



SARAWAK PLANTATION BERHAD
(Incorporated in Malaysia - 451377- P)

INTERIM REPORT FOR 4TH QUARTER ENDED 31 DECEMBER 2018



SARAWAK PLANTATION BERHAD
(Incorporated in Malaysia - 451377- P)

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INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018
(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 Year 31/12/2018 (Unaudited) RM'000 | As At End Of Preceding Financial Year 31/12/2017 Restated RM'000 | As At End Of Preceding Financial Year 1/1/2017 Restated RM'000 |
|------------------------------------|-------|--|---|---|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | 393,606 | 369,364 | 384,586 |
| Bearer plants | | 290,220 | 287,890 | 285,303 |
| Investment properties | | 4,289 | 4,455 | 4,621 |
| Total non-current assets | | 688,115 | 661,709 | 674,510 |
| Current assets | | | | |
| Inventories | | 12,238 | 16,975 | 18,092 |
| Biological Assets | | 22,042 | 24,707 | 37,184 |
| Trade and other receivables | | 14,802 | 22,392 | 24,700 |
| Prepayments and other assets | | 4,732 | 4,448 | 4,593 |
| Current tax recoverable | | 5,826 | 3,306 | 156 |
| Other investments | B6 | 5,067 | 9,678 | 9,466 |
| Cash and cash equivalents | | 101,912 | 104,400 | 100,397 |
| | | 166,619 | 185,906 | 194,588 |
| Assets classified as held for sale | | - | 949 | 949 |
| Total current assets | | 166,619 | 186,855 | 195,537 |
| TOTAL ASSETS | | 854,734 | 848,564 | 870,047 |

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

(The figures have not been audited)

| | Notes | As At End Of Current Financial Year 31/12/2018 (Unaudited) RM'000 | As At End Of Preceding Financial Year 31/12/2017 Restated RM'000 | As At End Of Preceding Financial Year 1/1/2017 Restated RM'000 |
|--|-------|--|---|---|
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | A5 | 340,969 | 340,969 | 280,000 |
| Share premium | | - | - | 60,969 |
| Reserves | | 205,189 | 207,989 | 201,685 |
| Equity attributable to Owners of the Company | | 546,158 | 548,958 | 542,654 |
| Non-controlling interests | | (10,415) | (10,102) | (9,844) |
| Total equity | | 535,743 | 538,856 | 532,810 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | | 113,912 | 114,089 | 117,362 |
| Loans and borrowings | B7 | 95,600 | 110,291 | 89,943 |
| Total non-current liabilities | | 209,512 | 224,380 | 207,305 |
| Current liabilities | | | | |
| Trade and other payables | | 51,681 | 55,720 | 86,991 |
| Loans and borrowings | B7 | 57,797 | 29,577 | 42,925 |
| Current tax payable | | 1 | 31 | 16 |
| Total current liabilities | | 109,479 | 85,328 | 129,932 |
| Total liabilities | | 318,991 | 309,708 | 337,237 |
| TOTAL EQUITY AND LIABILITIES | | 854,734 | 848,564 | 870,047 |
| Net assets per share attributable to Owners of the Company (RM) | | 1.95 | 1.96 | 1.94 |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 (Q4) | | Cumulative Quarter (12 Months) | |
|---|-------|---|---|--|--|
| | | Current Year Quarter 31/12/2018 (Unaudited) RM'000 | Preceding Year Corresponding Quarter (Restated) 31/12/2017 (Unaudited) RM'000 | Current Year - Period To Date 31/12/2018 (Unaudited) RM'000 | Preceding Year - Period To Date (Restated) 31/12/2017 (Unaudited) RM'000 |
| Revenue | | 89,283 | 100,119 | 310,787 | 399,177 |
| Cost of sales | | (77,072) | (82,001) | (257,690) | (317,464) |
| Gross profit | | 12,211 | 18,118 | 53,097 | 81,713 |
| Other income | | 97 | (305) | 1,515 | 1,721 |
| Distribution expenses | | (5,301) | (5,187) | (17,639) | (20,851) |
| Administrative expenses | | (4,508) | (6,434) | (18,072) | (20,677) |
| Results from operating activities | | 2,499 | 6,192 | 18,901 | 41,906 |
| Finance income | | 689 | 760 | 3,073 | 3,394 |
| Finance costs | | (1,657) | (1,440) | (6,629) | (6,088) |
| Net finance costs | | (968) | (680) | (3,556) | (2,694) |
| Operating profit before tax | | 1,531 | 5,512 | 15,345 | 39,212 |
| Other non - operating income | | 3,082 | - | 3,082 | - |
| Other non - operating expenses | | - | (12,891) | - | (12,891) |
| Change in fair value of biological assets | | (5,069) | (10,276) | (2,665) | (12,478) |
| Profit/(Loss) before tax | A15 | (456) | (17,655) | 15,762 | 13,843 |
| Taxation | B5 | 1,554 | 660 | (4,896) | (7,797) |
| Profit/(Loss) after tax | | 1,098 | (16,995) | 10,866 | 6,046 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Profit/(Loss) and total comprehensive income/(loss) for the period | | 1,098 | (16,995) | 10,866 | 6,046 |

**SARAWAK PLANTATION BERHAD**

(Incorporated in Malaysia - 451377- P)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

