



## **RIMBUNAN SAWIT BERHAD**

(Company No. 691393-U)

North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibul, Sarawak, Malaysia

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### **Interim Financial Statements**

For the 2<sup>ND</sup> Quarter Ended 30 June 2018

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**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**For the 2<sup>ND</sup> Quarter Ended 30 June 2018*(the figures have not been audited)*

	Individual Quarter 3-month Period Ended		Cumulative Quarter 6-month Period Ended	
	30.6.2018 RM'000	(Restated) 30.6.2017 RM'000	30.6.2018 RM'000	(Restated) 30.6.2017 RM'000
REVENUE	81,108	69,712	163,763	150,051
COST OF SALES	(82,778)	(69,223)	(166,952)	(141,091)
GROSS (LOSS) / PROFIT	(1,670)	489	(3,189)	8,960
OTHER INCOME	3,393	3,209	4,394	4,068
DISTRIBUTION COSTS	(3,895)	(2,306)	(7,637)	(4,809)
ADMINISTRATIVE AND OTHER EXPENSES	(5,164)	(5,791)	(12,966)	(18,924)
SHARE OF RESULTS IN AN ASSOCIATE, NET OF TAX	-	-	-	-
FINANCE COSTS	(6,717)	(5,294)	(12,744)	(10,136)
LOSS BEFORE TAXATION	(14,053)	(9,693)	(32,142)	(20,841)
INCOME TAX EXPENSE	(597)	3,505	(101)	4,447
LOSS AFTER TAXATION	(14,650)	(6,188)	(32,243)	(16,394)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(14,650)	(6,188)	(32,243)	(16,394)

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**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)**For the 2<sup>ND</sup> Quarter Ended 30 June 2018*(the figures have not been audited)*

	Individual Quarter 3-month Period Ended		Cumulative Quarter 6-month Period Ended	
	30.6.2018	30.6.2017 (Restated)	30.6.2018	30.6.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
<b>LOSS AFTER TAXATION</b>				
<b>ATTRIBUTABLE TO:-</b>				
- Owners of the Company	(11,300)	(4,163)	(25,829)	(13,603)
- Non-controlling interests	(3,350)	(2,025)	(6,414)	(2,791)
	<u>(14,650)</u>	<u>(6,188)</u>	<u>(32,243)</u>	<u>(16,394)</u>
<b>TOTAL COMPREHENSIVE</b>				
<b>INCOME ATTRIBUTABLE TO:-</b>				
- Owners of the Company	(11,300)	(4,163)	(25,829)	(13,603)
- Non-controlling interests	(3,350)	(2,025)	(6,414)	(2,791)
	<u>(14,650)</u>	<u>(6,188)</u>	<u>(32,243)</u>	<u>(16,394)</u>
<b>LOSS PER SHARE (SEN):-</b>				
- Basic	(0.55)	(0.20)	(1.27)	(0.67)
- Diluted	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 2017 and the accompanying explanatory notes attached to the interim financial statements.

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**Condensed Consolidated Statement of Financial Position**

As at 30 June 2018

*(the figures have not been audited)*

	As at 30.6.2018 RM'000	As at 31.12.2017 (Restated) RM'000	As at 1.1.2017 (Restated) RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investment in an associate	4,397	4,397	4,397
Other investment	5,000	5,000	5,000
Property, plant and equipment	1,164,462	1,179,852	1,443,527
Intangible assets	887	1,159	19,973
Goodwill	38,470	38,470	60,760
Deposits with licensed banks	102	102	102
	<u>1,213,318</u>	<u>1,228,980</u>	<u>1,533,759</u>
<b>CURRENT ASSETS</b>			
Inventories	18,081	22,213	21,338
Biological assets	15,914	13,619	20,060
Trade receivables	13,493	13,081	20,305
Other receivables, deposits and prepayments	62,970	54,224	17,433
Tax refundable	6,293	4,996	5,689
Deposits with licensed banks	156	154	-
Cash and bank balances	638	1,132	1,612
	<u>117,545</u>	<u>109,419</u>	<u>86,437</u>
Assets classified as held for sale	141,864	143,808	-
<b>TOTAL ASSETS</b>	<u>1,472,727</u>	<u>1,482,207</u>	<u>1,620,196</u>


