



Hal-hal Lain

Laporan ini dibuat untuk Lembaga Pengarah dan bukan untuk tujuan lain. Saya tidak bertanggungjawab terhadap pihak lain bagi kandungan laporan ini.

(TAN SRI DR. MADINAH BINTI MOHAMAD)
KETUA AUDIT NEGARA
MALAYSIA

PUTRAJAYA

TARIKH:

27/8/2018



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Financial Position
As at 31 December 2017

		Group		Corporation	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Non-current Assets					
Property, plant and equipment	6	424,889	348,898	180,613	151,973
Land held for property development		2,298	2,298	2,298	2,298
Hotel and investment properties	7	525,192	512,692	-	-
Plantation development expenditure	8	267	267	-	-
Intangible assets		480	-	-	-
Investment in subsidiaries	9	-	-	464,311	460,726
Investment in associates	10	313,744	299,142	47,505	47,505
Investments in other corporations	11	322,315	334,797	307,340	322,106
Deferred tax assets		434	195	-	-
		<u>1,589,619</u>	<u>1,498,289</u>	<u>1,002,067</u>	<u>984,608</u>
Current Assets					
Inventories	12	47,491	49,182	6,230	6,423
Trade and other receivables	13	58,640	53,261	102,653	88,698
Cash and cash equivalents	14	306,953	329,851	189,528	226,803
		<u>413,084</u>	<u>432,294</u>	<u>298,411</u>	<u>321,924</u>
Total Assets		<u><u>2,002,703</u></u>	<u><u>1,930,583</u></u>	<u><u>1,300,478</u></u>	<u><u>1,306,532</u></u>
Equity					
Reserves	15	<u>1,290,238</u>	<u>1,213,848</u>	<u>777,656</u>	<u>763,580</u>
		1,290,238	1,213,848	777,656	763,580
Non-controlling interest		<u>15,534</u>	<u>14,653</u>	<u>-</u>	<u>-</u>
		<u>1,305,772</u>	<u>1,228,501</u>	<u>777,656</u>	<u>763,580</u>

The accompanying notes form an integral part of these financial statements



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Financial Position (Contd.)
As at 31 December 2017

		Group		Corporation	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Non-current Liabilities					
State government equity grant	16 (a)	75,228	75,228	75,228	75,228
State government contribution for equity participation	16 (b)	264,677	264,677	264,677	264,677
Development funds	17	108,836	129,490	93,784	114,438
Lease payables	18	40	69	-	-
Government term loans	19	8,280	8,507	8,280	8,507
Government grants	20	7,394	8,587	-	-
Operating grants		4,312	4,312	-	-
Deferred tax liabilities	21	11,084	11,730	-	-
Deferred income		150,631	153,396	71,713	71,284
Employee benefits	22	2,673	2,464	2,559	2,367
Other borrowings	23	15,000	-	-	-
		<u>648,155</u>	<u>658,460</u>	<u>516,241</u>	<u>536,501</u>
Current Liabilities					
Trade and other payables	24	43,513	35,701	6,354	6,233
Deferred income		3,860	4,567	-	-
Lease payables	18	29	37	-	-
Government term loans	19	227	218	227	218
Tax payable		1,147	3,099	-	-
		<u>48,776</u>	<u>43,622</u>	<u>6,581</u>	<u>6,451</u>
Total Equity and Liabilities		<u><u>2,002,703</u></u>	<u><u>1,930,583</u></u>	<u><u>1,300,478</u></u>	<u><u>1,306,532</u></u>

The accompanying notes form an integral part of these financial statements



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Comprehensive Income
For The Year Ended 31 December 2017

		Group		Corporation	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Revenue	25	239,807	229,110	40,299	41,699
Cost of sales	25	(147,132)	(136,854)	(189)	(849)
Gross profit		92,675	92,256	40,110	40,850
Other operating income		46,779	67,761	14,409	18,131
Distribution costs		(1,696)	(887)	-	-
Administrative expenses		(75,884)	(82,705)	(20,699)	(19,020)
Other operating expenses		(29,890)	(84,487)	(19,399)	(75,396)
Profit/(Loss) from operations		31,984	(8,062)	14,421	(35,435)
Finance costs		(1,854)	(957)	(345)	(353)
Share of associates' results		14,854	33,025	-	-
Profit/(Loss) before taxation	26	44,984	24,006	14,076	(35,788)
Taxation	27	(2,251)	(5,419)	-	(42)
Profit/(Loss) after taxation		42,733	18,587	14,076	(35,830)
Non-controlling interest		(881)	(76)	-	-
Profit/(Loss) attributable to members		41,852	18,511	14,076	(35,830)