(The figures have not been audited)

| | Notes | Individual Quarter (Q4) | | Cumulative Quarter (12 Months) | |
|---|-------|--|---|--|--|
| | | Current Year Quarter 31/12/2018 (Unaudited) RM'000 | Preceding Year Corresponding Quarter (Restated) 31/12/2017 (Unaudited) RM'000 | Current Year - Period To Date 31/12/2018 (Unaudited) RM'000 | Preceding Year - Period To Date 31/12/2017 (Restated) (Unaudited) RM'000 |
| Profit/(Loss) attributable to: | | | | | |
| Owners of the Company | | 1,177 | (16,909) | 11,179 | 6,304 |
| Non-controlling interests | | (79) | (86) | (313) | (258) |
| Profit/(Loss) for the period | | <u>1,098</u> | <u>(16,995)</u> | <u>10,866</u> | <u>6,046</u> |
| Profit/(Loss) and total comprehensive income/(loss) attributable to: | | | | | |
| Owners of the Company | | 1,177 | (16,909) | 11,179 | 6,304 |
| Non-controlling interests | | (79) | (86) | (313) | (258) |
| Profit/(Loss) and total comprehensive income/(loss) for the period | | <u>1,098</u> | <u>(16,995)</u> | <u>10,866</u> | <u>6,046</u> |
| Basic earnings per ordinary share attributable to Owners of the Company (sen): | | | | | |
| Basic | B12 | <u>0.42</u> | <u>(6.05)</u> | <u>4.00</u> | <u>2.25</u> |
| Diluted | B12 | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

(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 2017 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 | Equity reserve RM'000 | Treasury shares RM'000 | Retained earnings RM'000 | | | |
| At 1 January 2018 | | 340,969 | 493 | (1,223) | 288,340 | 628,579 | (10,102) | 618,477 |
| Effect of MFRS adoption and changes in accounting policies | | - | - | - | (79,621) | (79,621) | - | (79,621) |
| At 1 January 2018, restated | | 340,969 | 493 | (1,223) | 208,719 | 548,958 | (10,102) | 538,856 |
| Profit and total comprehensive income for the year | | - | - | - | 11,179 | 11,179 | (313) | 10,866 |
| Less: First interim, single tier exempt dividend in respect of the financial year ended 31 December 2018 | A6 | - | - | - | (13,979) | (13,979) | - | (13,979) |
| At 31 December 2018 | | 340,969 | 493 | (1,223) | 205,919 | 546,158 | (10,415) | 535,743 |

(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 2017 and the accompanying explanatory notes attached to this report)

**Condensed Consolidated Statement of Changes in Equity (continued)**

(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 1 January 2017 | 280,000 | 60,969 | 493 | (1,223) | 298,592 | 638,831 | (9,844) | 628,987 | |
| Effect of MFRS adoption and changes in accounting policies | - | - | - | - | (96,177) | (96,177) | - | (96,177) | |
| At 1 January 2017, restated | 280,000 | 60,969 | 493 | (1,223) | 202,415 | 542,654 | (9,844) | 532,810 | |
| Transfer in accordance with Section 618(2) of the Companies Act 2016 | 60,969 | (60,969) | - | - | - | - | - | - | |
| Profit and total comprehensive profit for the year | - | - | - | - | 6,304 | 6,304 | (258) | 6,046 | |
| At 31 December 2017, restated | 340,969 | - | 493 | (1,223) | 208,719 | 548,958 | (10,102) | 538,856 | |

(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 2017 and the accompanying explanatory notes attached to this report)



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

| | Cumulative Quarter (12 Months) | |
|---|---|---|
| | Current Year - Period To Date 31/12/2018 (Unaudited) RM'000 | Preceding Year - Period To Date 31/12/2017 (restated) (Unaudited) RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 15,762 | 13,843 |
| <i>Adjustments for:</i> | | |
| Change in fair value of other investments | 297 | (26) |
| Change in fair value of biological assets | 2,665 | 12,477 |
| Depreciation of property, plant and equipment | 16,254 | 25,386 |
| Depreciation of bearer plants | 12,605 | 16,258 |
| Depreciation of investment properties | 166 | 166 |
| Dividend income from other investments | (47) | (49) |
| Loss/(gain) on disposal of: | | |
| - other investments | (26) | (59) |
| - property, plant and equipment | (111) | (19) |
| - Asset held for sale | (46) | - |
| Loss on surrender of land and bearer plants to government authorities | - | 396 |
| (Reversal) of /Impairment losses on: | | |
| - bearer plants | (1,167) | 8,361 |
| - property, plant and equipment | (1,889) | 4,530 |
| - deposits and prepayments | - | 86 |
| - trade and other receivables | 41 | 81 |
| - Inventories written down | 66 | 366 |
| Inventories written off | 481 | 116 |
| Asset written off | 40 | 89 |
| Bearer plants expensed off | - | 191 |
| Finance income | (3,073) | (3,394) |
| Finance costs | 6,629 | 6,088 |
| Operating profit before changes in working capital | 48,647 | 84,887 |
| Change in inventories | 4,190 | 635 |
| Change in trade and other receivables, deposits and prepayments | 6,802 | 3,960 |
| Change in trade and other payables | (15,630) | (54,502) |
| Cash generated from operations | 44,009 | 34,980 |
| Tax paid | (7,642) | (14,205) |
| Interest/Profit paid | (5,890) | (6,636) |
| Finance lease profit paid | (283) | (143) |
| Interest received | 3,546 | 3,082 |
| Net cash from operating activities | 33,740 | 17,078 |

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

| | Cumulative Quarter (12 Months) | |
|--|--|---|
| | Current Year - Period To Date 31/12/2018 (Unaudited) RM'000 | Preceding Year - Period To Date 31/12/2017 (restated) (Unaudited) RM'000 |
| Cash flows from operating activities | | |
| Acquisition of property, plant and equipment | (9,466) | (9,473) |
| Dividend received | 35 | 29 |
| Net movement of deposits with original maturities exceeding three months | 2,697 | (100) |
| Bearer plants (net of depreciation and amortisation) | (21,008) | (11,226) |
| Proceed from disposal of : | | |
| - quoted investments | 1,661 | - |
| - property, plant and equipment | 288 | 83 |
| - Asset held for sale | 796 | - |
| - bearer plants | - | 884 |
| Net cash used in investing activities | (24,997) | (19,803) |
| Cash flows from financing activities | | |
| Net proceeds from term loans and revolving credits | 46,890 | 21,760 |
| Repayment of term loans and revolving credits | (41,000) | (13,000) |
| Repayment of finance lease liabilities | (3,142) | (2,032) |
| Dividends paid to owners of the Company | (13,979) | - |
| Net cash (used in)/from financing activities | (11,231) | 6,728 |
| Net (decrease)/increase in cash and cash equivalents | (2,488) | 4,003 |
| Cash and cash equivalents as at 1 January | 104,400 | 100,397 |
| Cash and cash equivalents as at 31 December | 101,912 | 104,400 |
| Represented by: | | |
| Deposits with original maturities not exceeding three months | 98,772 | 103,764 |
| Cash and bank balances | 3,140 | 636 |
| Cash and cash equivalents | 101,912 | 104,400 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying notes attached to this report)



Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 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 Malaysian Financial Reporting Standard (“MFRS”) 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 2017.