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**Condensed Consolidated Statement of Financial Position (Cont'd)**

As at 30 June 2018

*(the figures have not been audited)*

	As at 30.6.2018 RM'000	As at 31.12.2017 (Restated) RM'000	As at 1.1.2017 (Restated) RM'000
<b>EQUITY AND LIABILITIES</b>			
Share capital	807,129	807,129	791,682
Reserves	(206,487)	(180,658)	(30,079)
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>600,642</b>	<b>626,471</b>	<b>761,603</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>9,547</b>	<b>15,961</b>	<b>43,490</b>
<b>TOTAL EQUITY</b>	<b>610,189</b>	<b>642,432</b>	<b>805,093</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	266,557	296,248	354,094
Deferred tax liabilities	101,103	105,698	131,729
	<b>367,660</b>	<b>401,946</b>	<b>485,823</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	96,075	70,372	60,737
Other payables, deposits and accruals	83,762	75,283	33,808
Borrowings:-			
- bank overdrafts	21,173	13,649	13,078
- other borrowings	290,591	274,957	218,033
Provision for taxation	3,277	3,568	3,624
	<b>494,878</b>	<b>437,829</b>	<b>329,280</b>
<b>TOTAL LIABILITIES</b>	<b>862,538</b>	<b>839,775</b>	<b>815,103</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,472,727</b>	<b>1,482,207</b>	<b>1,620,196</b>
<b>NET ASSETS PER SHARE (RM)</b>	<b>0.38</b>	<b>0.40</b>	<b>0.48</b>

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 the interim financial statements.

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**Condensed Consolidated Statement of Changes in Equity**

For the Three Months Ended 30 June 2018

*(the figures have not been audited)*

	< ----- Non-distributable ----- >					Attri- butable to Owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital Ordinary Shares RM'000	Preference Shares RM'000	Share Premium RM'000	Merger Reserve RM'000	Accumulated Losses RM'000			
Balance at 1.1.2018	724,690	82,439	-	(53,066)	(136,559)	617,504	14,578	632,082
Effect of MFRS adoption	-	-	-	-	8,967	8,967	1,383	10,350
At 1.1.2018 (restated)	724,690	82,439	-	(53,066)	(127,592)	626,471	15,961	642,432
Loss after taxation/Total comprehensive income for the period	-	-	-	-	(25,829)	(25,829)	(6,414)	(32,243)
Balance at 30.6.2018	724,690	82,439	-	(53,066)	(153,421)	600,642	9,547	610,189



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**Condensed Consolidated Statement of Changes in Equity (Cont'd)**

For the Three Months Ended 30 June 2017

(the figures have not been audited)

	< ----- Non-distributable ----- >				Accumulated Losses RM'000	Attri- butable to Owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital		Share Premium RM'000	Merger Reserve RM'000				
	Ordinary Shares RM'000	Preference Shares RM'000						
Balance at 1.1.2017	709,243	82,439	15,447	(53,066)	(6,363)	747,700	42,147	789,847
Effect of MFRS adoption	-	-	-	-	13,903	13,903	1,343	15,246
At 1.1.2017 (restated)	709,244	82,439	15,447	(53,066)	7,540	761,603	43,490	805,093
Loss after taxation/Total comprehensive income for the period	-	-	-	-	(13,603)	(13,603)	(2,791)	(16,394)
Transfer to share capital upon implementation of the Company Act 2016	15,447	-	(15,447)	-	-	-	-	-
Balance at 30.6.2017	724,690	82,439	-	(53,066)	(6,063)	748,000	40,699	788,699

Pursuant to Section 618(2) of the Companies Act 2016, the amount standing to the credit of the Company's share premium account became part of the Company's shares capital. There is no impact on the numbers of ordinary shares and redeemable convertible preference shares in issue or the relative entitlement of any of the members as a result of this transfer.

