



SARAWAK PLANTATION BERHAD

(Incorporated in Malaysia - 451377- P)

**INTERIM REPORT
FOR 2ND QUARTER ENDED
30 JUNE 2016**



SARAWAK PLANTATION BERHAD

(Incorporated in Malaysia - 451377- P)

8th Floor, Wisma Naim, 2½ Mile Rock Road, 93200 Kuching, Sarawak, Malaysia

Telephone No: 082-233550

Facsimile No: 082-256650

Email: info@spbgroup.com.my

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016
(The figures have not been audited)

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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 2, 2016 vs Quarter 2, 2015

The Group recorded revenue of RM90.3 million in the current quarter under review compared with RM87.5 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 interim quarter. The Group recorded a profit before tax of RM4.7 million for the current quarter as compared to a profit before tax of RM5.4 million for the corresponding period of the preceding year, mainly due to increase in replanting expenses.

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

Oil palm operations

For the current quarter, the oil palm operations segment contributed 99.6% of the Group revenue of RM90.3 million.

The revenue of the oil palm operations increased by RM2.8 million to RM90 million in the current quarter compared with RM87.2 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.

The sales volumes of CPO and PK had decreased by approximately 18.5% and 9.9% respectively, whereas the average selling prices of CPO and PK had increased approximately by 18.3% and 55.9% respectively for the current quarter.

The gross profit remained at RM19.4 million and profit before tax for the oil palm operations decreased by RM1.6 million for the current quarter as compared to the corresponding period of the preceding year, in line with the increase in replanting expenses.

Six months ended 30 June 2016 vs Six months ended 30 June 2015

The Group recorded revenue of RM152.4 million in the current financial period ended 30 June 2016 compared with RM158.4 million reported in the corresponding period of the preceding year. The Group recorded a profit before tax of RM3.2 million for the current financial period as compared to a profit before tax of RM12.7 million for the corresponding period of the preceding year. The decrease was principally due to the effect of lower sales volumes of CPO and PK, partially offsetted by higher realised average selling prices of CPO and PK, and the increase in replanting expenses during the current financial period.

In addition, there was a gain on disposal of land of RM5.8 million recognised as other income for management services and rental segment in the corresponding period of the preceding year.

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

Oil palm operations

For the current financial period, the oil palm operations segment contributed 99.6% of the Group revenue of RM152.4 million.

The revenue of the oil palm operations decreased by RM6 million to RM151.8 million in the current financial period compared with RM157.8 million reported in the corresponding period of the preceding year. The decrease was principally attributed to the effect of lower sales volumes of CPO and PK, partially offsetted by higher realised average selling prices of CPO and PK.



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

B1. Review of Performance (continued)

Six months ended 30 June 2016 vs Six months ended 30 June 2015

The sales volumes of CPO and PK had decreased by approximately 18.8% and 16.6% respectively, whereas the average selling prices of CPO and PK had increased approximately by 13.1% and 35.7% respectively for the current financial period.

The gross profit and profit before tax for the oil palm operations decreased by RM3.6 million and RM4.5 million, respectively for the current financial period as compared to the corresponding period of the preceding year, in line with the decrease in revenue and the increase in replanting expenses.

Other segments

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

B2. Material Changes in (Loss)/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 RM4.7 million as compared to loss before tax of RM1.5 million in the preceding quarter. The increase was principally due to the effect of higher sales volumes of CPO and PK, and higher realised average selling prices of CPO and PK during the current interim quarter.

The sales volumes of CPO and PK had increased approximately 31.5% and 31.4% for the current quarter whereas the realised average selling prices for CPO and PK had increased approximately by 8.4% and 20.2% 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.

Under the current circumstances, the Group will continue in its efforts to improve its performance and use its best endeavour to achieve satisfactory results for the remaining period of 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 estimate, 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 (Q2)		Cumulative Quarter (6 Months)	
	Current Year Quarter 30/06/2016 RM'000	Preceding Year Corresponding Quarter 30/06/2015 RM'000	Current Year - Period To Date 30/06/2016 RM'000	Preceding Year - Period To Date 30/06/2015 RM'000
Current tax expense	1,954	1,145	2,252	2,184
Deferred tax income	(1,300)	-	(2,300)	(1,000)
	<u>654</u>	<u>1,145</u>	<u>(48)</u>	<u>1,184</u>