2. Significant accounting policies

2.1 Adoption of new/revised Standards, Amendments and Interpretations

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

The Group adopted following accounting standards, amendments and interpretations where applicable:

Standards / Amendments / Interpretations

| | |
|---------|--|
| MFRS 1 | <ul style="list-style-type: none">• First-time Adoption of Malaysian Financial Reporting Standards• Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i> |
| MFRS 2 | <ul style="list-style-type: none">• Share-based Payment• <i>Classification and Measurement of Share-based Payment Transactions</i> (Amendments to MFRS 2) |
| MFRS 3 | <ul style="list-style-type: none">• Business Combinations |
| MFRS 4 | <ul style="list-style-type: none">• Insurance Contracts• MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4) |
| MFRS 5 | <ul style="list-style-type: none">• Non-current Assets Held for Sale and Discontinued Operations• Amendment to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012–2014 Cycle) |
| MFRS 7 | <ul style="list-style-type: none">• Financial Instruments: Disclosures• Mandatory Effective Date of MFRS 9 and Transition Disclosures• Amendment to MFRS 7 Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012–2014 Cycle) |
| MFRS 8 | <ul style="list-style-type: none">• Operating Segments |
| MFRS 9 | <ul style="list-style-type: none">• MFRS 9, <i>Financial Instruments</i> (2014) |
| MFRS 10 | <ul style="list-style-type: none">• Consolidated Financial Statements• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)• Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128) |



Part A – Explanatory Notes Pursuant to MFRS 134

A1. Basis of preparation (continued)

2. Significant accounting policies (continued)

2.1 Adoption of new/revised Standards, Amendments and Interpretations (continued)

Standards / Amendments / Interpretations

| | |
|----------|---|
| MFRS 11 | <ul style="list-style-type: none">• Joint Arrangements• Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)• Disclosure of Interests in Other Entities |
| MFRS 12 | <ul style="list-style-type: none">• Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)• Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle) |
| MFRS 13 | <ul style="list-style-type: none">• Fair Value Measurement |
| MFRS 14 | <ul style="list-style-type: none">• Regulatory Deferral Accounts |
| MFRS 15 | <ul style="list-style-type: none">• Revenue from Contracts with Customers• Classification as to MFRS 15 |
| MFRS 101 | <ul style="list-style-type: none">• Presentation of Financial Statements• Disclosure Initiative (Amendments to MFRS 101) |
| MFRS 102 | <ul style="list-style-type: none">• Inventories |
| MFRS 107 | <ul style="list-style-type: none">• Statement of Cash Flows• Disclosure Initiative (Amendments to MFRS 107) |
| MFRS 108 | <ul style="list-style-type: none">• Accounting Policies, Changes in Accounting Estimates and Errors |
| MFRS 110 | <ul style="list-style-type: none">• Event after the Reporting Period |
| MFRS 112 | <ul style="list-style-type: none">• Income Taxes• Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112) |
| MFRS 116 | <ul style="list-style-type: none">• Property, Plant and Equipment• Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)• Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141) |
| MFRS 117 | <ul style="list-style-type: none">• Leases |
| MFRS 123 | <ul style="list-style-type: none">• Borrowing Costs |
| MFRS 124 | <ul style="list-style-type: none">• Related Party Disclosures |
| MFRS 127 | <ul style="list-style-type: none">• Separate Financial Statements• Equity Method in Separate Financial Statements (Amendments to MFRS 127)• Investments in Associates and Joint Ventures• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128) |
| MFRS 128 | <ul style="list-style-type: none">• Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)• Investments in Associates and Joint Ventures (<i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>) |
| MFRS 132 | <ul style="list-style-type: none">• Financial Instruments: Presentation |

Part A – Explanatory Notes Pursuant to MFRS 134

A1. Basis of preparation (continued)

2. Significant accounting policies (continued)

2.1 Adoption of new/revised Standards, Amendments and Interpretations (continued)

Standards / Amendments / Interpretations

| | |
|----------|---|
| MFRS 133 | <ul style="list-style-type: none"> Earnings per Share |
| MFRS 134 | <ul style="list-style-type: none"> Interim Financial Reporting Amendment to MFRS 134, Interim Financial Reporting (<i>Annual Improvements to MFRSs 2012–2014 Cycle</i>) |
| MFRS 136 | <ul style="list-style-type: none"> Impairment of Assets |
| MFRS 137 | <ul style="list-style-type: none"> Provisions, Contingent Liabilities and Contingent Assets |
| MFRS 138 | <ul style="list-style-type: none"> Intangible Assets Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138) |
| MFRS 139 | <ul style="list-style-type: none"> Financial Instruments: Recognition and Measurement |
| MFRS 140 | <ul style="list-style-type: none"> Investment Property Transfers of Investment Property (Amendments to MFRS 140) |
| MFRS 141 | <ul style="list-style-type: none"> Agriculture Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141) |

2.2 Financial effect arising from the adoption of Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture - Agriculture: Bearer Plants

Accordingly, the financial statements for the previous financial period and years have been revised as follows:

(a) Condensed Consolidated Statement of Financial Position

| | As previously reported RM'000 | Effect of adoption of MFRS 141 RM'000 | Restated RM'000 |
|-------------------------------|----------------------------------|---|--------------------|
| As at 1/1/2017 | | | |
| Property, plant and equipment | 384,586 | - | 384,586 |
| Bearer plants | 354,742 | (69,439) | 285,303 |
| Biological Assets | - | 37,184 | 37,184 |
| Reserves | 297,862 | (96,177) | 201,685 |
| Deferred tax liabilities | 53,440 | 63,922 | 117,362 |
| As at 31/12/2017 | | | |
| Property, plant and equipment | 368,092 | 1,272 | 369,364 |
| Bearer plants | 330,734 | (42,844) | 287,890 |
| Biological Assets | - | 24,707 | 24,707 |
| Reserves | 287,610 | (79,621) | 207,989 |
| Deferred tax liabilities | 51,333 | 62,756 | 114,089 |

**Part A – Explanatory Notes Pursuant to MFRS 134****A1. Basis of preparation (continued)****2. Significant accounting policies (continued)****2.2 Financial effect arising from the adoption of Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture - Agriculture - Bearer Plants (continued)****(b) Statement of profit or loss and other comprehensive income**

| | As previously reported RM'000 | Effect of adoption of MFRS 141 RM'000 | Restated RM'000 |
|---|----------------------------------|---|--------------------|
| Quarter ended 31/12/2017 | | | |
| Cost of sales | (77,992) | (4,009) | (82,001) |
| Change in fair value of biological assets | - | (10,276) | (10,276) |
| Replanting expenditure | (3,138) | 3,138 | - |
| Other non-operating expenses | (43,408) | 30,517 | (12,891) |
| Taxation | (1,349) | 2,009 | 660 |
| Profit for the period | (38,374) | 21,379 | (16,995) |
| Year ended 31/12/2017 | | | |
| Cost of sales | (301,427) | (16,037) | (317,464) |
| Change in fair value of biological assets | - | (12,478) | (12,478) |
| Replanting expenditure | (13,387) | 13,387 | - |
| Other non-operating expenses | (43,408) | 30,517 | (12,891) |
| Taxation | (8,964) | 1,167 | (7,797) |
| (Loss)/Profit for the year | (10,510) | 16,556 | 6,046 |

Part A – Explanatory Notes Pursuant to MFRS 134

A1. Basis of preparation (continued)

2. Significant accounting policies (continued)

2.3 Financial effect arising from the adoption of 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.

There are no material financial impacts on the financial statements for the current financial period and past years upon initial application of MFRS 9.

2.4 Financial effect arising from the adoption of 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 recognised revenue from contracts with customers in accordance with the accounting policies as described in Note 2(m) of the financial statements for the financial year ended 31 December 2017. Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers when the Group transfers controls of goods or services to its customers at the amount to which the Group expects to be entitled. Revenue is recognised over time or at a point in time, when control of goods or services is transferred to the customers.

There are no material financial impacts on the financial statements for the current financial period and past years upon initial application of MFRS 15.

2.5 Standards issued but not yet effective

| Standards / Amendments / Interpretations | Effective date |
|--|-----------------------|
| MFRS 16, <i>Leases</i> | 1 January 2019 |
| IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i> | 1 January 2019 |
| Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)</i> | 1 January 2019 |
| Amendments to MFRS 9, <i>Financial Instruments (2014)</i> – <i>Prepayment Features with Negative Compensation</i> | 1 January 2019 |
| Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)</i> | 1 January 2019 |
| Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)</i> | 1 January 2019 |
| Amendments to MFRS 128, <i>Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures</i> | 1 January 2019 |
| Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i> | 1 January 2019 |



Part A – Explanatory Notes Pursuant to MFRS 134

A1. Basis of preparation (continued)

2. Significant accounting policies (continued)

2.5 Standards issues but not yet effective (continued)

The Group will adopt the above when they become effective in the respective financial periods.

Material impacts of the initial application of the abovementioned accounting standards, amendments or interpretations, which are or likely to be applicable to the Group, are discussed below:

(i) 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 arise from the adoption of MFRS 16.

(ii) Amendment to MFRS 128, Investment in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)

The amendments clarify that an entity, which is a venture capital organization, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value.

There will be no significant impact on the Group from the adoption of Amendments to MFRS 128.



Part A – Explanatory Notes Pursuant to MFRS 134

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.

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, except for the reversal of impairment losses recognised as disclosed in Note A8.

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 except for revision in useful lives and residual values of certain categories of property, plant and equipment with effect from the financial year ended 31 December 2018. Such revision is accounted for as a change in accounting estimate and is applied prospectively from financial year 2018.

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.

A6. Dividends Paid

| | Cumulative Quarter (12 Months) | |
|---|--|--|
| | Current Year - Period To Date 31/12/2018 RM'000 | Preceding Year - Period To Date 31/12/2017 RM'000 |
| First interim, single tier exempt dividend in respect of the financial year ending 31 December 2018 | | |
| - 5 sen per ordinary share | 13,979 | - |
| Total | 13,979 | - |

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**
 - Estate operations (Cultivation of oil palm)
 - Mill operations (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 MFRS 134

