478	-	2,048,577
Finance income	24,415	135	(7,231)	17,319
Finance costs	(47,647)	(680)	7,013	(41,314)
Depreciation and amortisation	(103,269)	(269)	(6,693)	(110,231)
Profit before taxation for financial period	100,684	1,533	(47,667)	54,550

**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	2,541,153	8,456	-	2,549,609
Finance income	21,959	104	(6,441)	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	118,650	2,241	(33,442)	87,449



**Explanatory Notes To The Interim Report – 30 September 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 incorporation of SOP Capital Sdn. Bhd., a wholly owned subsidiary of Sarawak Oil Palms Berhad on 30 August 2019 with issued share capital of RM2.00.

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

There were no contingent liabilities or contingent assets as at 30 September 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 RM247.9 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 September 2019 is as follows:-

	<b>30 September 2019</b>
	<b>RM'000</b>
Property, plant and equipment	
Authorised but not contracted for	110,512
Contracted but not provided in the financial statements	7,993
	-----
	118,505
	=====
 Bearer plants	
Authorised but not contracted for	27,201
Contracted but not provided in the financial statements	6,746
	-----
	33,947
	=====



**Explanatory Notes To The Interim Report – 30 September 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	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018		
<b>Revenue</b>	716,312	870,342	(18%)	2,048,577	2,549,609	(20%)
<b>Gross Profit</b>	56,538	47,618	19%	91,041	113,352	(20%)
<b>Operating profit</b>	50,160	43,205	16%	78,212	118,780	(34%)
<b>Profit Before Tax</b>	43,247	30,712	41%	54,550	87,449	(38%)
<b>Profit After Tax</b>	32,604	19,258	69%	41,119	60,368	(32%)
<b>Profit Attributable to Ordinary Equity Holders of the Parent</b>	30,909	17,731	74%	40,933	54,333	(25%)

**3<sup>rd</sup> Quarter FY2019 (“Q3FY2019”) vs 3<sup>rd</sup> Quarter FY2018 (“Q3FY2018”)**

The Group registered a total revenue of RM716.3 million for Q3FY2019 compared with RM870.3 million reported in Q3FY2018, representing a decrease of 17.7%. The decrease in revenue was mainly due to lower palm products average realised prices coupled with lower volume of palm products transacted.

However, the Group's profit before tax for the current quarter increased to RM43.2 million compared with RM30.7 million reported in corresponding quarter last year due mainly to margin improvement on palm products sold.

**Current Year To Date (“3QFY2019”) vs Preceding Year To Date (“3QFY2018”)**

The Group registered a total revenue of RM2,048.6 million for the nine months ended 30 September 2019 against RM2,549.6 million reported in the corresponding period year 2018, representing a decrease of 19.7%.

Group profit before tax for the period ended 30 September 2019 was RM41.1 million against RM60.4 million achieved during the corresponding period year 2018. The decrease in profit before tax was due principally to the decline in palm products average realised prices and lower palm products transacted volume.



**Explanatory Notes To The Interim Report – 30 September 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	
	30/09/2019	30/06/2019	
<b>Revenue</b>	716,312	590,200	21%
<b>Gross Profit</b>	56,538	13,888	307%
<b>Operating profit</b>	50,160	9,820	411%
<b>Profit Before Tax</b>	43,247	1,401	2987%
<b>Profit After Tax</b>	32,604	887	3576%
<b>Profit Attributable to Ordinary Equity Holders of the Parent</b>	30,909	1,677	1743%

**3<sup>rd</sup> Quarter FY2019 (“Q3FY2019”) vs 2<sup>nd</sup> Quarter FY2019 (“Q2FY2019”)**

The Group posted total revenue of RM716.3 million in Q3FY2019 compared with RM590.2 million reported in Q2FY2019.

The Group reported a profit before tax of RM43.2 million compared with RM1.4 million reported in Q2FY2019. This was mainly attributed to higher production of fresh fruit bunches and higher volume of palm products transacted in current quarter. For the quarter under review, simple average palm products' realised prices against last quarter were as below:-

	Q3FY 2019	Q2FY 2019
Palm Oil Products (RM/mt)	2,077	2,052
Palm Kernel Products (RM/mt)	1,346	1,394

**B3. Prospect**

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

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

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



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

**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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	37,039	35,604	110,231	106,735
Property, plant and equipment written off	444	29	703	73
Bearer plants written off	47	-	47	-
Gain on disposal of property, plant and equipment	(133)	(233)	(246)	(319)
Impairment loss on other receivables	9	-	9	-
Inventories written off	3	-	3	-
Finance income	(5,832)	(5,490)	(17,319)	(15,622)
Finance costs	13,024	17,983	41,314	46,953
Unrealised (gain)/loss on foreign exchange	(280)	791	384	2,025
Fair value changes on derivatives	(3,455)	102	(220)	3,083
Fair value changes on biological assets	(2,692)	2,224	(5,714)	(706)

**B6. Taxation**

Current tax expenses	11,259	12,392	22,552	29,246
Deferred tax	(616)	(938)	(9,121)	(2,165)
	<u>10,643</u>	<u>11,454</u>	<u>13,431</u>	<u>27,081</u>
Deferred tax related to other comprehensive income:-				
Derivative financial instruments	(451)	(278)	(1,037)	35

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 September 2019**

**B8. Loans and borrowings**

	As at 3 <sup>rd</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	-	4,111	-	-	5,905	-	-	10,016
Revolving credits	-	-	-	-	69,500	-	-	69,500
Term loans	5,811	787,795	1,367	-	91,835	7,178	-	879,630
<b><u>Unsecured</u></b>								
Revolving credits	-	-	-	-	10,000	-	-	10,000
Banker acceptance	-	-	-	94,812	154,496	-	94,812	154,496
Bank overdraft	-	-	-	-	3,608	-	-	3,608
Term loans	-	14,176	-	-	14,150	-	-	28,326
	<u>5,811</u>	<u>806,082</u>	<u>1,367</u>	<u>94,812</u>	<u>349,494</u>	<u>7,178<sup>^</sup></u>	<u>94,812<sup>*</sup></u>	<u>1,155,576</u>

*\*USD22.63 million equivalent*

*<sup>^</sup>SGD2.37 million equivalent*





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

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

	As at 3 <sup>rd</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	-	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
<b><u>Unsecured</u></b>						
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

**B9. Derivatives**

(a) The outstanding interest rate swap (IRS) contracts as at 30 September 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	(859)	(1,443)	(211)	(2,513)

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 September 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	1	-	-	1	(1)	-	-	(1)

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 September 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	46	-	-	46	1,359	-	-	1,359
Commodity forward contracts	USD	73	-	-	73	(724)	-	-	(724)
Forward currency contracts	USD	161	-	-	161	(526)	-	-	(526)

The Group uses commodity forward contracts and forward currency contracts 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**

No interim dividend has been declared for the financial period ended 30 September 2019 (30 September 2018 : Nil).



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

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	30,909	17,731	40,933	54,333
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	570,874	570,874	570,874	570,865
	Sen	Sen	Sen	Sen
Basic earnings per share	5.41	3.11	7.17	9.52

*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.

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	30,909	17,731	40,933	54,333
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	570,894	570,893	570,894	570,884
	Sen	Sen	Sen	Sen
Diluted earnings per share	5.41	3.11	7.17	9.52



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

**Explanatory Notes To The Interim Report – 30 September 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 28 November 2019.

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

Miri  
**28 November 2019**