The Group's effective tax rate for the financial period ended 30 June 2016 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 June 2016 are as follows:

	At 30/06/2016 RM'000
<u>Current</u>	
Financial assets at fair value through profit or loss	1,772
Deposits with original maturities exceeding three months	9,508
	<u>11,280</u>

B7. Loans and Borrowings

	At 30/06/2016 RM'000
<u>Current</u>	
Revolving credit - secured	39,000
Revolving credit - <i>i</i> - secured	5,000
Finance lease liabilities (Hire purchase - <i>i</i>)	2,072
	<u>46,072</u>
<u>Non-current</u>	
Term Loan (Term Financing - <i>i</i>) - secured	37,255
Finance lease liabilities (Hire purchase - <i>i</i>)	1,660
	<u>38,915</u>
Total loans and borrowings	<u>84,987</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. As at 30 June 2016, the unutilised revolving credit facility that remains available to the Group amounting to RM11 million.

The effective interest rate of this revolving credit is 4.87% 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. As at 30 June 2016, the unutilised revolving credit facility that remains available to the Group amounting to RM25 million.

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 this finance lease liabilities are between 4.49% to 5.32% 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 (continued)

As at 12 August 2016 (*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;
- (i) 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

- (b) On 26 June 2012, a subsidiary, Sarawak Plantation Agriculture Development Sdn. Bhd. ("SPAD") filed a Writ of Summons against a third party ("Defendant") for damages and other reliefs for breach of contract or alternatively refund of deposits of RM2,600,000 in respect of shares in a company and RM7,200,000 in respect of shares in another company paid by SPAD under a Sales and Purchase Agreement ("SPA") signed in an earlier year.

The Defendant entered appearance and served a Memorandum of Appearance on SPAD on 13 July 2012. The Statement of Defence was served on SPAD on 22 August 2012.

This matter was consolidated for trial with (c) and (d) below and was jointly tried with (e) below.

On 8 August 2014, the Honourable Judge of the High Court delivered the judgement as follows:

- (i) The Defendant was ordered to pay SPAD the sum of RM2,600,000 with interest at 5% per annum from 21 June 2004 until full settlement and SPAD was ordered to pay the Defendant the sum of RM1,200,000 as late payment interest;
- (ii) On a separate claim, the Defendant was ordered to pay SPAD the sum of RM7,200,000 with interest at 5% per annum from 1 January 2001 until full settlement.



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)

- (c) On 26 June 2012, a subsidiary, Sarawak Plantation Agriculture Development Sdn. Bhd. (“SPAD”) filed a Writ of Summons against a third party (“Defendant”) for damages for breach of contract or alternatively refund of deposits of RM15,400,000 in respect of shares in a company paid by SPAD under a Sales and Purchase Agreements (“SPA”) signed in an earlier year.

The Defendant entered appearance and served a Memorandum of Appearance on SPAD on 13 July 2012. The Statement of Defence was served on SPAD on 22 August 2012.

This matter was consolidated for trial with (b) above and (d) below and was jointly tried with (e) below.

On 8 August 2014, the Honourable Judge of the High Court ruled that the Defendant pay SPAD the sum of RM15,400,000 with interest at 5% per annum from 30 November 2007 until full settlement. On the other hand, SPAD was ordered to pay the Defendant interest at 8.5% per annum on RM12,100,000 from 1 January 2001 to 29 November 2007 by reason of default in payment of instalments due under the SPA.

- (d) On 26 June 2012, a subsidiary, Sarawak Plantation Agriculture Development Sdn. Bhd. (“SPAD”) filed a Writ of Summons against a third party (“Defendant”) for damages for breach of contract or alternatively refund of deposits RM7,000,000 in respect of shares in a company paid by SPAD under a Sales and Purchase Agreements (“SPA”) signed in an earlier year.

The Defendant entered appearance and served a Memorandum of Appearance on SPAD on 13 July 2012. The Statement of Defence was served on SPAD on 22 August 2012.

This matter was consolidated for trial with (b) and (c) above and was jointly tried with (e) below.

On 8 August 2014, the Honourable Judge of the High Court ruled that the Defendant pay SPAD the sum of RM7,000,000 with interest at 5% per annum from 20 November 2007 until full settlement. On the other hand, SPAD was ordered to pay the Defendant interest at 8.5% per annum on RM10,500,000 from 1 January 2001 to 19 November 2007 by reason of default in payment of instalments due under the SPA.