A7. Segment Information

Individual Quarter (Q4)

| | Investment holding | Management services and rental | Oil palm operations | | Consolidated | |
|---|--------------------|--------------------------------|---------------------|-----------------|--------------|--------------|
| | | | Estate operations | Mill operations | Total | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 31/12/2018 | | | | | | |
| Revenue | | | | | | |
| Segment revenue | 11,100 | 648 | 26,333 | 84,953 | 111,286 | 123,034 |
| Inter-segment | (11,100) | (411) | - | - | (22,240) | (33,751) |
| External revenue | - | 237 | 26,333 | 84,953 | 89,046 | 89,283 |
| Cost of sales | | | | | | |
| Segment cost of sales | - | (390) | (24,288) | (74,710) | (98,998) | (99,388) |
| Inter-segment | - | 45 | - | - | 22,271 | 22,316 |
| External cost of sales | - | (345) | (24,288) | (74,710) | (76,727) | (77,072) |
| Gross (loss)/profit | - | (108) | 2,045 | 10,243 | 12,319 | 12,211 |
| Distribution expenses | - | - | - | (5,301) | (5,301) | (5,301) |
| Segment (loss)/profit | - | (108) | 2,045 | 4,942 | 7,018 | 6,910 |
| Other income including finance income | 761 | 123 | | | 586 | 1,470 |
| Inter-segment | (437) | (28) | | | (219) | (684) |
| External other income | 324 | 95 | | | 367 | 786 |
| Other expenses including finance costs | (781) | (451) | | | (5,816) | (7,048) |
| Inter-segment | 17 | 142 | | | 724 | 883 |
| External other expenses | (764) | (309) | | | (5,092) | (6,165) |
| Operating (loss)/profit before tax | (440) | (322) | | | 2,293 | 1,531 |
| Other non - operating income | - | - | | | 3,082 | 3,082 |
| Change in fair value of biological assets | - | - | | | (5,069) | (5,069) |
| (Loss)/Profit before tax | (440) | (322) | | | 306 | (456) |



Part A – Explanatory Notes Pursuant to MFRS 134

A7. Segment Information (continued)

Individual Quarter (Q4)

| | Investment holding RM'000 | Management services, rental and others RM'000 | Oil palm operations RM'000 | Consolidated RM'000 |
|---|---------------------------------|---|----------------------------------|------------------------|
| 31/12/2017 (restated) | | | | |
| Revenue | | | | |
| Segment revenue | 5,000 | 1,055 | 99,863 | 105,918 |
| Inter-segment revenue | (5,000) | (799) | - | (5,799) |
| External revenue | - | 256 | 99,863 | 100,119 |
| Cost of sales | | | | |
| Segment cost of sales | - | (449) | (81,644) | (82,093) |
| Inter-segment cost of sales | - | 45 | 47 | 92 |
| External cost of sales | - | (404) | (81,597) | (82,001) |
| Gross (loss)/profit | - | (148) | 18,266 | 18,118 |
| Other income including finance income | 685 | 124 | (121) | 688 |
| Inter-segment | (63) | (3) | (167) | (233) |
| External other income | 622 | 121 | (288) | 455 |
| Other expenses including finance costs | (848) | (898) | (11,873) | (13,619) |
| Inter-segment | 101 | 189 | 268 | 558 |
| External other expenses | (747) | (709) | (11,605) | (13,061) |
| Operating Profit/(loss) before tax | (125) | (736) | 6,373 | 5,512 |
| Other non - operating expenses | - | - | (12,891) | (12,891) |
| Change in fair value of biological assets | - | - | (10,276) | (10,276) |
| Loss before tax | (125) | (736) | (16,794) | (17,655) |

Part A – Explanatory Notes Pursuant to MFRS 134

A7. Segment Information (continued)

Cumulative Quarter (12 Months)

| | Investment holding | Management services and rental | Oil palm operations | | Consolidated | |
|---|--------------------|--------------------------------|---------------------|-----------------|---------------|---------------|
| | | | Estate operations | Mill operations | Total | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 31/12/2018 | | | | | | |
| Revenue | | | | | | |
| Segment revenue | 18,300 | 3,295 | 98,363 | 295,951 | 394,314 | 415,909 |
| Inter-segment | (18,300) | (2,403) | - | - | (84,419) | (105,122) |
| External revenue | - | 892 | 98,363 | 295,951 | 309,895 | 310,787 |
| Cost of sales | | | | | | |
| Segment cost of sales | - | (1,811) | (77,452) | (263,143) | (340,595) | (342,406) |
| Inter-segment | - | 180 | - | - | 84,536 | 84,716 |
| External cost of sales | - | (1,631) | (77,452) | (263,143) | (256,059) | (257,690) |
| Gross (loss)/profit | - | (739) | 20,911 | 32,808 | 53,836 | 53,097 |
| Distribution expenses | - | - | - | (17,639) | (17,639) | (17,639) |
| Segment (loss)/profit | - | (739) | 20,911 | 15,169 | 36,197 | 35,458 |
| Other income including finance income | 2,931 | 557 | | | 2,995 | 6,483 |
| Inter-segment | (1,013) | (70) | | | (812) | (1,895) |
| External other income | 1,918 | 487 | | | 2,183 | 4,588 |
| Other expenses including finance costs | (2,862) | (1,943) | | | (23,417) | (28,222) |
| Inter-segment | 248 | 744 | | | 2,529 | 3,521 |
| External other expenses | (2,614) | (1,199) | | | (20,888) | (24,701) |
| Operating (loss)/profit before tax | (696) | (1,451) | | | 17,492 | 15,345 |
| Other non - operating income | - | - | | | 3,082 | 3,082 |
| Change in fair value of biological assets | - | - | | | (2,665) | (2,665) |
| (Loss)/Profit before tax | (696) | (1,451) | | | 17,909 | 15,762 |