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 the interim financial statements.

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**Condensed Consolidated Statement of Cash Flows**

For the Three Months Ended 30 June 2018

*(the figures have not been audited)*

	6 Months Ended	
	30.6.2018	(Restated) 30.6.2017
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(32,142)	(20,841)
Adjustments for:-		
Amortisation of intangible assets	451	443
Bad debts written off	21	-
Change in fair value of biological assets	(2,295)	4,126
Depreciation of property, plant and equipment	40,008	38,596
Gain arising from the liquidation of subsidiary	-	(48)
Interest expense	12,744	10,136
Interest income	(4)	(16)
Loss / (Gain) on disposal of property, plant and equipment	7	(73)
Property, plant and equipment written off	93	-
Reversal of obsolete stock allowance	-	(10)
Operating profit before working capital changes	18,883	32,313
Change in inventories	4,132	978
Change in trade and other receivables	(9,179)	(34,696)
Change in trade and other payables	34,184	34,946
<b>CASH FROM OPERATIONS</b>	48,020	33,541
Income tax paid	(6,367)	(6,085)
Income tax refunded	82	177
Interest paid	(14,450)	(14,047)
Interest received	4	16
<b>NET CASH FROM OPERATING ACTIVITIES</b>	27,289	13,602
<b>BALANCE CARRIED FORWARD</b>	27,289	13,602



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**Condensed Consolidated Statement of Cash Flows (Cont'd)**

For the Three Months Ended 30 June 2018

*(the figures have not been audited)*

	6 Months Ended	
	30.6.2018	(Restated) 30.6.2017
	RM'000	RM'000
BALANCE BROUGHT FORWARD	27,289	13,602
CASH FLOWS FOR INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	773	1,169
Purchase of intangible asset	-	(8)
Purchase of property, plant and equipment	(20,571)	(17,641)
NET CASH FOR INVESTING ACTIVITIES	(19,798)	(16,480)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of term loans	7,000	5,203
Change in bankers' acceptance	2,040	(436)
Change in revolving credit	5,000	19,058
Repayment of hire purchase obligations	(3,220)	(2,651)
Repayment of term loans	(26,327)	(22,289)
NET CASH FOR FINANCING ACTIVITIES	(15,507)	(1,115)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(8,016)	(3,993)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	(12,363)	(11,466)
CASH AND CASH EQUIVALENTS AT 30 JUNE	(20,379)	(15,459)

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**Condensed Consolidated Statement of Cash Flows (Cont'd)**

For the Three Months Ended 30 June 2018

*(the figures have not been audited)*

Cash and cash equivalents included in the Condensed Consolidated Statement of Cash Flows comprise:-

	6 Months Ended	
	30.6.2018	(Restated) 30.6.2017
	RM'000	RM'000
Cash and bank balances	638	823
Deposits with licensed banks	258	252
Bank overdrafts	(21,173)	(16,432)
	<hr/>	<hr/>
	(20,277)	(15,357)
Less: Deposits pledged to licensed banks	(102)	(102)
	<hr/>	<hr/>
	(20,379)	(15,459)
	<hr/>	<hr/>

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 explanatory notes attached to the interim financial statements.

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**Part A – Explanatory Notes Pursuant to MFRS 134****A1 Basis of Preparation**

The unaudited interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting and Chapter 9 Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

For the financial period beginning 1 January 2018, the Group's financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") Framework. The date of transition to the MFRS Framework was on 1 January 2017. The same accounting policies have been applied to the Group's restated opening statement of financial position as at 1 January 2017 and across all comparable interim periods as if these policies had always been in effect. The comparative information for these interim financial statements has been restated to demonstrate the effect of these changes. The financial impact arising from the transition to MFRS Framework is stipulated as follows:

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

Biological assets that fulfill the definition of bearer plants will come under the scope of MFRS 116, which at initial recognition, can be measured either at cost or revaluation model. The Group's bearer plants is measured at cost less amortization, which involve reclassification from biological assets to property, plant and equipment, while there will be no impact to comprehensive income or equity.