The accompanying notes form an integral part of these financial statements





**Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**

**Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2017**

Group	Non - distributable		Reserve on consolidation RM'000	Revenue reserve RM'000	Total RM'000
	Capital reserve RM'000	Share premium RM'000			
At 1 January 2017	3,768	9,308	52,346	1,039,219	1,213,848
Issuance of shares	-	40	-	-	40
Profit for the year	-	-	-	41,852	41,852
Arising on consolidation	-	-	22	73,089	34,498
At 31 December 2017	3,768	9,348	52,368	1,154,160	1,290,238

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Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Changes in Equity (Contd.)
For The Year Ended 31 December 2017

	Capital reserve RM'000	Non - distributable Share premium RM'000	Revaluation reserve RM'000	Reserve on consolidation RM'000	Revenue reserve RM'000	Total RM'000
Group						
At 1 January 2016	3,768	9,308	107,882	52,334	1,032,372	1,205,664
Profit for the year	-	-	-	-	18,511	18,511
Arising on consolidation	-	-	1,325	12	(11,664)	(10,327)
At 31 December 2016	3,768	9,308	109,207	52,346	1,039,219	1,213,848

The accompanying notes form an integral part of these financial statements



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Statement of Changes in Equity
For The Year Ended 31 December 2017

	Revenue Reserve RM'000
Corporation	
At 1 January 2017	763,580
Profit for the year	<u>14,076</u>
At 31 December 2017	<u><u>777,656</u></u>
At 1 January 2016	799,410
Loss for the year	<u>(35,830)</u>
At 31 December 2016	<u><u>763,580</u></u>

The accompanying notes form an integral part of these financial statements



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Cash Flows
For The Year Ended 31 December 2017

	Group	
	2017	2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and minority interest	44,984	24,006
Adjustment for:		
Amortisation of development expenditure	(4,096)	(4,096)
Allowance for diminution in investment	59,929	62,770
Allowance for doubtful debts, net of allowance no longer required	(12,224)	(9,853)
Amortisation of goodwill	-	13
Provision for impairment, net of reversal	-	21
Amortisation of development fund	(3,472)	-
Amortisation of land held	(12,500)	-
Amortisation of government grants	-	(3,225)
Amortisation of investment properties	-	2,322
Bad debts written off	2,157	1,988
Depreciation	10,469	9,753
Dividend income	(701)	(27,609)
Gain on investment properties	(461)	(7,231)
Gain on disposal of other investments	-	(4)
Loss on disposal of property, plant and equipment	58	127
Impairment of property, plant and equipment	4,173	1,339
Interest expense	1,138	411
Interest income	(10,164)	(10,747)
Share of associates' result	(44,604)	(33,025)
Unrealised gain on foreign exchange	-	(1,324)
Operating profit before working capital changes	34,686	5,636
Increase in property development costs	-	(25,901)
Decrease in inventories	1,691	10,795
(Increase)/Decrease in receivables	(5,379)	24,178
Increase/(Decrease) in payables	8,021	(23,202)
Increase in deferred income	-	668
Cash generated from/(used in) operation - c/f	39,019	(7,826)

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Cash Flows (Contd.)
For The Year Ended 31 December 2017

	Group	
	2017	2016
	RM'000	RM'000
Cash flows from operating activities (contd.)		
Cash generated from/(used in) operation - b/f	39,019	(7,826)
Interest paid	(1,138)	(411)
Interest received	10,164	10,245
Taxes paid, net of refund	29,450	(2,141)
Net cash generated from/(used in) operating activities	77,495	(133)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(94,645)	(63,513)
Acquisition of investment	(480)	(1,913)
Advances/loan repaid from/(to) other investments	15,000	(3)
Advances/loan repaid (to)/from associates	(14,602)	571
Dividend received	-	27,603
Revaluation of other investment	-	42
Proceeds from disposal of other investments	12,482	127
Proceeds from disposal of property, plant and equipment	3,954	29,136
Upgrading of hotel property	-	(49)
Net cash used in investing activities	(78,291)	(7,999)
Cash flows from financing activities		
Repayment of hire purchase and lease instalments	(37)	(36)
Drawdown of term loan	-	24,369
Repayment of term loan	(218)	(30,246)
Government grant received	(1,193)	(61)
Proceed of development fund	(20,654)	(9,838)
Net cash used in financing activities	(22,102)	(15,812)

