



SARAWAK PLANTATION BERHAD

(Incorporated in Malaysia - 451377- P)

INTERIM REPORT FOR 3RD QUARTER ENDED 30 SEPTEMBER 2017



SARAWAK PLANTATION BERHAD

(Incorporated in Malaysia - 451377- P)

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INTERIM REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017
(The figures have not been audited)

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**Condensed Consolidated Statement of Financial Position**
(The figures have not been audited)

	Notes	As At End Of Current Financial Period 30/09/2017 (Unaudited) RM'000	As At End Of Preceding Financial Year 31/12/2016 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		373,188	384,585
Plantation development expenditure		365,911	354,743
Investment properties		4,497	4,621
Total non-current assets		743,596	743,949
Current assets			
Inventories		14,910	18,092
Other investments	B6	10,489	9,466
Trade and other receivables		27,430	26,070
Deposits and prepayments		4,298	4,593
Current tax recoverable		399	156
Cash and cash equivalents		112,644	100,397
		170,170	158,774
Assets held for sale		949	949
Total current assets		171,119	159,723
TOTAL ASSETS		914,715	903,672

**Condensed Consolidated Statement of Financial Position (continued)**

(The figures have not been audited)

		As At End Of Current Financial Period 30/09/2017 (Unaudited) RM'000	As At End Of Preceding Financial Year 31/12/2016 (Audited) RM'000
	Notes		
EQUITY AND LIABILITIES			
Equity attributable to Owners of the Company			
Share capital	A5	340,969	280,000
Share premium	A5	-	60,969
Reserves		325,898	297,862
		<u>666,867</u>	<u>638,831</u>
Non-controlling interests		<u>(10,016)</u>	<u>(9,844)</u>
Total equity		<u>656,851</u>	<u>628,987</u>
Non-current liabilities			
Deferred tax liabilities		51,032	53,440
Loans and borrowings	B7	109,338	89,943
Total non-current liabilities		<u>160,370</u>	<u>143,383</u>
Current liabilities			
Trade and other payables		60,752	88,361
Loans and borrowings	B7	34,810	42,925
Current tax payable		1,932	16
Total current liabilities		<u>97,494</u>	<u>131,302</u>
Total liabilities		<u>257,864</u>	<u>274,685</u>
TOTAL EQUITY AND LIABILITIES		<u>914,715</u>	<u>903,672</u>
Net assets per share attributable to Owners of the Company (RM)		<u>2.39</u>	<u>2.29</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this report)



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
(The figures have not been audited)

	Notes	Individual Quarter (Q3)		Cumulative Quarter (9 Months)	
		Current Year Quarter 30/09/2017 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30/09/2016 (Unaudited) RM'000	Current Year - Period To Date 30/09/2017 (Unaudited) RM'000	Preceding Year - Period To Date 30/09/2016 (Unaudited) RM'000
Revenue		106,478	120,634	299,058	273,017
Cost of sales		(83,741)	(95,046)	(223,435)	(219,355)
Gross profit		22,737	25,588	75,623	53,662
Other income		671	1,774	2,026	2,521
Distribution costs		(5,643)	(6,220)	(15,664)	(14,521)
Administrative expenses		(6,058)	(4,494)	(14,243)	(12,673)
Replanting expenses		(2,747)	(5,301)	(10,249)	(14,929)
Results from operating activities		9,573	11,347	37,493	14,060
Other non-operating income		-	3,700	-	3,700
		8,960	15,047	37,493	17,760
Finance income		1,012	396	2,634	2,145
Finance costs		(1,784)	(1,396)	(4,648)	(2,705)
Net finance costs		(772)	(1,000)	(2,014)	(560)
Profit before tax	A14	8,188	14,047	35,479	17,200
Taxation	B5	(1,822)	(1,902)	(7,615)	(1,854)
Profit after tax		6,366	12,145	27,864	15,346
Other comprehensive income, net of tax		-	-	-	-
Profit and total comprehensive income for the period		6,366	12,145	27,864	15,346



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
(The figures have not been audited)

	Notes	Individual Quarter (Q3)		Cumulative Quarter (9 Months)	
		Current Year Quarter 30/09/2017 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30/09/2016 (Unaudited) RM'000	Current Year - Period To Date 30/09/2017 (Unaudited) RM'000	Preceding Year - Period To Date 30/09/2016 (Unaudited) RM'000
Profit attributable to:					
Owners of the Company		6,427	12,258	28,036	15,631
Non-controlling interests		(61)	(113)	(172)	(285)
Profit for the period		6,366	12,145	27,864	15,346
Profit and total comprehensive income attributable to:					
Owners of the Company		6,427	12,258	28,036	15,631
Non-controlling interests		(61)	(113)	(172)	(285)
Profit and total comprehensive income for the period		6,366	12,145	27,864	15,346
Basic earnings per ordinary share attributable to Owners of the Company (sen):					
Basic	B12	2.30	4.38	10.03	5.59
Diluted	B12	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this report)