The biological assets within the scope of MFRS 141, such as the fresh fruit bunch ("FFB") on the bearer plants are measured at fair value less costs to sell, where the changes are recognized in profit or loss.

The effect of the changes in accounting policy on the comparatives figures of the financial statements are as follows:

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

<b>Quarter ended 30.6.2017 (RM'000)</b>	<b>As previously reported</b>	<b>Effect of MFRS 141</b>	<b>Restated</b>
Other income	679	2,530	3,209
Administrative and other expenses	(5,263)	(528)	(5,791)
Loss before taxation	(11,695)	2,002	(9,693)
Income tax expense	3,986	(481)	3,505
<b>Loss after taxation</b>	<b>(7,709)</b>	<b>1,521</b>	<b>(6,188)</b>
Loss after taxation attributable to:-			
- Owners of the Company	(5,515)	1,352	(4,163)
- Non-controlling interests	(2,194)	169	(2,025)
	<b>(7,709)</b>	<b>1,521</b>	<b>(6,188)</b>


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**Part A – Explanatory Notes Pursuant to MFRS 134 (Cont'd)**
**A1 Basis of Preparation (Cont'd)**
**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

<b>Period ended 30.6.2017 (RM'000)</b>	As previously reported	Effect of MFRS 141	Restated
Other income	1,147	2,921	4,068
Administrative and other expenses	(11,877)	(7,047)	(18,924)
Loss before taxation	(16,715)	(4,126)	(20,841)
Income tax expense	3,457	990	4,447
<b>Loss after taxation</b>	<b>(13,258)</b>	<b>(3,136)</b>	<b>(16,394)</b>
Loss after taxation attributable to:-			
- Owners of the Company	(10,757)	(2,846)	(13,603)
- Non-controlling interests	(2,501)	(290)	(2,791)
	<b>(13,258)</b>	<b>(3,136)</b>	<b>(16,394)</b>

**Condensed Consolidated Statement of Financial Position**

<b>As at 1.1.2017 (RM'000)</b>	As previously reported	Effect of MFRS 141	Restated
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	661,057	782,470	1,443,527
Biological assets	782,470	(782,470)	-
<b>CURRENT ASSETS</b>			
Biological assets	-	20,060	20,060
<b>EQUITY AND LIABILITIES</b>			
Reserves	(43,982)	13,903	(30,079)
Total equity attributable to owners of the Company	747,700	13,903	761,603
Non-controlling interests	42,147	1,343	43,490
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	126,915	4,814	131,729
<b>As at 31.12.2017 (RM'000)</b>	As previously reported	Effect of MFRS 141	Restated
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	584,444	595,408	1,179,852
Biological assets	595,408	(595,408)	-
<b>CURRENT ASSETS</b>			
Biological assets	-	13,619	13,619
<b>EQUITY AND LIABILITIES</b>			
Reserves	(189,625)	8,967	(180,658)
Total equity attributable to owners of the Company	617,504	8,967	626,471
Non-controlling interests	14,578	1,383	15,961
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	102,429	3,269	105,698

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**Part A – Explanatory Notes Pursuant to MFRS 134 (Cont’d)**

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**A1 Basis of Preparation (Cont’d)**

The following MFRS, IC Interpretations and Amendments to IC Interpretations have not been applied by the Group:-

Effective for annual periods beginning on after 1 January 2019:

MFRS 16:	Leases
MFRS 128:	Long Term Interest in Associates and Joint Ventures (Amendments to MFRS 128)
MFRS 17:	Insurance Contracts

The adoption of the above new accounting standards and interpretations (including the consequential amendments) do not have any material impact on the Group's financial statements.

**A2 Comments about Seasonality or Cyclicity of Operations**

The prices for the Group's products are not within the control of the Group but are determined by the global supply and demand situation for edible oils.

Crop production is affected by weather conditions and age of palms.

The prices obtainable for the Group's products as well as the volume of production will determine the profits for the Group.

**A3 Unusual Items Due to their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the period under review.

**A4 Changes in Estimates**

There were no changes in estimates that have had a material effect on the results of the Group for the period under review.