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Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Cash Flows (Contd.)
For The Year Ended 31 December 2017

	Group	
	2017	2016
	RM'000	RM'000
Net decrease in cash and cash equivalents	(22,898)	(23,944)
Effect of translation adjustments	-	6
Cash and cash equivalents at beginning of year	329,351	353,289
Cash and cash equivalents at end of year	306,453	329,351
Analysis of cash and cash equivalents at end of year comprised:		
Cash and bank balances	64,934	71,417
Deposits with financial institutions	242,019	258,434
	306,953	329,851
Less: Deposit pledged to bank	(500)	(500)
	306,453	329,351

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Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Statement of Cash Flows
For The Year Ended 31 December 2017

	Corporation	
	2017	2016
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before taxation	14,076	(35,788)
Adjustment for:		
Allowance for diminution in investment	7,061	62,778
Allowance for doubtful debts,		
net of allowance no longer required	(5,657)	(9,759)
Amortisation of development funds	(4,096)	(4,096)
Bad debts written off	-	1
Depreciation	1,779	1,623
Dividend income	(27,557)	(27,313)
(Loss)/Gain on disposal of property, plant and equipment	(58)	11
Interest expense	341	350
Interest income	(8,727)	(9,940)
Operating loss before working capital changes	(22,838)	(22,133)
Increase in property development cost	-	(25,902)
Decrease in inventories	193	854
(Increase)/Decrease in receivables	(4,414)	7,308
Increase/(Decrease) in payables	313	(1,029)
Cash used in operations	(26,746)	(40,902)
Interest paid	(341)	(350)
Interest received	8,727	9,438
Taxes paid	(294)	(439)
Net cash used in operating activities	(18,654)	(32,253)

The accompanying notes form an integral part of these financial statements



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Statement of Cash Flows (Contd.)
For The Year Ended 31 December 2017

	Corporation	
	2017	2016
	RM'000	RM'000
Cash flows from investing activities		
Acquisition of investment in shares and unit trust	(2,121)	(1,786)
Acquisition of property, plant and equipment	(34,473)	(19,143)
Acquisition of subsidiaries	(3,739)	-
Advances repaid from associates	515	571
Advances to other investment	-	(2)
Advances repaid (to)/from subsidiaries	(4,108)	77,967
Dividend received	27,558	27,314
Investment in subsidiaries	-	(89,923)
Proceeds from disposal of property, plant and equipment	56	31
Proceeds from disposal of other investment	9,982	-
Net cash used in investing activities	(6,330)	(4,971)
Cash flows from financing activities		
Repayment of government terms loans	(218)	(2,710)
Disbursement of development funds	(12,073)	(9,838)
Net cash used in financing activities	(12,291)	(12,548)
Net decrease in cash and cash equivalents	(37,275)	(49,772)
Cash and cash equivalents at beginning of year	226,803	276,575
Cash and cash equivalents at end of year	189,528	226,803
Analysis of cash and cash equivalents at end of the year comprised:		
Cash and bank balances	6,755	15,592
Deposit with financial institutions	182,773	211,211
	189,528	226,803

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

1. Corporation information

The Corporation is principally engaged in activities related to tourism and leisure, agro-food, property development, community development, mineral and mining, commercial and socio-economic projects substantially through its investments in subsidiaries and associated companies.

The Corporation is established under the Perbadanan Pembangunan Ekonomi Sarawak Ordinance, 1972 (Sarawak Cap. 35). The registered office of the Corporation is located at Menara SEDC, Level 3 – 11, Lot 2878, Isthmus, off Jalan Bako, 93050 Kuching, Sarawak.

The financial statements were authorised for issue by the Board Members in accordance with a resolution of the Members on 14 August 2018.

2. Compliance with Financial Reporting Standards

The financial statement have been prepared in compliance with Malaysian Private Entities Reporting Standard (MPERS) issued by Malaysian Accounting Standard Boards (MASB).

3. Basis of Preparation

The financial statements have been prepared in accordance with MPERS in Malaysia. The financial statements of the Corporation and of the Group have also been prepared on a historical cost basis, except for financial instruments that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia (“RM”).

4. Significant Accounting Policies

4.1 Business Combinations and Consolidation

(i) Business Combinations

The Group applies the acquisition method to account for all business combinations. If the acquisition of an asset or a group of assets does not constitute a business, it is accounted for as an asset acquisition.