**Condensed Consolidated Statement of Changes in Equity**

(The figures have not been audited)

	Notes	Attributable to Owners of the Company					Total RM'000	Non- controlling interests RM'000	Total equity RM'000
		Non-distributable		Distributable					
		Share capital RM'000	Share premium RM'000	Equity reserve RM'000	Treasury shares RM'000	Retained earnings RM'000			
At 31 December 2016		280,000	60,969	493	(1,223)	298,592	638,831	(9,844)	628,987
Transfer in accordance with section 618(2) of the Companies Act 2016	A5	60,969	(60,969)	-	-	-	-	-	-
Profit and total comprehensive income for the period		-	-	-	-	28,036	28,036	(172)	27,864
At 30 September 2017		340,969	-	493	(1,223)	326,628	666,867	(10,016)	656,851

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this report)

**Condensed Consolidated Statement of Changes in Equity**

(The figures have not been audited)

Notes	Attributable to Owners of the Company					Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Non-distributable		Distributable					
	Share capital RM'000	Share premium RM'000	Equity reserve RM'000	Treasury shares RM'000	Retained earnings RM'000			
At 31 December 2015	280,000	60,969	493	(1,223)	288,962	629,201	(6,842)	622,359
Profit and total comprehensive income for the period	-	-	-	-	15,631	15,631	(285)	15,346
Less: First interim, single tier exempt dividend in respect of the financial year ended 31 December 2015	-	-	-	-	(12,580)	(12,580)	-	(12,580)
Less: Dividends paid to non-controlling interests of the Company by a subsidiary company	-	-	-	-	-	-	(123)	(123)
At 30 September 2016	280,000	60,969	493	(1,223)	292,013	632,252	(7,250)	625,002

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this report)



Condensed Consolidated Statement of Cash Flows
(The figures have not been audited)

	Cumulative Quarter (9 Months)	
	Current Year - Period To Date 30/09/2017 (Unaudited) RM'000	Preceding Year - Period To Date 30/09/2016 (Unaudited) RM'000
Cash flows from operating activities		
Profit before tax	35,479	17,200
<i>Adjustments for:</i>		
Change in fair value of other investments	(38)	28
Depreciation of property, plant and equipment	18,588	17,212
Depreciation of plantation development expenditure	166	166
Depreciation of investment properties	125	125
Dividend income from other investments	(43)	(44)
Loss/(gain) on disposal of:		
- other investments	(42)	(43)
- property, plant and equipment	(451)	-
- plantation development expenditure	829	-
Finance income	(2,634)	(2,145)
Finance costs	4,648	2,705
Reversal of impairment losses on deposits paid	-	(3,700)
Operating profit before changes in working capital	56,627	31,504
Change in inventories	3,182	(4,198)
Change in trade and other receivables, deposits and prepayments	(952)	13,857
Change in trade and other payables	(9,527)	(7,644)
Cash generated from operations	49,330	33,519
Income tax paid	(8,349)	(3,941)
Interest paid	(5,029)	(2,917)
Finance lease profit paid	(115)	(173)
Interest received	2,511	2,173
Net cash from operating activities	38,348	28,661



Condensed Consolidated Statement of Cash Flows (continued)
(The figures have not been audited)

	Cumulative Quarter (9 Months)	
	Current Year - Period To Date 30/09/2017 (Unaudited) RM'000	Preceding Year - Period To Date 30/09/2016 (Unaudited) RM'000
Cash flows from investing activities		
Acquisition of property, plant and equipment	(16,210)	(11,430)
Dividend received	29	29
Net movement of fixed deposits with original maturities exceeding three months	(923)	4,958
Plantation development expenditure (net of depreciation)	(21,238)	(16,324)
Deposit sum paid for acquisition of equity in a company	-	(14,859)
Deposit sum paid for acquisition of lands	-	(7,600)
Deposits for investment refunded	-	3,700
Proceed from sale of property, plant and equipment	521	-
Proceed from sale of plantation development expenditure	447	-
Net cash used in investing activities	(37,374)	(41,526)
Cash flows from financing activities		
Net proceeds from borrowings	20,790	18,659
Repayment of borrowings	(9,517)	(2,071)
Dividends paid to owners of the Company	-	(12,580)
Dividends paid to non-controlling interests of the Company	-	(123)
Net cash from financing activities	11,273	3,885
Net increase/(decrease) in cash and cash equivalents	12,247	(8,980)
Cash and cash equivalents as at 1 January	100,397	103,660
Cash and cash equivalents as at 30 September	112,644	94,680
Represented by:		
Deposits with original maturities not exceeding three months	111,905	93,998
Cash and bank balances	739	682
Cash and cash equivalents	112,644	94,680

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes attached to this report)



Part A – Explanatory Notes Pursuant to Financial Reporting Standards (“FRS”) 134

A1. Basis of preparation

1. Statement of compliance

The condensed consolidated interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134 *Interim Financial Reporting* and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