**A5 Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period under review.

**A6 Dividends Paid**

There were no dividends paid during the current quarter.

**A7 Segment Information**

Information about operating segment is not reported separately as the Group's profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the oil palm plantation and operation of palm oil mill.

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**Part A – Explanatory Notes Pursuant to MFRS 134 (Cont’d)**

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**A8 Property, Plant and Equipment**

## (a) Acquisitions and Disposals

During the 6-month period ended 30 June 2018, the Group acquired assets at a cost of RM22.0million.

Assets with a carrying amount of RM779,950 were disposed of by the Group during the 6-month period ended 30 June 2018, resulting in a net loss on disposal of RM 7,434, which is included in the statement of profit or loss and other comprehensive income.

## (b) Valuations

The Group did not have any revalued assets.

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

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

**A10 Changes in the Composition of the Group**

There were no significant changes in the composition of the Group for the quarter under review.

**A11 Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the last reporting date as at 31 December 2017.

**A12 Capital Commitments**

The amount of capital commitments not provided for in the financial statements as at 30 June 2018 was as follows:-

	RM'000
Property, plant and equipment:-	
- Contracted but not provided for	12,961
- Authorised but not contracted for	-
	<hr/>
	12,961
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**RIMBUNAN SAWIT BERHAD**

(Company No. 691393-U)

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**Part A – Explanatory Notes Pursuant to MFRS 134 (Cont'd)****A13 Significant Related Party Transactions**

The Group carried out the following significant transactions with the related parties during the period under review:-

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30.6.2018 RM'000	30.6.2017 RM'000	30.6.2018 RM'000	30.6.2017 RM'000
Chartering income	-	-	15	-
Consultancy fees paid	119	60	181	120
Contract charges	1,193	3,367	1,840	3,544
Contract income	-	-	1,154	-
FFB margin income	1,350	1,350	2,700	1,350
Interest paid	36	53	71	88
Management fee	405	405	810	810
Purchase of crude palm oil	-	-	5,116	-
Purchase of fertilisers and chemicals	470	159	794	513
Purchase of fresh fruit bunches	2,880	977	5,689	2,260
Purchase of property, plant and equipment	4	48	63	52
Purchase of palm kernel	-	-	335	-
Purchase of palm kernel shell	-	-	24	-
Purchase of sundry stores and consumables	2,471	1,059	3,596	1,608
Recharge income-Labor and utilities	17	-	30	-
Rental received	71	147	129	147
Rental paid	447	434	899	905
Repairs and maintenance	238	217	305	217
Sale of crude palm oil	6,345	-	9,730	-
Sale of fresh fruit bunches	6,735	15,945	14,036	38,547
Sale of property, plant and equipment	21	144	77	391
Sale of seedling	10	125	10	125
Sale of sundry stores and consumables	156	-	430	-
Transportation and accommodation charges	128	187	203	187
Transportation and handling income	7	-	340	-
Utilities, insurance, and sundry expenses	60	-	111	-


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**Part B – Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**
**B1 Review of Performance**
*Financial review for current quarter and financial year to date*

	Individual Quarter 3 Months Ended		Changes (%)	Cumulative Quarter 6 Months Ended		Changes (%)
	30.6.2018	30.6.2017		30.6.2018	30.6.2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	81,108	69,712	16.3%	163,763	150,051	9.1%
Gross (loss) / profit	(1,670)	489	-441.5%	(3,189)	8,960	-135.6%
Loss before interest and taxation	(7,336)	(4,399)	66.8%	(19,398)	(10,705)	81.2%
Loss before taxation	(14,053)	(9,693)	45.0%	(32,142)	(20,841)	54.2%
Loss after taxation	(14,650)	(6,188)	136.7%	(32,243)	(16,394)	96.7%
Loss attributable to owners of the Company	(11,300)	(4,163)	171.4%	(25,829)	(13,603)	89.9%

The 3-month and 6-month revenue are higher as compared to corresponding period in line with higher CPO & PK sales volume.