- (e) On 29 June 2012, a Writ of Summons was filed against Sarawak Plantation Agriculture Development Sdn. Bhd. (“SPAD”) in the High Court in the respect of the same subject matters as stated above in paragraphs (b), (c) and (d). The Writ of Summons was served on 1 August 2012. SPAD filed its Memorandum of Appearance on 13 August 2012.

The Plaintiffs are claiming for damages for alleged breach/repudiation of agreements entered into by each of the Plaintiffs with SPAD in relation to sale of shares by each of the Plaintiffs for shares in third party companies. The Statement of Defence has been served by SPAD.

The matter was jointly tried with (b), (c) and (d) above.

On 27 August 2014, a Notice of Appeal was filed by the Plaintiffs and the Defendants under (b), (c) and (d) above against the judgement dated 8 August 2014. SPAD filed a Notice of Cross Appeal on 28 October 2014 in respect of the interests awarded against SPAD under (b), (c) and (d) above. The appeal and cross appeal were heard on 19 August 2015.

On 31 December 2015, the Court of Appeal upheld all the High Court’s decision and dismissed the Defendants’ appeal. The Court of Appeal allowed SPAD’s cross appeal in part by setting aside the award of RM1,200,000 as late payment interest. SPAD was awarded global costs of RM10,000.

**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)**

- (e) On 28 January 2016, the Defendant filed a motion in the Federal Court for leave to appeal against the decision of the Court of Appeal. The hearing of the motion for leave to appeal is fixed on 29 September 2016.
- (f) On 25 March 2015, the Company was served with legal proceedings. The Company and SPAD are sued together with four (4) others.

No Specific Provisional Lease State Land was specified in the Statement of Claim but the claimed area is described as “Tanah Hak Adat Komunal dan Tanah Individu Rumah Lenon Ak Nanggai at Sungai Assan Bayu, Bahagian Sibu and notated to be totaling 774.12 hectares. The allegations relate to 487.19 hectares in a community map prepared by the Sarawak Dayak Iban Association.

The Company and SPAD have entered appearance and the Defence and Counterclaim was filed on 8 April 2015. Trial is completed and the Court will deliver its decision on 11 October 2016.

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

- (g) On 13 July 2016, the Company and SPAD were served with legal proceedings. Amongst other things, the Plaintiffs seeked 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.

The Company and SPAD had on 20 July 2016 entered appearance. The matter is now scheduled for mention before the Court on 9 September 2016.

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.

B11. Dividend Declared

On 18 February 2016, the Board of Directors had declared a first interim, single tier dividend of 4.5 sen per share, totalling approximately RM12.6 million, in respect of the financial year ended 31 December 2015, which was paid to shareholders on 30 March 2016.

B12. Earnings per Share

	Individual Quarter (Q2)		Cumulative Quarter (6 Months)	
	Current Year Quarter 30/06/2016 RM'000	Preceding Year Corresponding Quarter 30/06/2015 RM'000	Current Year - Period To Date 30/06/2016 RM'000	Preceding Year - Period To Date 30/06/2015 RM'000
Profit attributable to Owners of the Company(RM)	4,129	4,498	3,373	11,915
Weighted average number of ordinary shares in issue (unit)	279,564	279,564	279,564	279,564
Basic earnings per share (sen)	1.48	1.61	1.21	4.26
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

**Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad****B12. Earnings per Share (continued)*****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 of RM1.00 each 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 June 2016.

B13. Retained Earnings

The retained earnings of the Group as at 30 June 2016 contain unrealised profits, as disclosed below:

	As At End Current Financial Period 30/06/2016 RM'000	As At End Of Preceding Financial Year 31/12/2015 RM'000
Total retained earnings of the Group and its subsidiaries		
Realised	303,732	315,407
Unrealised	(52,463)	(54,557)
	<hr/> 251,269	<hr/> 260,850
Consolidation adjustments	28,486	28,112
Total Group retained earnings as per consolidated accounts	<hr/> <hr/> 279,755	<hr/> <hr/> 288,962

B14. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 was unqualified.

B15. Review by External Auditors

The condensed consolidated financial statements of Sarawak Plantation Berhad for the quarter ended 30 June 2016 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 18 August 2016.

By Order of the Board

Company Secretary
Kuching
18 August 2016