2. Significant accounting policies

2.1 Adoption of new/revised Standards, Amendments and Interpretations

The accounting policies and methods of computation used in the preparation of the consolidated interim financial statements of the Group are consistent with those used in the preparation of the last audited financial statements of the Group for the financial year ended 31 December 2016 except for the adoption of the following accounting standards, amendments and interpretations that have been issued by Malaysian Accounting Standards Board (“MASB”):

Standards / Amendments / Interpretations	Effective date
Amendments to FRS 12, <i>Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)</i>	1 January 2017
Amendments to FRS 107, <i>Statement of Cash Flows - Disclosure Initiative</i>	1 January 2017
Amendments to FRS 112, <i>Income Taxes -Recognition of Deferred Tax Assets for Unrealised Loss</i>	1 January 2017

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group:

Standards / Amendments / Interpretations	Effective date
Amendment to FRS 10, <i>Consolidated Financial Statements</i> and FRS 128, <i>Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Yet to be determined

The Group is currently assessing the financial impact that may arise from the adoption of the above accounting standards.

2.2 Malaysian Financial Reporting Standards

The Group’s financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”) issued by the MASB and International Financial Reporting Standards (“IFRSs”).

The Group falls within the scope of MFRS 141, *Agriculture*. Therefore, the Group is currently exempted from adopting the (“MFRSs”) and is referred to as a “Transitioning Entity”.



Part A – Explanatory Notes Pursuant to FRS 134

A1. Basis of preparation (continued)

2. Significant accounting policies (continued)

2.2 Malaysian Financial Reporting Standards

The Group will apply the following MFRSs that are not yet effective:

Standards / Amendments / Interpretations	Effective date
Agriculture: <i>Bearer Plants (Amendments to MFRS 116 and MFRS 141)</i>	1 January 2018
MFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2, <i>Share-based Payment – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendment to MFRS 128, <i>Investment in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140, <i>Investment Property – Transfers of Investment Property</i>	1 January 2018
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
MFRS 16, <i>Leases</i>	1 January 2019
MFRS 17, <i>Insurance Contracts</i>	1 January 2021

Material impacts of the initial application of the above accounting standards, which are applicable to the Group and which are to be applied retrospectively, are discussed below:

(i) Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants*

The amendments to MFRS 116 and MFRS 141 require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment in accordance with MFRS 116, *Property, Plant and Equipment*.

The Group is currently assessing the financial impact that may arise from the adoption of amendments to MFRS 116 and MFRS 141.



Part A – Explanatory Notes Pursuant to FRS 134

A1. Basis of preparation (continued)

2. Significant accounting policies (continued)

2.2 Malaysian Financial Reporting Standards (continued)

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in FRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 15, *Revenue from Contracts with Customers and Clarifications to MFRS 15, Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(iv) Amendments to MFRS 2, *Share-based Payment*

Amendments to MFRS 2 are with regards to classification and measurement of share-based payment transactions (the Amendments).

The Amendments provides specific guidance on how to account for the following situations:

- (a) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
- (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group is currently assessing the financial impact that may rise from the adoption of Amendments to MFRS 2.

(v) MFRS 16, *Leases*

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

The Group is currently assessing the financial impact that may rise from the adoption of MFRS 16.

A2. Seasonality or Cyclicity of Interim Operations

The Group's performance is affected by the cropping pattern of fresh fruit bunches ("FFB") which normally reaches its peak in the second half of the year, that will be reflected accordingly in the crude palm oil ("CPO") and palm kernel ("PK") production of the Group. The performance is also affected by the prices of CPO and PK which are determined by global supply and demand situation for edible oils and fats.

**Part A – Explanatory Notes Pursuant to FRS 134****A3. Unusual Items Affecting Assets, Liabilities, Equity, Net income or Cash Flows**

There were no items affecting assets, liabilities, equity, net income, or cash flows, which were unusual in nature, size or incidence during the current financial period.

A4. Material Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years and preceding interim periods, which have a material effect in the current interim financial period.

A5. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity in the current interim financial period.

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

Included in share capital is share premium amounting to RM60,968,951 that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

A6. Dividends Paid

	Cumulative Quarter (9 Months)	
	Current Year - Period To Date 30/09/2017 RM'000	Preceding Year - Period To Date 30/09/2016 RM'000
First interim, single tier exempt dividend in respect of the financial year ended 31 December 2015		
- 4.5 sen per ordinary share	-	12,580
Dividends paid to non-controlling interests of the Company by a subsidiary company	-	123
	<hr/>	<hr/>
	-	12,703

A7. Segment Information

The Group's business segments mainly comprise the following three major business segments:-