Statistic	Individual Quarter 3 Months Ended		Changes (%)	Cumulative Quarter 6 Months Ended		Changes (%)
	30.6.2018	30.6.2017		30.6.2018	30.6.2017	
	<b>Production (MT)</b>					
FFB	79,354	79,115	0.3%	153,856	161,871	-5.0%
CPO	25,877	16,282	58.9%	48,207	30,466	58.2%
PK	5,592	3,775	48.1%	10,730	7,032	52.6%
<b>Average selling price (RM per MT)</b>						
FFB	428	506	-15.3%	444	567	-21.6%
CPO	2,312	2,613	-11.5%	2,334	2,849	-18.1%
PK	1,661	1,637	1.5%	1,854	2,324	-20.2%

The upsurge in CPO and PK production for 3-month and 6-month period as compared to corresponding period in 2017 was mainly attributable to additional contribution from RSB Lundu Palm Oil Mill ("RSBLPOM"), which secure its MPOB license on 19 January 2018.



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**Part B – Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad****B1 Review of Performance (cont'd)**

The Group recorded gross loss of RM1.7 million for the current quarter and RM3.2 million for 6-month as compared to gross profit of RM0.5 million and RM9.0 million respectively in corresponding period of 2017. The loss is mainly due to lower CPO, FFB & PK price.

For the current quarter and year-to-date, the Group recorded pre-tax loss of RM14.1 million and RM32.1 million respectively, which is an increase of 45.0% and 54.2% as compared to last year corresponding period of RM9.7 million and RM20.8 million respectively mainly due to lower average selling price across the board.

As for loss after taxation, the Group registered RM14.7 million for the current quarter and RM32.2 million for year-to-date as compared to RM6.2 million and RM16.4 million respectively in corresponding period of 2017.

**B2 Material Change in the Profit Before Taxation for the Current Quarter as Compared with the Immediate Preceding Quarter**

	Current Quarter Ended	Immediate Preceding Quarter Ended	Changes (%)
	30.6.2018	31.3.2018	
	RM'000	RM'000	
Revenue	81,108	82,655	-1.9%
Gross (loss) / profit	(1,670)	(1,519)	9.9%
Loss before interest and taxation	(7,336)	(12,062)	-39.2%
Loss before taxation	(14,053)	(18,089)	-22.3%
Loss after taxation	(14,650)	(17,593)	-16.7%
Loss attributable to owners of the Company	(11,300)	(14,529)	-22.2%

Revenue retracted marginally by 1.9% mainly attributable to lower selling price of CPO, PK, and FFB by 1.9%, 18.7%, and 7.1% respectively. However, the drop is alleviated by higher sales volume of CPO by 6.7%.

The Group registered gross loss of RM1.7 million for the current quarter as compared to gross loss of RM1.5 million recorded in the immediate preceding quarter as average selling price of CPO, PK and FFB continued to falter.

Pre-tax loss reduced by 22% due to additional gain arising from changes in fair value of biological assets (FFB) by RM3.0 million in anticipation of peak crop period in the coming months.



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

**B2 Material Change in the Profit Before Taxation for the Current Quarter as Compared with the Immediate Preceding Quarter (cont'd)**

Statistic	Current Quarter Ended	Immediate Preceding Quarter Ended	Changes (%)
	30.6.2018	31.3.2018	
<b>Production (MT)</b>			
FFB	79,354	74,501	6.5%
CPO	25,877	22,330	15.9%
PK	5,592	5,137	8.9%
<b>Average selling price (RM per MT)</b>			
FFB	428	461	-7.1%
CPO	2,312	2,357	-1.9%
PK	1,661	2,044	-18.7%

Loss after taxation has reduced by 16.7% compared to immediate preceding quarter.

**B3 Commentary on Prospects**

The CPO price is expected to be flat in view of the upcoming peak crop season while market sentiments remain cautious partly owing to the ongoing trade war. However, the Group remains focus on improving its productivity and operational efficiency.