The Group identifies the acquisition date of a business combination as the date on which the Group obtains control of an acquiree. Control is obtained when the Group commences to have the power to direct financial and operating policy decisions of the investee so as to obtain benefits from its activities. This may require fulfilment of precedent conditions, such as completion of due diligence audit, and shareholders’ approvals if they are specified in a sale and purchase agreement.

As of the acquisition date, the Group recognises, separately from goodwill, the identifiable assets acquired (including identifiable intangible assets), the liabilities assumed (including contingent liabilities) and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values, except for those permitted or required to be measured on other bases by MPERS. Non-controlling interest at the acquisition date is measured at its acquisition date share of net assets, excluding goodwill.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.1 Business Combinations and Consolidation (Contd.)

(i) Business Combinations (contd.)

The cost of a business combination is measured at fair value, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Expenses incurred in connection with a business combination are capitalised in the cost of business combination.

The cost of a business combination is allocated to the share of net assets acquired to determine the initial amount of goodwill on combination. In a business combination achieved in stages (including acquisition of a former associate or a former joint venture), the cost of each exchange transaction is compared with the share of net assets to determine the goodwill of each exchange transaction on a step-by-step basis. Any increase in equity interest in an investee after the acquisition date is accounted as an equity transaction between the parent and the non-controlling interests and the effect is adjusted directly in equity.

If the initial accounting for a business combination is not complete by the end of reporting period in which the combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends after one year from acquisition date.

(ii) Subsidiaries and Basis of Consolidation

The Group recognises a subsidiary based on the criterion of control. A subsidiary is an entity (including special purpose entities) over which the Group has the power to govern the financial and operating policy decisions of the investee so as to obtain benefits from its activities. In circumstances when the voting rights are not more than half or when the voting rights are not dominant determinant of control, the Group uses judgements to assess whether it has de facto control, control by other arrangements (including control of special purpose entities), or by holding substantive potential voting rights.

The financial statements of the parent Corporation and all its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date of 31 December 2017. The consolidated financial statements are prepared using uniform accounting policies for like transactions, other events and conditions in similar circumstances.

The carrying amount of investment in each subsidiary of a parent in the Group is eliminated against the parent's portion of equity in each subsidiary. The consolidated financial statements combine like items of assets, liabilities, equity, income, expenses and cash flows of the Corporation and all its subsidiaries.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.1 Business Combinations and Consolidation (Contd.)

(ii) Subsidiaries and Basis of Consolidation (contd.)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition (which is the date the Group assumes control of an investee) or up to effective date of disposal (which is the date the Group ceases to have control of an investee).

All intra-group balances and transactions are eliminated in full on consolidation. Unrealised profits or losses arising from intra-group transactions are also eliminated in full on consolidation, except when an unrealised loss is an impairment loss.

When the Group ceases to control a subsidiary, the difference between the proceeds from the disposal of the subsidiary and its carrying amount at the date that control is lost is recognised in profit or loss in the statement of comprehensive income as a gain or loss on disposal of the subsidiary. The cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in other comprehensive income is not reclassified to profit or loss on disposal of the subsidiary.

If the Group retains an equity interest in the former subsidiary, it is accounted for as a financial asset (provided it does not become an associate or a joint venture). The carrying amount of the investment retained at the date that the entity ceases to be a subsidiary is regarded as the cost on initial measurement of the financial asset.

Any decrease in equity stake in a subsidiary that does not result in a loss of control is accounted for as an equity transaction and the financial effect is adjusted directly in the consolidated statement of changes in equity.

(iii) Associates

The Group recognises an associate based on the criterion of significant influence. Significant influence exists when the Group has the power to participate in the financial and operating policy decisions of the investee but has no control or joint control of those policies. This is normally (though not necessarily) accomplished when the Group, directly or indirectly through subsidiaries, holds 20 per cent or more of the voting rights of the investee.

When the Group's voting rights in an investee are less than 20 per cent, the Group assesses whether it has significant influence by examining all relevant facts and circumstances, including the existence of potential voting rights that are substantive, representation on the board of directors, participation in policy-making processes, material transactions between the Group and the investee, interchange of managerial personnel and provision of essential technical information.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.1 Business Combinations and Consolidation (Contd.)

(iii) Associates (contd.)