(i) Investment holding

Investment holding company

(ii) Oil palm operations

Cultivation of oil palm and processing of fresh fruit bunches

(iii) Management services and rental

Provision of management service and rental of investment properties

**Part A – Explanatory Notes Pursuant to FRS 134****A7. Segment Information (continued)****Individual Quarter (Q3)**

	Investment holding RM'000	Oil palm operations RM'000	Management services and rental RM'000	Consolidated RM'000
30/09/2017				
Revenue				
Segment revenue	-	106,195	1,072	107,267
Inter-segment revenue	-	-	(789)	(789)
External revenue	-	106,195	283	106,478
Cost of sales				
Segment cost of sales	-	(83,349)	(479)	(83,828)
Inter-segment cost of sales	-	42	45	87
External cost of sales	-	(83,307)	(434)	(83,741)
Gross profit/(loss)	-	22,888	(151)	22,737
Other income including finance income	650	863	67	1,580
Inter-segment	(59)	165	(3)	103
External other income	591	1,028	64	1,683
Other expenses including finance costs	(806)	(15,888)	(464)	(17,158)
Inter-segment	101	635	190	926
External other expenses	(705)	(15,253)	(274)	(16,232)
(Loss)/ Profit before tax	(114)	8,663	(361)	8,188

**Part A – Explanatory Notes Pursuant to FRS 134****A7. Segment Information (continued)****Individual Quarter (Q3)**

	Investment holding RM'000	Oil palm operations RM'000	Management services and rental RM'000	Consolidated RM'000
30/09/2016				
Revenue				
Segment revenue	5,500	120,299	1,120	126,919
Inter-segment revenue	(5,500)	-	(785)	(6,285)
External revenue	-	120,299	335	120,634
Cost of sales				
Segment cost of sales	-	(94,621)	(511)	(95,132)
Inter-segment cost of sales	-	41	45	86
External cost of sales	-	(94,580)	(466)	(95,046)
Gross profit/(loss)	-	25,719	(131)	25,588
Other income including finance income	601	5,440	107	6,148
Inter-segment	(64)	(212)	(2)	(278)
External other income	537	5,228	105	5,870
Other expenses including finance costs	(1,041)	(16,816)	(529)	(18,386)
Inter-segment	219	808	(52)	975
External other expenses	(822)	(16,008)	(581)	(17,411)
(Loss)/Profit before tax	(285)	14,939	(607)	14,047

**Part A – Explanatory Notes Pursuant to FRS 134****A7. Segment Information (continued)****Cumulative Quarter (9 Months)**

	Investment holding RM'000	Oil palm operations RM'000	Management services and rental RM'000	Consolidated RM'000
30/09/2017				
Revenue				
Segment revenue	-	298,333	3,001	301,334
Inter-segment revenue	-	-	(2,276)	(2,276)
External revenue	-	298,333	725	299,058
Cost of sales				
Segment cost of sales	-	(222,173)	(1,449)	(223,622)
Inter-segment cost of sales	-	52	135	187
External cost of sales	-	(222,121)	(1,314)	(223,435)
Gross profit/(loss)	-	76,212	(589)	75,623
Other income including finance income	1,903	3,014	377	5,294
Inter-segment	(161)	(464)	(9)	(634)
External other income	1,742	2,550	368	4,660
Other expenses including finance costs	(2,236)	(44,059)	(1,232)	(47,527)
Inter-segment	297	1,861	565	2,723
External other expenses	(1,939)	(42,198)	(667)	(44,804)
(Loss)/Profit before tax	(197)	36,564	(888)	35,479



Part A – Explanatory Notes Pursuant to FRS 134

A7. Segment Information (continued)

Cumulative Quarter (9 Months)

	Investment holding RM'000	Oil palm operations RM'000	Management services and rental RM'000	Consolidated RM'000
30/09/2016				
Revenue				
Segment revenue	14,368	272,119	3,220	289,707
Inter-segment revenue	(14,368)	-	(2,322)	(16,690)
External revenue	-	272,119	898	273,017
Cost of sales				
Segment cost of sales	-	(217,932)	(1,664)	(219,596)
Inter-segment cost of sales	-	106	135	241
External cost of sales	-	(217,826)	(1,529)	(219,355)
Gross profit/(loss)	-	54,293	(631)	53,662
Other income including finance income	2,062	7,126	392	9,580
Inter-segment	(573)	(634)	(7)	(1,214)
External other income	1,489	6,492	385	8,366
Other expenses including finance costs	(2,951)	(43,616)	(1,635)	(48,202)
Inter-segment	689	2,142	543	3,374
External other expenses	(2,262)	(41,474)	(1,092)	(44,828)
(Loss)/Profit before tax	(773)	19,311	(1,338)	17,200

**Part A – Explanatory Notes Pursuant to FRS 134****A7. Segment Information (continued)****Segment assets and liabilities**

	As At End Of Current Financial Period 30/09/2017
Segment assets:	
Investment holding	400,484
Oil palm operations	789,314
Management services/Rental	37,929
Total	<u>1,227,727</u>
Elimination	<u>(313,012)</u>
Total assets	<u><u>914,715</u></u>
Segment liabilities:	
Investment holding	10,219
Oil palm operations	273,748
Management services/Rental	11,274
Total	<u>295,241</u>
Elimination	<u>(37,377)</u>
Total liabilities	<u><u>257,864</u></u>

A8. Impairment of Assets

There was neither impairment loss nor reversal of such impairment loss recognised during the current interim financial period.