**Part A – Explanatory Notes Pursuant to MFRS 134****A7. Segment Information (continued)**
Cumulative Quarter (12 Months)

| | Investment holding RM'000 | Management services, rental and others RM'000 | Oil palm operations RM'000 | Consolidated RM'000 |
|---|---------------------------------|---|----------------------------------|------------------------|
| 31/12/2017 (restated) | | | | |
| Revenue | | | | |
| Segment revenue | 5,000 | 4,056 | 398,196 | 407,252 |
| Inter-segment revenue | (5,000) | (3,075) | - | (8,075) |
| External revenue | - | 981 | 398,196 | 399,177 |
| Cost of sales | | | | |
| Segment cost of sales | - | (1,898) | (315,845) | (317,743) |
| Inter-segment cost of sales | - | 180 | 99 | 279 |
| External cost of sales | - | (1,718) | (315,746) | (317,464) |
| Gross (loss)/profit | - | (737) | 82,450 | 81,713 |
| Other income including finance income | 2,588 | 501 | 2,893 | 5,982 |
| Inter-segment | (224) | (12) | (631) | (867) |
| External other income | 2,364 | 489 | 2,262 | 5,115 |
| Other expenses including finance costs | (3,084) | (2,130) | (45,683) | (50,897) |
| Inter-segment | 398 | 754 | 2,129 | 3,281 |
| External other expenses | (2,686) | (1,376) | (43,554) | (47,616) |
| Operating (loss)/profit before tax | (322) | (1,624) | 41,158 | 39,212 |
| Other non - operating expenses | - | - | (12,891) | (12,891) |
| Change in fair value of biological assets | - | - | (12,478) | (12,478) |
| (Loss)/Profit before tax | (322) | (1,624) | 15,789 | 13,843 |

The segment results for Estate and Mill operations for individual and cumulative quarter ended 31 December 2017 were not presented as the Company changed its segment reporting in 2018.



Part A – Explanatory Notes Pursuant to MFRS 134

A7. Segment Information (continued)

Segment assets and liabilities

| | As At End Of Current Financial Period 31/12/2018 RM'000 |
|-----------------------------|--|
| Segment assets: | |
| Investment holding | 407,883 |
| Oil palm operations | 758,640 |
| Management services/Rental | 26,665 |
| Others | 44 |
| | <hr/> 1,193,232 |
| Elimination | (338,498) |
| Total assets | <hr/> 854,734 <hr/> |
| Segment liabilities: | |
| Investment holding | 9,284 |
| Oil palm operations | 362,676 |
| Management services/Rental | 8,843 |
| Others | 188 |
| | <hr/> 380,991 |
| Elimination | (62,000) |
| Total liabilities | <hr/> 318,991 <hr/> |

A8. Impairment of Assets

A reversal of impairment losses for property, plant and equipment and bearer plants recognised during the current interim financial period amounted to RM3.1 million.

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.



Part A – Explanatory Notes Pursuant to MFRS 134

A10. Changes in the Composition of the Group

As at 31 December 2018, 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 31 December 2018, 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 31/12/2018 |
|---|----------------------|
| | RM'000 |
| As at that date, the Company has contingent liabilities as follows: | |
| Corporate guarantees for banking facilities granted to a subsidiary | 230,000 |

A12. Capital Expenditure Commitments

As at 31 December 2018, 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 31/12/2018 |
|--|----------------------|
| | RM'000 |
| Contracted but not provided for | |
| Property, plant and equipment | 2,455 |
| Bearer plants | 452 |
| | <u>2,907</u> |

A13. Unfulfilled Contract Obligation

As at 31 December 2018, unfulfilled contract obligation of the Group is as disclosed below:

| | At 31/12/2018 |
|----------------|----------------------|
| | RM'000 |
| Sale Contracts | <u>-</u> |

Part A – Explanatory Notes Pursuant to MFRS 134

A14. 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 certain Directors or person connected to a Director have interests.

| | Cumulative Quarter (12 Months) | |
|---|---|---|
| | Current Year - Period To Date 31/12/2018 RM'000 | Preceding Year - Period To Date 31/12/2017 RM'000 |
| a. KUB Sepadu Sdn. Bhd. | | |
| - Purchase of fresh fruit bunches | 1,315 | 9,229 |
| b. Danawa Resources Sdn. Bhd. | | |
| - Rental and annual support for satellite broadband services | 172 | 196 |
| c. Intuitive Systems Sdn. Bhd. | | |
| - Software support, customisation, maintenance and implementation costs | 605 | 315 |
| - Purchase of software | 65 | - |
| d. Stonehead sdn. Bhd. | | |
| - Purchase of material | 279 | 654 |
| e. Ironhead Sdn. Bhd. | | |
| - Purchase of assets | 818 | - |
| f. Manis Oil Sdn. Bhd. | | |
| - Sale of fresh fruit bunches | (7,430) | (3,347) |
| - Purchase of fresh fruit bunches | 4,379 | - |
| g. Butrasemari Sdn. Bhd. | | |
| - Purchase of fresh fruit bunches | 4,771 | - |
| h. Ta Ann Plywood Sdn. Bhd. | | |
| - Field maintenance work and rental of machineries | 905 | - |
| - Purchase of assets | 200 | - |
| - Sales of stores items | (35) | - |
| i. Ta Ann Pelita Igan Sdn. Bhd. | | |
| - Laboratory services | - | (6) |
| j. Ta Ann Pelita Igan Plantation Sdn. Bhd. | | |
| - Sales of stores items | (141) | - |
| - Transport services | 776 | 8 |
| k. Lik Shen Sawmill Sdn. Bhd. | | |
| - Purchase of material | 212 | - |
| l. Agro Green Ventures Sdn. Bhd. | | |
| - Rental of machineries | 54 | - |