**B4 Financial Estimate, Forecast, Projection or Internal Targets**

The Group has not issued any financial estimate, forecast, projection or internal targets for the period under review.

**B5 Income Tax Expense**

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30.6.2018 RM'000	(Restated) 30.6.2017 RM'000	30.6.2018 RM'000	(Restated) 30.6.2017 RM'000
Tax expense for the year:				
Current tax	2,702	(1,057)	4,696	1,438
Deferred tax	(2,105)	(2,448)	(4,595)	(5,885)
	<u>597</u>	<u>(3,505)</u>	<u>101</u>	<u>(4,447)</u>

The effective tax rate for the current quarter and 6 months ended 30 June 2018 were lower than the statutory tax rate mainly due to expenses not deductible for tax purposes and tax losses of certain subsidiaries where deferred tax assets have not been recognised.



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

**B6 Corporate Proposals Pending Completion**

<p>Proposal</p>	<p>On 22 February 2017, Rimbunan Sawit Berhad (“<b>RSB</b>”) and its subsidiary had entered into agreements (collectively referred to as “Agreements”) as set out as following:</p> <p>(i) Conditional Sale and Purchase Agreement between RSB (“Vendor”) and Tiasa Mesra Sdn Bhd (“Buyer”) for the proposed disposal of the License Rights via an absolute assignment, development costs, biological assets, commercial rights and all the fixtures and fittings for a cash consideration of RM 150.0 million (“Simunjan Agreement”);</p> <p>(ii) Conditional Sale and Purchase Agreement between RSB Lundu Palm Oil Mill Sdn Bhd (“Company or Buyer”) and R H Lundu Palm Oil Mill Sdn Bhd (“R H Lundu or Vendor”) for the proposed acquisition of a parcel of Lundu Land with approximately 67.5 ha and together with the Lundu Oil Mill comprising workers’ quarters; and Plantation assets for a total cash consideration of RM 33.7 million (“Lundu Mill Agreement”).</p> <p>On 28 March 2017, the Company had entered into a supplemental agreement with R H Lundu to include 4 motor vehicles as part of the Plantation Asset without affecting the consideration; and</p> <p>(iii) Conditional Share Sale Agreement for the proposed acquisition of entire SHSB Shares, for a total cash consideration of RM 17.0 million (“Sastat Agreement”).</p> <p>On 21 February 2018, the Vendors and the Buyers had agreed to further extend the Last Conditional Date of the Agreements by an additional twelve (12) months commencing from 22 February 2018 until 21 February 2019.</p>		
<p>Advisers</p>	<p>Maybank Investment Bank Berhad &amp; Mercury Securities Sdn Bhd</p>		
<p>Approvals/ Status Pending</p>	<p style="text-align: center;"><b>Simunjan Agreement</b></p> <p>On 10 July 2018, the Director of Forests vide a letter dated 6 July 2018 (which was received by the Company on 9 July 2018), accepted and approved the form and content of the deed of transfer to be executed between RSB and TMSB for the transfer of the Licence Rights (“Approval”) in place of a proposed deed of assignment, pursuant to the approval of the Minister on the application for absolute assignment of the Licence Rights from RSB to TMSB;</p> <p>On 26 July 2018, the Simunjan Agreement has become unconditional after fulfilling the following conditions precedent</p> <p>(i) Settling all existing liabilities owing to trade creditors for the development of the Simunjan Estate; and</p> <p>(ii) Procuring a redemption statement cum letter of undertaking from Hong Leong addressed to the Financier of TMSB on the redemption sum payable to settle the Simunjan Facilities.</p>	<p style="text-align: center;"><b>Lundu Mill Agreement</b></p> <p>(i) The completion of the subdivision of the Parent Lot 248 culminating in the issuance of a separate document of title to the Lundu Land with a term of lease of 60 years from the date of registration of the provisional lease of the Parent Lot 248 by the Land &amp; Survey Kuching Division;</p> <p>(ii) The Director of Land and Survey Kuching Division’s consent for the transfer of the Lundu Land to RSB Lundu;</p> <p>(iii) The Superintendent of Land and Survey’ consent in writing for the transfer of the Lundu Land to RSB Lundu in accordance with Section 31 of the Sarawak Land Code; and</p> <p>(iv) The completion of the Proposed Disposal.</p>	<p style="text-align: center;"><b>Sastat Agreement</b></p> <p>(i) The completion of the Proposed Disposal.</p>

Save as disclosed above, there were no corporate proposals announced but not completed as at 21 August 2018, being the latest practicable date.