A9. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the current interim financial period that have not been reflected in the financial statements for the current interim financial period.

A10. Changes in the Composition of the Group

As at 30 September 2017, 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.

A11. Changes in Contingent Liabilities and Contingent Assets

As at 30 September 2017, there were no material contingent liabilities or contingent assets, which upon being enforced might have a material impact on the financial position or business of the Group, except as disclosed below:

	At 30/09/2017 RM'000
As at that date, the Company has contingent liabilities as follows:	
Corporate guarantees for banking facilities granted to a subsidiary	<u>230,000</u>

**Part A – Explanatory Notes Pursuant to FRS 134****A12. Capital Expenditure Commitments**

As at 30 September 2017, there were no material capital commitments for capital expenditure, contracted for or known to be contracted for by the Group which might have a material impact on the financial position or business of the Group, except as disclosed below:

	At 30/09/2017
	RM'000
Capital Expenditure	
Authorised and contracted for	38,852
Authorised and not contracted for	80,907
	<u>119,759</u>
Analysed as follows:	
Property, plant and equipment	81,403
Plantation development expenditure	38,356
	<u>119,759</u>

A13. Significant Related Party Transactions

The significant related party transactions during the financial period as set out below represent significant transactions with companies having common directorship or in which a Director or person connected to a Director has interests; or with a Corporate shareholder of the Company.

	Cumulative Quarter (9 Months)	
	Current Year - Period To Date 30/09/2017 RM'000	Preceding Year - Period To Date 30/09/2016 RM'000
a. KUB Sepadu Sdn. Bhd.		
- Purchase of fresh fruit bunches	9,229	11,980
b. Danawa Resources Sdn. Bhd.		
- Rental and annual support for satellite broadband services	147	245
c. Intuitive Systems Sdn. Bhd.		
- Software support, customisation, maintenance and implementation costs	71	33
d. Manis Oil Sdn. Bhd.		
- Sale of fresh fruit bunches	(2,186)	(1,698)
e. Ta Ann Pelita Igan Sdn. Bhd.		
- Laboratory services	(6)	(17)
	<u>(6)</u>	<u>(17)</u>

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and they are effected on terms not materially different from those obtainable in transactions with unrelated parties.

**Part A – Explanatory Notes Pursuant to FRS 134****A14. Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income Disclosures**

	Individual Quarter (Q3)		Cumulative Quarter (9 Months)	
	Current Year Quarter 30/09/2017 RM'000	Preceding Year Corresponding Quarter 30/09/2016 RM'000	Current Year - Period To Date 30/09/2017 RM'000	Preceding Year - Period To Date 30/09/2016 RM'000
Profit before tax is arrived at after charging:				
Depreciation of property, plant and equipment	6,466	5,853	18,588	17,212
Depreciation of plantation development expenditure	56	56	166	166
Depreciation of investment properties	42	42	125	125
Change in fair value of other investments	-	-	-	28
Loss on disposal of plantation development expenditure	829	-	829	-
Finance costs	1,784	1,396	4,648	2,705
Profit before tax is arrived at after crediting:				
Dividend income from other investments	3	35	43	44
Change in fair value of other investments	28	-	38	-
Gain on disposal of:				
- Other investments	3	17	42	43
- Property, plant and equipment	451	-	451	-
Reversal of impairment losses on deposits paid	-	3,700	-	3,700
Other income	671	1,774	2,026	2,521
Finance income	1,012	396	2,634	2,145

Other items not applicable to the Group are foreign exchange gain or loss and gain or loss on derivatives.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of Performance

Quarter 3, 2017 vs Quarter 3, 2016

The Group recorded revenue of RM106.5 million in the current quarter ended 30 September 2017 compared with RM120.6 million reported in the corresponding period of the preceding year. The decrease was principally due to the effect of lower realised average selling price of PK, lower sales volumes of CPO and PK, partially offsetted by higher realised average selling price of CPO during the current quarter.

The Group recorded a profit before tax of RM8.2 million for the current quarter as compared to a profit before tax of RM14 million for the corresponding period of the preceding year. The decrease was principally due to the effect of lower revenue during the current quarter.

In addition, there was a reversal of prior year's impairment loss on deposits paid for acquisition of equity interest in four plantation companies recognised as other non - operating income in the corresponding period of the preceding year.

The performance of the respective major business segments of the Group is as follows:

Oil palm operations

For the current quarter, the oil palm operations segment contributed 99.7% of the Group revenue of RM106.5 million.