The Group may sometimes hold an insignificant equity interest in an investee to cement a trading relationship and is represented on the board of directors of the investee. If the Group's representation on the board of directors is solely for the purpose of protecting the value of the investment rather than participation in the policy decisions, the investee is not classified as an associate.

The Group measures all investment in associates using cost method.

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Corporation, are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Corporation. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Corporation. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

4.2 Goodwill

Goodwill and Bargain Purchase

The Group does not recognise internally generated goodwill.

In a business combination accounted for under the acquisition method, purchased goodwill is recognised as an asset as of the acquisition date, measured at the difference between cost of investment and share of net assets acquired. Non-controlling interests' share of goodwill is not recognised.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.3 Property, Plant and Equipment and Depreciation

Operating tangible assets that are used for more than one accounting period in the production and supply of goods and services, for administrative purposes or for rental to others are recognised as property, plant and equipment when the Group obtains control of the assets. The assets, including major spares, servicing equipment and stand-by equipment, are classified into appropriate classes based on their nature. Any subsequent replacement of a significant component in an existing asset is capitalised as a new component in the asset and the old component is derecognised. All property, plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for management's intended use.

All property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. All other property, plant and equipment are depreciated by allocating the depreciable amount of a significant component or of an item over the remaining useful life.

Freehold land is stated at valuation less impairment losses. Valuation of the land is made by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the profit or loss to the extent of the decrease previously recognised. A revaluation decrease is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to revenue reserve.

Long leasehold land, pasture development assets and construction work-in-progress are not depreciated. Short leasehold land is amortised over the period of the lease. All other property, plant and equipment are depreciated on a straight-line basis to write off the cost or valuation of the assets over their estimated useful life at the following principal annual rates:

Buildings and improvements	2% - 33 1/3%
Leasehold improvements	2% - 20%
Plant, machinery and equipment	2% - 33 1/3%

Crockery, glassware, cutlery and linen for subsidiaries involved in hotel operations are capitalised at the minimum level requirement for normal operation. Additions and replacements are written off in the year in which they are acquired.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to revenue reserve.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.3 Property, Plant and Equipment and Depreciation (Contd.)

At the end of each reporting period, the residual values, useful lives and depreciation methods for the property, plant and equipment are reviewed for reasonableness. Any change in estimate of an item is adjusted prospectively over its remaining useful life, commencing in the current period.

4.4 Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.14(g).

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the profit or loss by using the completion method where the significant risks and rewards of ownership have been transferred to the buyer.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.5 Hotel and investment properties

Hotel and investment properties comprise of hotel land, buildings and their integral plant and machinery.

Hotel and investment properties are stated at Members' valuation based on independent professional valuers' reports. Additions subsequent to the date of valuation are stated at cost. It is the policy to appraise the hotel and investment properties once in every five years or such shorter period when appropriate, based on open market valuation.

Surplus arising from revaluation is credited to revaluation reserve. Deficit in excess of the revaluation reserve arising from previous revaluation is recognised in profit or loss.

No depreciation is provided on hotel and investment properties. It is the Group's policy to maintain these properties in such condition that the residual value is at a level where depreciation would be insignificant. The related maintenance expenditure is dealt with in the profit or loss.

4.6 Inventories

Inventories are measured at the lower of cost and net realisable value (which is the estimated selling price less costs to complete and sell). Cost comprises purchase price and directly attributable costs of bringing the inventories to their present location and condition.

For items of inventory that are individually significant or are segregated for individual projects, cost is measured using the specific identification method. For homogeneous items of inventory, cost is determined by the weighted average cost formula. Net realisable value is determined on an item-by-item basis or on group of similar items basis.

Inventories are stated at the lower of cost and net realisable value with the exception of live stocks. Cost of other inventories include, where relevant, direct production expenses and overheads and is determined on a weighted average or first-in, first-out basis as appropriate.

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

With the exception of the foreign incorporated subsidiary, livestock are stated at the lower of cost and net realisable value with weighted average cost being the basis for cost. Cost of livestock comprises the original purchase price and estimated natural increase and herd appreciation plus incidentals in bringing the livestock to their present location and condition. For the foreign subsidiary, livestock are measured at fair value less estimated point-of-sale costs, in compliance with International Accounting Standard 41, Agriculture.