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 MFRS 134

A15. Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income Disclosures

| | Individual Quarter (Q4) | | Cumulative Quarter (12 Months) | |
|---|---|--|---|---|
| | Current Year Quarter 31/12/2018 RM'000 | Preceding Year Corresponding Quarter 31/12/2017 (restated) RM'000 | Current Year - Period To Date 31/12/2018 RM'000 | Preceding Year - Period To Date 31/12/2017 (restated) RM'000 |
| Profit/(Loss) before tax is arrived at after charging: | | | | |
| Depreciation of property, plant and equipment | 4,968 | 6,798 | 16,254 | 25,386 |
| Depreciation of bearer plants | 4,932 | 4,064 | 12,605 | 16,258 |
| Depreciation of investment properties | 41 | 41 | 166 | 166 |
| Change in fair value of biological assets | 5,069 | 10,276 | 2,665 | 12,477 |
| Change in fair value of other investments | - | 12 | 297 | - |
| Loss on surrender of land and bearer plants to government authorities | - | - | - | 396 |
| Impairment on: | | | | |
| - Bearer plants | - | 8,361 | - | 8,361 |
| - Property, plant and equipment | 26 | 4,530 | 26 | 4,530 |
| - Deposits and prepayments | - | 86 | - | 86 |
| - Trade and other receivables | 41 | 81 | 41 | 81 |
| - Inventories | 66 | 366 | 66 | 366 |
| Inventories written off | 411 | - | 481 | 116 |
| Asset written off | 27 | 89 | 40 | 89 |
| Finance costs | 1,657 | 1,440 | 6,629 | 6,088 |
| Profit/(Loss) before tax is arrived at after crediting: | | | | |
| Dividend income from other investments | - | 6 | 47 | 49 |
| Change in fair value of other investments | - | - | - | 26 |
| Reversal of Impairment losses on: | | | | |
| - property, plant and equipment | 1,915 | - | 1,915 | - |
| - bearer plants | 1,167 | - | 1,167 | - |
| Gain on disposal of other investments | - | 17 | 26 | 59 |
| - Property, plant and equipment | 111 | - | 111 | 19 |
| - Asset held for sale | 46 | - | 46 | - |
| Other income | 97 | (305) | 1,515 | 1,721 |
| Finance income | 689 | 760 | 3,073 | 3,394 |

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 4, 2018 vs Quarter 4, 2017

The Group recorded revenue of RM89.3 million in the current quarter ended 31 December 2018 compared with RM100.1 million reported in the corresponding period of the preceding year.

The Group's operating profit before tax was RM1.5 million for the current quarter compared to RM5.5 million for the corresponding period of the preceding year. The decrease in operating profits was principally due to the effect of lower realised average selling prices of CPO and PK during the current quarter.

The Group recorded a loss before tax of RM0.5 million for the current quarter, as compared to a loss before tax of RM17.7 million in the corresponding period of the preceding year. Lower loss before tax was principally due to:

- A reversal of impairment loss on property, plant and equipment and bearer plants of RM1.9 million and 1.2 million respectively (classified as other non-operating income) recognised in Quarter 4, 2018 against impairment losses of RM12.9 million on property, plant and equipment and bearer plants (included in other non operating expenses) recognised in Quarter 4, 2017.
- Loss arising from changes in fair value of biological assets of RM5.1 million recognised in Quarter 4, 2018 compared to a loss of RM10.3 million recognised in Quarter 4, 2017.

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

Oil palm operations

The oil palm operations comprise estate and mill operations. During the current quarter, estate operations recorded a revenue and segment profit of RM26.3 million and RM2 million respectively, whereas mill operations recorded a revenue and segment profit of RM85 million and RM4.9 million respectively.

For the current financial period, the oil palm operations segment contributed 99.7% of the Group revenue of RM89.3 million.

Revenue of the oil palm operations decreased by RM10.8 million to RM89.1 million in the current quarter compared with RM99.9 million reported in the corresponding period of the preceding year. The decrease was principally attributed to the effect of lower realised average selling prices of CPO and PK offsetted by higher sales volumes of CPO and PK for the current quarter.

Both average selling prices of CPO and PK had decreased approximately by 29.8% and 44.4% whereas sales volumes of CPO and PK had increased by approximately 30.6% and 27% respectively for the current quarter.

The operating profit before tax for the oil palm operations (after deducting administrative and finance cost) was RM2.3 million for the current quarter as compared to operating profit before tax of RM6.4 million for the corresponding period of the preceding year, was principally due to lower revenue for the current quarter.

Other segments

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



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)

Twelve months ended 31 December 2018 vs Twelve months ended 31 December 2017

The Group recorded revenue of RM310.8 million in the current financial year ended 31 December 2018 compared with RM399.2 million reported in the preceding year. The Group's operating profit before tax was 15.3 million for the current financial year as compared to RM39.2 million for the preceding year. The decrease in operating profits was principally due to the effect of lower realised average selling prices and lower sale volumes of PK offsetted by higher sale volumes of CPO during the current financial year.

The Group recorded a profit before tax of RM15.8 million for the current financial year, as compared to a profit before tax of RM13.8 million in the preceding year. Higher profit before tax for the current financial year compared against the preceding year was principally due to:

- A reversal of impairment loss on property, plant and equipment and bearer plants of RM1.9 million and 1.2 million respectively (classified as other non-operating income) recognised in the current financial year against impairment losses of RM12.9 million on property, plant and equipment and bearer plants (included in other non operating expenses) recognised in preceding year.
- Loss arising from changes in fair value of biological assets of RM2.7 million recognised in current financial year compared to a loss of RM12.5 million recognised in preceding year

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

Oil palm operations

The oil palm operations comprise estate and mill operations. During the current financial year, estate operations recorded a revenue and segment profit of RM98.4 million and RM20.9 million respectively, whereas mill operations recorded a revenue and segment profit of RM296 million and RM15.2 million respectively.

For the current financial year, the oil palm operations segment contributed 99.7% of the Group revenue of RM310.8 million.

The revenue of the oil palm operations decreased by RM88.3 million to RM309.9 million in the current financial year compared with RM398.2 million reported in the preceding year. The decrease was principally attributed to the effect of lower realised average selling prices of CPO and PK and lower sales volumes of PK.

The average selling prices of CPO and PK had decreased approximately by 22.5% and 31.1% respectively. The sales volumes of PK had decreased by approximately 2% whereas the sales volumes of CPO had increased by 1.3% respectively for the current financial year.

The operating profit before tax for the oil palm operations (after deducting administrative and finance cost) was RM17.5 million for the current financial year as compared to RM41.2 million for the preceding year, in line with the decrease in revenue.