The revenue of the oil palm operations decreased by RM14.1 million to RM106.2 million in the current quarter compared with RM120.3 million reported in the corresponding period of the preceding year. The decrease was principally due to the effect of lower realised average selling price of PK, lower sales volume of CPO and PK, partially offsetted by higher realised average selling price of CPO during the current quarter.

The average selling price of CPO had increased approximately by 3.4% whereas the average selling price of PK had decreased approximately by 13%. The sales volume of CPO and PK had decreased by approximately 11.1% and 12.9% respectively for the current quarter.

The gross profit and profit before tax for the oil palm operations decreased by RM2.8 million and RM6.2 million respectively for the current quarter as compared to the corresponding period of the preceding year. The decrease was in line with the decrease in revenue during the current quarter.

Nine months ended 30 September 2017 vs Nine months ended 30 September 2016

The Group recorded revenue of RM299.1 million in the current financial period ended 30 September 2017 compared with RM273 million reported in the corresponding period of the preceding year. The increase was principally due to the effect of higher realised average selling prices of CPO and PK, partially offsetted by lower sales volumes of CPO and PK during the current financial period.

The Group recorded a profit before tax of RM35.5 million for the current financial period as compared to profit before tax of RM17.2 million for the corresponding period of the preceding year. The increase was principally in line with the increase in revenue during the current financial period.

Included in other non - operating income in the corresponding period of the preceding year was a reversal of prior year's impairment loss on deposits paid for acquisition of equity interest in four plantation companies.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of Performance

Nine months ended 30 September 2017 vs Nine months ended 30 September 2016 (continued)

The performance of the respective major business segments of the Group is as follows:

Oil palm operations

For the current financial period, the oil palm operations segment contributed 99.8% of the Group revenue of RM299.1 million.

The revenue of the oil palm operations increased by RM26.2 million to RM298.3 million in the current financial period compared with RM272.1 million reported in the corresponding period of the preceding year. The increase was principally attributed to the effect of higher realised average selling prices of CPO and PK, partially offsetted by lower sales volumes of CPO and PK during the current financial period.

The average selling prices of CPO and PK had increased approximately by 12.1% and 3% whereas the sales volume of CPO and PK had decreased by approximately 0.2% and 2.3% respectively for the current financial period.

The gross profit and profit before tax for the oil palm operations increased by RM21.9 million and RM17.3 million respectively for the current financial period as compared to the corresponding period of the preceding year. The increase was in line with the increase in revenue during the current financial period.

Other segments

Other segments' results for the current quarter and current financial period are insignificant to the Group.

B2. Material Changes in Profit Before Tax for the Current Quarter as compared with the Immediate Preceding Quarter

For the quarter under review, the Group recorded a profit before tax of RM8.2 million as compared to profit before tax of RM10.1 million in the preceding quarter. The decrease was principally attributed to the effect of lower realised average selling price of CPO and higher expenditure, offsetted by higher realised average selling price of PK and higher sales volumes of CPO and PK during the current quarter.

The realised average selling prices for CPO had decreased approximately 2.1% for the current quarter whereas realised average selling prices for PK had increased approximately 16.5% and the sales volumes of CPO and PK had increased approximately by 28.7% and 30.2% respectively.

B3. Prospects for the Current Financial Year

The performance of the Group is largely dependent on the production, operation efficiency and prices of CPO and PK.

The Group will continue in its efforts to improve its performance and use its best endeavour to achieve satisfactory results for the current financial year.

B4. Profit Forecast or Profit Guarantee

The disclosure requirement for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and the achievements of financial forecast, projection for the current financial year are not applicable as the Group did not issue any profit forecast or profit guarantee for the current financial year.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B5. Taxation

	Individual Quarter (Q3)		Cumulative Quarter (9 Months)	
	Current Year Quarter 30/09/2017 RM'000	Preceding Year Corresponding Quarter 30/09/2016 RM'000	Current Year - Period To Date 30/09/2017 RM'000	Preceding Year - Period To Date 30/09/2016 RM'000
Current tax expense	2,530	1,502	10,023	3,754
Deferred tax (income)/expense	(708)	400	(2,408)	(1,900)
	<u>1,822</u>	<u>1,902</u>	<u>7,615</u>	<u>1,854</u>

The Group's effective tax rate for the financial period ended 30 September 2017 is lower than the statutory tax rate principally due to the reversal of timing difference in deferred tax liabilities.

B6. Other Investments

There was no material purchase or disposal of quoted securities for the current financial period.

The investments as at 30 September 2017 are as follows:

	At 30/09/2017 RM'000
<u>Current</u>	
Financial assets at fair value through profit or loss	1,902
Deposits with original maturities exceeding three months	8,587
	<u>10,489</u>

B7. Loans and Borrowings

	At 30/09/2017 RM'000
<u>Current</u>	
Revolving credit - secured	31,000
Revolving credit - <i>i</i> - secured	2,000
Finance lease liabilities (Hire purchase - <i>i</i>)	1,810
	<u>34,810</u>
<u>Non-current</u>	
Term Loan (Term Financing - <i>i</i>) - secured	108,905
Finance lease liabilities (Hire purchase - <i>i</i>)	433
	<u>109,338</u>
Total loans and borrowings	<u>144,148</u>



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B7. Loans and Borrowings (continued)

Revolving Credit

This revolving credit facility of RM50 million is secured by way of the Company's corporate guarantee and legal charge over certain land and buildings of a subsidiary.