In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.7 Construction contracts

The Group's contract accounting is usually applied separately to each construction contract with a customer. However, when a contract covers a number of assets, the construction of each asset is treated as a separate contract when: (a) separate proposals have been submitted for each asset; (b) each asset has been subject to separate negotiation, and the contractor and customer are able to accept or reject that part of the contract related to each asset; and (c) the costs and revenues for each asset can be identified. Conversely, a group of contracts, whether with a single customer or with several customers, is treated as single construction contracts when: (a) the group of contracts is negotiated as a single package; (b) the contracts are so closely related that they are, in effect, part of a single project with an overall profit margin; and (c) the contracts are performed concurrently or in a continuous sequence.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is measured by the proportion that costs incurred for work performed to date bear to the estimated total costs. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue on contract, the expected loss is recognised as an expense immediately, with a corresponding provision for an onerous contract.

When the aggregate of: (i) costs incurred; plus (ii) recognised progressive profit, less (iii) recognised foreseeable losses exceeds the progress billings to date of contract with customers, the excess is recognised and presented as a gross amount due from customers (a current asset). Conversely, when that aggregate is less than the progress billings, the shortfall is recognised and presented as a gross amount due to customers (a current liability).

4.8 Investments

Investments are stated at cost except where the Members are of the opinion that there is a permanent diminution in the value in which case, a provision is made for the diminution.

The investments are measured at fair value.

4.9 Plantation development expenditure

All expenditure incurred on new planting from land clearing to the point of maturity is capitalised under plantation development expenditure. Subsequent replanting expenditure and upkeep of trees is recognised in the profit or loss in the year in which the expenditure is incurred. Plantation development expenditures are measured at cost.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.10 Accounting for grants

A government grant is assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Grant received before the revenue recognition criteria are satisfied are recognised as deferred income. The Government Grants are measured at fair value.

The grant will be amortised based on useful life of grants.

4.11 Finance and Operating Leases

The Group recognises a lease whenever there is an agreement, whether explicitly stated as a lease or otherwise, whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Title may or may not eventually be transferred. All other leases that do not meet this criterion are classified as operating leases.

(i) Lessee Accounting

The Group capitalises the underlying leased asset and the related lease liability in finance lease. The amount recognised at the commencement date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lease are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are classified by nature and accounted for in accordance with applicable Standards in MPERS. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.11 Finance and Operating Leases (Contd.)

(ii) Operating leases

The Group does not capitalise the underlying leased asset or recognise a lease liability in an operating lease. Instead, lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

4.12 Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

4.13 Impairment of Non-Financial Assets

An impairment loss arises when the carrying amount of a Group's asset exceeds its recoverable amount. At the end of each reporting date, the Group assesses whether there is any indication that a stand-alone asset or a cash-generating unit may be impaired by using external and internal sources of information. If any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit.

If an individual asset generates independent cash inflows, it is tested for impairment as a stand-alone asset. If an asset does not generate independent cash inflows, it is tested for impairment together with other assets in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purposes.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and the value in use. The Group determines the fair value less costs to sell of an asset or a cash-generating unit in a hierarchy based on: (i) price in a binding sale agreement; (ii) market price traded in an active market; and (iii) estimate of market price using the best available information. The value in use is estimated by discounting the net cash inflows (by an appropriate discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecasts of five years and extrapolation of cash inflows for periods beyond the five-year forecast or budget.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.13 Impairment of Non-Financial Assets (Contd.)

For an asset measured on a cost-based model, any impairment loss is recognised in profit or loss.

For a cash-generating unit, any impairment loss is allocated to the assets of the unit pro rata based on the relative carrying amounts of the assets.

The Group reassesses the recoverable amount of an impaired asset or a cash-generating unit if there is any indication that an impairment loss recognised previously may have reversed. Any reversal of impairment loss for an asset carried at a cost-based model is recognised in profit or loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised previously.

4.14 Financial Instruments

(a) Initial Recognition and Measurement

The Group recognises a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets and financial liabilities are measured at fair value, which is generally the transaction price, plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(b) Derecognition of Financial Instruments

A financial asset is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Group acts only as a collection agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.14 Financial Instruments (Contd.)

(b) Derecognition of Financial Instruments (Contd.)

For this purpose, the Group considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate differs by 10% or more when compared with the carrying amount of the original liability.

(c) Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, the Group classifies financial assets into two categories, namely: (i) financial assets at fair value through profit or loss; and (ii) financial assets at amortised cost. After initial recognition, investments in ordinary shares are measured at their fair values by reference to the active market prices, if observable, or otherwise by a valuation technique, without any deduction for transaction costs it may incur on sale or other disposal.