Other segments

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

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

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 an operating profit before tax of RM1.5 million compared to an operating profit before tax of RM12.7 million in the preceding quarter. The decrease in operating profits was principally due to the effect of higher cost of sales, lower average selling price of CPO and PK partially offsetted by higher sales volumes of CPO and PK during the current quarter.

Revenue was higher mainly due to higher sales volumes offsetted by lower realised average selling prices of CPO and PK. The sales volumes of CPO and PK had increased approximately by 24.9% and 46.7% respectively for the current quarter. The realised average selling price for CPO and PK had decreased approximately 14.8% and 18.9% respectively for the current quarter.

The Group recorded a loss before tax of RM0.5 million for the current quarter, as compared to a profit before tax of RM12.4 million in Quarter 3, 2018. This was in line with lower gross profit as a result of lower averages selling price of CPO and loss arising from changes in fair value of biological assets of RM5.1 million in Quarter 4, 2018 compared to a loss of RM0.3 million in Quarter 3, 2018.

B3. Prospects for the Next Financial Year

The Group had substantially completed its transformation and reformation of the management during the current financial year. As part of its transformation implementation, standard operating procedures and reporting were enhanced and strengthened. The transformation had shown positive results especially in the production for the second half of the year 2018.

The Group anticipates further improvements in production volume in the coming financial year. In addition, with the current recovery of CPO price from RM1,800 per metric tonne to RM2,100 per metric tonne, it provides positive earnings to the Group.

Barring any unforeseen and uncontrollable circumstances, the Board is confident that the Group will achieve satisfactory results in the coming financial year.

B4. Profit Forecast or Profit Guarantee

Not applicable

B5. Taxation

| | Individual Quarter (Q4) | | Cumulative Quarter (12 Months) | |
|---------------------|---|--|---|---|
| | Current Year Quarter 31/12/2018 RM'000 | Preceding Year Corresponding Quarter 31/12/2017 (restated) RM'000 | Current Year - Period To Date 31/12/2018 RM'000 | Preceding Year - Period To Date 31/12/2017 (restated) RM'000 |
| Current tax expense | 1,054 | 1,048 | 5,073 | 11,071 |
| Deferred tax income | (2,608) | (1,708) | (177) | (3,274) |
| | <u>(1,554)</u> | <u>(660)</u> | <u>4,896</u> | <u>7,797</u> |

The Group's effective tax rate for the financial period ended 31 December 2018 is higher than the statutory tax rate principally due to higher non deductible expenditure.

**Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad****B6. Other Investments**

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

The investments as at 31 December 2018 are as follows:

| | At 31/12/2018 |
|--|----------------------|
| | RM'000 |
| <u>Current</u> | |
| Deposits with original maturities exceeding three months | 5,067 |

B7. Loans and Borrowings

| | | At 31/12/2018 |
|--|-----------|----------------------|
| | | RM'000 |
| <u>Non-current</u> | | |
| Term Loan (Term Financing -i) | - secured | 89,765 |
| Finance lease liabilities (Hire purchase -i) | | 5,835 |
| | | <u>95,600</u> |
| <u>Current</u> | | |
| Revolving credit | - secured | 30,000 |
| Term Loan (Term Financing -i) | - secured | 24,000 |
| Revolving credit - i | - secured | - |
| Finance lease liabilities (Hire purchase -i) | | 3,797 |
| | | <u>57,797</u> |
| | | <u>153,397</u> |

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 revolving credit ranged from 4.96% to 5.23% 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, which shall be on 12 February 2019.



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)

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.

Finance lease liabilities (Islamic) carry profit rates ranged between 4.94% - 5.13% 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.

B10. Changes in Material Litigation

As at 14 February 2019 (*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



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)

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.

At the hearing of the Appeal on 27 June 2018, the Court adjourned the same for Case Management to 10 July 2018. On 10 July 2018, the Court directed the 1st Respondent's Advocates to file an application to substitute the deceased 1st Respondent within one month. The Court will then fix a date for hearing of the application. As of now, no date of hearing has been fixed by the Court of Appeal.

- (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.

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. The Court fixed the case for trial from 21st May 2018 to 25th May 2018.

The Court gave its decision on 16 July 2018 as follows:-

1. The Plaintiffs' action against the 1st, 2nd, 3rd and 4th Defendants is dismissed.
2. Costs of RM40,000.00 is awarded to the 1st & 2nd Defendants and RM40,000.00 to the 3rd and 4th Defendants, all subject to payment of Allocatur fees.



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) On 3 August 2018, the Plaintiffs filed their appeal against the whole of the Court's decision delivered on 16 July 2018. The said Notice of Appeal is now registered with the Court of Appeal Registry. As of now, no date of hearing has been fixed by the Court of Appeal.

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 15 May 2018, the Board of Directors declared a first interim, single tier dividend of 5 sen per share, totalling approximately RM14 million, in respect of the financial year ended 31 December 2018, which was paid to the shareholders on 11 June 2018.

B12. Earnings per Share

| | Individual Quarter (Q4) | | Cumulative Quarter (12 Months) | |
|--|--|--|---|---|
| | Current Year Quarter 31/12/2018 RM'000 | Preceding Year Corresponding Quarter 31/12/2017 (restated) RM'000 | Current Year - Period To Date 31/12/2018 RM'000 | Preceding Year - Period To Date 31/12/2017 (restated) RM'000 |
| Profit / (Loss) attributable to Owners of the Company (RM) | 1,177 | (16,909) | 11,197 | 6,304 |
| Weighted average number of ordinary shares in issue (unit) | 279,564 | 279,564 | 279,564 | 279,564 |
| Basic earnings per share (sen) | 0.42 | (6.05) | 4.00 | 2.25 |
| 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 31 December 2018.

B13. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 was unqualified.



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

B14. Review by External Auditors

The condensed consolidated financial statements of Sarawak Plantation Berhad for the quarter ended 31 December 2018 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*".

B15. 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 21 February 2019.

By Order of the Board

Company Secretary
Kuching
21 February 2019