The effective interest rate of this revolving credit is 4.96% per annum.

Revolving Credit (Revolving Credits –i)

The revolving credit facility of RM30 million is an Islamic facility under Bai' Inah contract, is secured by way of legal charge over certain land and buildings of a subsidiary and a corporate guarantee from the Company.

The Revolving Credit –i bears profit rate of 12% per annum, which is equivalent to effective profit rate of 0.60% per annum above the Bank's i-cost of funds.

Term Loan (Term Financing – i)

The term loan facility of RM150 million is an Islamic facility under Bai' Inah contract, is secured by way of legal charge over certain land and buildings of a subsidiary and a corporate guarantee from the Company. The loan is for a tenure of 8 years from the date of first drawdown in November 2014 and is repayable by 16 quarterly installments commencing 51th month after date of first drawdown of TF-i.

The Term Financing – i, bears profit rate of 12% per annum, which is equivalent to effective profit rate of 0.75% per annum above the Bank's i-cost of funds.

Finance lease liabilities (Hire purchase - i)

This finance lease liabilities are secured on property, plant and equipment under the finance lease.

The effective profit rate of these finance lease liabilities are between 4.65% to 5.22% per annum.

The above borrowings are denominated in Ringgit Malaysia.

B8. Corporate Proposals

Status of Corporate Proposals Announced

There was no corporate proposal being announced during the current interim financial period.

B9. Gains/Losses from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities during the current interim financial period.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B10. Changes in Material Litigation

As at 18 November (*being the latest practicable date which is not earlier than 7 days from the date of the issue of this quarterly report*), there were no changes to the status of material litigation or arbitration in which the Company and/or any of its subsidiaries were involved either as plaintiff or defendant which has a material effect on the Group's financial position except as disclosed below:

- (a) A subsidiary of the Group, SPB Pelita Suai Sdn. Bhd. ("SP Suai") sued 6 individuals ("Defendants"), seeking injunctive and declaratory relief against the Defendants for various acts of trespass over 2 parcels of Native Communal Reserve Land which the Defendants had given consent for development into an oil palm estate. SP Suai also seeks to claim damages from the Defendants.

On 18 September 2013, the learned Judge decided as follows:

- (i) There is no concluded contract between the Defendants and SP Suai;
- (ii) It has not been shown by the parties that the Defendants were members of the Penan community for which the land was gazetted for their exclusive use;
- (iii) That the gazette to allow SP Suai to deal with native land has no retrospective effect;
- (iv) Generally, parties have not proven their case against each other.

SP Suai filed a Notice of Appeal against the whole of the learned Judge's decision on 14 October 2013. The Defendants also filed a Notice of Appeal against the whole of the learned Judge's decision on the same date. SP Suai had filed and served the Record of Appeal on 2 December 2013. The Court of Appeal heard the appeal on 10 December 2015, and ordered that the case be remitted back to the High Court (before a different Judge) for a retrial. They were of the view that there was a mistrial in respect of the High Court's finding. There was no order as to costs.

The retrial of the case proceeded on 26 July 2016.

At the conclusion of the proceedings, the Court directed as follows:

- (1) The parties are to file and exchange Written Submissions;
- (2) Thereafter, the parties are to file Written Reply; and
- (3) Counsels for the parties are to appear before the Court to go through their Submissions on 25 August 2016

The Court allowed the Counsel for the Defendants' application for an extension of 2 weeks from 27 October 2016 to file the Written Submission and the same has to be filed on or before 10 November 2016. Thereafter, the parties may file Reply (if any) by 17 November 2016. Hearing of the Submissions is fixed on 28 November 2016.

The Court delivered its Judgement on 23 February 2017 as follows:

- (i) Dismissed SP Suai's claim;
- (ii) Allowed part of the Defendants' claim, namely SP Suai is prohibited from entering the 2 parcels of NCR Land and SP Suai has to vacate and remove its machineries, equipments and structures existing on the Defendants' 2 parcels of NCR land.

SP Suai filed a Notice of Appeal against the whole of the learned Judge's decision on 9 March 2017 and an application for a stay of execution on 11 April 2017. The Court heard and allowed the application for a stay of execution on 9 June 2017. The Appeal came up for Case Management on 6 September 2017. The Court of Appeal fixed the hearing of the Appeal on 27 June 2018.