Investments in debt instruments, whether quoted or unquoted, are subsequently measured at amortised cost using the effective interest method. Investments in unquoted equity instruments and whose fair value cannot be reliably measured are measured at cost. Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 4.14 (g).

(d) Subsequent Measurement of Financial Liabilities

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

(e) Fair Value Measurement of Financial Instruments

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique using reasonable and supportable assumptions.

(f) Recognition of Gains and Losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise. For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument .



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.14 Financial Instruments (Contd.)

(g) Impairment and Uncollectibility of Financial Assets

At the end of each reporting period, the Group examines whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Evidences of trigger loss events include: (i) significant difficulty of the issuer or obligor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) granting exceptional concession to a customer; (iv) it is probable that a customer will enter bankruptcy or other financial reorganisation; (v) the disappearance of an active market for that financial asset because of financial difficulties; or (vi) any observable market data indicating that there may be a measurable decrease in the estimated future cash flows from a group of financial assets.

For a non-current loan and receivable carried at amortised cost, the revised estimated cash flows are discounted at the original effective interest rate. Any impairment loss is recognised in profit or loss and a corresponding amount is recorded in a loss allowance account. Any subsequent reversal of impairment loss of the financial asset is reversed in profit or loss with a corresponding adjustment to the loss allowance account, subject to the limit that the reversal should not result in the revised carrying amount of the financial asset exceeding the amount that would have been determined had no impairment loss been recognised previously.

For short-term trade and other receivables, where the effect of discounting is immaterial, impairment loss is tested for each individually significant receivable wherever there is any indication of impairment. Individually significant receivables for which no impairment loss is recognised are grouped together with all other receivables by classes based on credit risk characteristics and aged according to their past due periods. A collective allowance is estimated for a class group based on the Group's experience of loss ratio in each class, taking into consideration current market conditions.

For an unquoted equity investment measured at cost less impairment, the impairment is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the Group expects to receive for the asset if it were sold at the reporting date. The Group may estimate the recoverable amount using an adjusted net asset value approach.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.15 Revenue Recognition and Measurements

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods and services

Revenue from sale of goods and provision of services is recognised when goods are sold or services are rendered.

(ii) Dividend Income

Dividend income is recognised when the shareholders' right to receive payment is established.

(iii) Sale of properties

Revenue from sale of properties is accounted for by completion method as described in Note 25.

(iv) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 4.7.

4.16 Tax Assets and Tax Liabilities

A current tax for current and prior periods to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceed the amount due for those periods, the excess is recognised as a current tax asset. A current tax liability (asset) is measured at the amount the Group expects to pay (recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for capital allowances and acquired intangible assets that are not deductible for tax purposes.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.16 Tax Assets and Tax Liabilities (Contd.)

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affect neither accounting profit nor taxable profit (or tax loss). The exceptions for the initial recognition differences include non-taxable government grants received and reinvestment allowances and investment tax allowances on qualifying property, plant and equipment.

A deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Unused tax credits do not include unabsorbed reinvestment allowances and unabsorbed investment tax allowances because the Group treats these as part of initial recognition differences.

Deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. For an investment property measured at fair value, the Group does not have a business model to hold the property solely for rental income, and hence, the deferred tax liability on the fair value gain is measured based on the presumption that the property is recovered through sale at the end of the reporting period.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognised as income or expense in profit or loss for the period. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

4.17 Employee Benefits

The Group recognises a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Group consumes the economic benefits arising from service provided by an employee in exchange for employee benefits.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.17 Employee Benefits (Contd.)

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave and long services leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences.

Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Employee entitlements that are expected to be settled within one year have been measured at their nominal value.

(ii) Defined contribution plans

As required by law, the Group's local subsidiaries make contributions to the Employees Provident Fund. In addition, the Corporation also contributes to the Pension Scheme. Such contributions are recognised as an expense in the profit or loss as incurred.

4.18 Finance Costs

Finance costs of the Group include interest on loans, finance lease liabilities and interest expense of other debt instruments calculated using the effective interest method. All borrowing costs are recognised as an expense when incurred.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

4. Significant Accounting Policies (Contd.)

4.19 Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies during the financial year are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling at that date.

Foreign currency term loan at the reporting date is translated into Ringgit Malaysia at the rates of exchange approximating those ruling at that date. Exchange gains and losses arising from the translation of long term foreign currency term loan is deferred and amortised on a straight-line basis over the term of the loan. Other exchange gains and losses have been dealt with in the profit or loss.