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**Part B – Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Cont'd)****B7 Group Borrowings**

	30.6.2018	As at 31.12.2017
	RM'000	RM'000
Long-term borrowings:-		
Hire purchase obligations	3,483	5,118
Term loans, secured	260,971	288,596
Term loans, unsecured	2,103	2,534
	<u>266,557</u>	<u>296,248</u>
Short-term borrowings:-		
Bank overdrafts, secured	15,060	11,041
Bank overdrafts, unsecured	6,113	2,608
Bankers' acceptance, unsecured	23,514	21,474
Hire purchase obligations	5,784	5,919
Revolving credit, secured	101,691	86,691
Revolving credit, unsecured	74,000	84,000
Term loans, secured	81,646	72,874
Term loans, unsecured	936	979
Unsecured loans	3,020	3,020
	<u>311,764</u>	<u>288,606</u>
Total borrowings	<u>578,321</u>	<u>584,854</u>

- The fixed effective HP interest rate at approximately 5.4% per annum.
- The bank overdraft is bearing interest ranging from base lending rate + 0.5% to 1% per annum.
- The bankers' acceptance, revolving credit and term loan bore interest ranging from cost of funds + 0.5% to 1.5% per annum.

**B8 Material Litigation**

The Group has no outstanding material litigation which might materially and adversely affect the position or business of the Group as at 21 August 2018 being the latest practicable date.

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**Part B – Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Cont'd)**

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**B9 Dividends**

No interim dividend has been declared for the period ending 30 June 2018.

**B10 Loss Per Share**

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30.6.2018	(Restated) 30.6.2017	30.6.2018	(Restated) 30.6.2017
Loss attributable to owners of the Company (RM'000)	(11,300)	(4,163)	(25,829)	(13,603)
Weighted average number of ordinary shares ('000):-				
Issued ordinary shares at 1 Oct / 1 January	1,418,487	1,418,487	1,418,487	1,418,487
Effect of conversion of ICPS	623,235	623,235	623,235	623,235
Weighted average number of ordinary shares at 31 December	2,041,722	2,041,722	2,041,722	2,041,722
Basic loss per share (sen)	(0.55)	(0.20)	(1.27)	(0.67)

The diluted earnings per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

**B11 Audit Report of the Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

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**Part B – Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Cont'd)**

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**B12 Loss Before Taxation**

Loss before taxation is arrived at after charging/(crediting):-

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30.6.2018 RM'000	(Restated) 30.6.2017 RM'000	30.6.2018 RM'000	(Restated) 30.6.2017 RM'000
Amortisation of intangible assets	223	196	451	443
Bad debts written off	21	-	21	-
Change in fair value of biological assets	(3,029)	(2,002)	(2,295)	4,126
Depreciation of property, plant and equipment	20,796	19,378	40,008	38,596
Gain arising from the liquidation of subsidiary	-	(48)	-	(48)
Interest expense	6,717	5,294	12,744	10,136
Interest income	(4)	(16)	(4)	(16)
Loss/ (gain) on disposal of property, plant and equipment	3	(54)	7	(73)
Property, plant and equipment written off	87	-	93	-
Reversal of obsolete stock allowance	-	(5)	-	(10)
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**Part B – Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Cont'd)**

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**B13 Derivatives**

(a) Nature of outstanding derivatives

There were no outstanding derivatives as at the end of the reporting period.

(b) Risks and Policies of Derivatives

The Group did not enter into any derivatives during the 6-month period ended 30 June 2018.

(c) Gains/losses Arising from Fair Value Changes of Financial Liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 June 2018 and 31 December 2017.

**B14 Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 27 August 2018.