- (b) On 13 July 2016, the Company and SPAD were served with legal proceedings. Amongst other things, the Plaintiffs sought a declaration to the effect that they have acquired native customary rights and/or are the customary owners over land situated at/around all of the Kampung Melugu Sri Aman.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B10. Changes in Material Litigation (continued)

- (b) The Company and SPAD had on 20 July 2016 entered appearance. On 10 August 2016, an application to strike out the Plaintiffs' Writ and Statement of Claim was filed and served the Plaintiffs. On 17 October 2016, the Court dismissed SPAD's application to strike out the Plaintiff's Statement of Claim. SPAD filed its appeal against the Court's said decision on 9 November 2016.

On 14 July 2017, the Court Appeal dismissed the Company and SPAD's appeal with costs in the cause.

On 18 July 2017, the parties informed the Court of the verdict of the appeal hearing. The Company and SPAD also informed the Court of their intention to amend the 'Defence of the 1st and 2nd Defendants'.

The Court fixed 18 August 2017 as the next mention date to monitor the progress of the application for amendment of the Defence of the 1st and 2nd Defendants.

On 28 August 2017, the Court had allowed the 1st and 2nd Defendants' application for amendment of the Defence. The Court on 20 September 2017 had given directions for the parties to file the bundle of documents and documents pertinent to the trial. As of now, no further date have been given by the Court.

The Directors, in consultation with the Company's and SPAD's advocates, are of the opinion that the Company and SPAD have strong merits in the case.

- (c) A subsidiary of the Group, Sarawak Plantation Agriculture Development Sdn. Bhd. ("SPAD") sued 16 individuals ("Defendants"), seeking injunctive and declaratory relief against the Defendants for various acts of trespass, unlawful occupation and illegal construction of a longhouse within an area covered by the Plaintiff's Provisional Lease of State Land. SPAD also seeks to claim damages from the Defendants.

The Defendants have refused to accept service of the Writ of Summons and Statement of Claim dated 5 January 2017 and the Notice of Application dated 9 January 2017 for interim injunction together with the Affidavit in Support.

SPAD applied and obtained an Order for Substituted Service on 6 February 2017 to serve the Writ, Statement of Claim and injunction application. The Notice of Advertisement was filed on 9 February 2017.

At the hearing of the interim injunction on 28 February 2017 at the Kuching High Court, the Judge directed that the matter be transferred to the Sibu High Court as the land in dispute is in Sibu.

At the hearing of the interim injunction on 28 March 2017 at the Sibu High Court, the learned Judge granted SPAD the interim injunction to prohibit the Defendants from entering into the area covered under SPAD's Provisional Lease of State Land or to construct anything thereon.

SPAD applied for judgement in default of defence on 1 May 2017 and the hearing of the matter was fixed on 11 July 2017.

On 11 July 2017, the learned Judge was informed that parties were in talks of settlement. On 5 October 2017, SPAD signed the draft Consent Order with some of the Defendants. The remaining Defendants signed the same draft Consent Order on 11 October 2017. The Court Order was sealed on 13 October 2017. On 25 October 2017, the learned Judge was informed of the successful mediation and SPAD's application for Judgement in Default of Defence was struck out.

**Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad****B11. Dividend Declared**

There was no dividend declared during current interim financial period.

B12. Earnings per Share

	Individual Quarter (Q3)		Cumulative Quarter (9 Months)	
	Current Year Quarter 30/09/2017 RM'000	Preceding Year Corresponding Quarter 30/09/2016 RM'000	Current Year - Period To Date 30/09/2017 RM'000	Preceding Year - Period To Date 30/09/2016 RM'000
Profit attributable to Owners of the Company (RM)	6,427	12,258	28,036	15,631
Weighted average number of ordinary shares in issue (unit)	279,564	279,564	279,564	279,564
Basic earnings per share (sen)	2.30	4.38	10.03	5.59
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

Basic earnings per share

The calculation of basic earnings per share for the interim quarter and financial period is based on the profit attributable to owners of the Company and on the weighted average number of ordinary shares in issue less the weighted average number of treasury shares held by the Company.

Diluted earnings per share

The diluted earnings per share for the interim quarter and financial period were not computed as the Company does not have any potentially dilutive ordinary shares as at 30 September 2017.

B13. Retained Earnings

The retained earnings of the Group as at 30 September 2017 contain unrealised profits, as disclosed below:

	As At End Of Current Financial Period 30/09/2017 RM'000	As At End Of Preceding Financial Year 31/12/2016 RM'000
Total retained earnings of the Group and its subsidiaries		
Realised	343,250	317,668
Unrealised	(51,070)	(53,352)
	292,180	264,316
Consolidation adjustments	34,448	34,276
Total Group retained earnings as per consolidated accounts	326,628	298,592



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B14. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was unqualified.

B15. Review by External Auditors

The condensed consolidated financial statements of Sarawak Plantation Berhad for the quarter ended 30 September 2017 has been reviewed by the Company's auditor in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*".

B16. Authorised for Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board on 24 November 2017.

By Order of the Board

Company Secretary
Kuching
24 November 2017