(ii) Financial statements of foreign operations

The Group's foreign operations are considered an integral part of its local subsidiary's operations. Accordingly, the assets and liabilities of the foreign operations, including goodwill arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in the profit or loss.

(iii) Financial statements of foreign operations

The closing rates used in translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2017 RM	2016 RM
1 Australian Dollar	3.17	3.24
1 United States Dollar	4.06	4.49



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

5. Critical Judgements and Estimation Uncertainty

5.1 Judgements and Assumption Applied

In the selection of accounting policies of the Group, the areas that require significant judgements and assumptions are in:

(a) **Classification of Finance and Operating Leases**

The Group classifies a lease as a finance lease or an operating lease based on criterion of the extent to which significant risks and rewards incidental to ownership of the underlying asset lie. As a lessee, the Group recognises a lease as a finance lease if it is exposed to significant risks and rewards incidental to ownership of the underlying asset. In applying judgements, the Group considers whether there is significant economic incentive to exercise a purchase option or any optional renewal periods.

A lease is classified as a finance lease if the lease term is for at least 75% of the economic life of the underlying asset, the present value of lease payments is at least 90% of the fair value of the underlying asset, or the identified asset in the lease is a specialised asset which can only be used substantially by the lessee. All other leases that do not result in a significant transfer of risks and rewards are classified as operating leases.

5.2 Estimation Uncertainty

The measurement of some assets and liabilities requires management to use estimates based on various observable inputs and other assumptions. The areas or items that are subject to significant estimation uncertainties of the Group are in measuring: (a) value-in-use of non-financial assets in impairment testing; (b) loss allowances of financial assets; (c) depreciation of property, plant and equipment; (d) measurement of revenue and expenses in construction contracts and property development projects; and (e) measurement of income taxes.

(a) **Determining the Value-in-Use**

In determining the value-in-use of a stand-alone asset or a cash-generating unit, management uses reasonable and supportable inputs about sales, costs of sales and other expenses based upon past experiences, current events and reasonably possible future developments. Cash flows are projected based on those inputs and discounted at an appropriate discount rate(s).

The actual outcome or event may not coincide with inputs or assumptions and the discount rate applied in the measurement, and this may have a significant effect on the Group's financial position and results.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

5. Critical Judgements and Estimation Uncertainty (Contd.)

5.2 Estimation Uncertainty (Contd.)

(b) Loss Allowances of Financial Assets

The Corporation and the Group recognises impairment losses for loans and receivables using the incurred loss model. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable.

All other loans and receivables are categorised into credit risk classes and tested for impairment collectively, using the Corporation and the Group's past experiences of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowances made and these may affect the Group's financial position and results.

(c) Depreciation of Property, Plant and Equipment

The cost of an item of property, plant and equipment is depreciated on the straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to a gain or loss on an eventual disposal of an item of property, plant and equipment.

(d) Measurement of revenue and expenses in construction and property development projects

The Corporation and the Group applies percentage of completion method to account for all of its construction contracts with customers and most of its property development projects. The method requires reliable estimation of future outcomes that invariably must rely on estimates of stage of completion, future revenue, future costs and collectability of progress billings. Internal budgets and forecasts are used in these estimates. The actual outcome will only be known when a contract or development project is completed and all units sold to customers and this actual outcome may not coincide with the estimates made.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

5. Critical Judgements and Estimation Uncertainty (Contd.)

5.2 Estimation Uncertainty (Contd.)

(e) Measurement of Income Taxes

The Corporation and the Group operate in various jurisdictions and are subject to the income taxes in each jurisdiction. Significant judgement is required in determining the Corporation and the Group's provision for the current and deferred taxes because the ultimate tax liability for the Corporation and the Group as a whole is uncertain. When the final outcome of taxes payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Corporation and the Group will adjust for the differences as over or under provision of current or deferred taxes in the current period in which those differences arise.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

6. Property, plant and equipment							
Group	Freehold land/long leasehold land RM'000	Short leasehold land RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Leasehold improvement RM'000	Capital and construction work in progress RM'000	Pasture development costs RM'000
Cost/Valuation							Total RM'000
At 1 January 2017	64,234	18,300	170,112	192,440	64,498	132,094	2,412
Reclassification	2,372	-	(3,005)	633	-	-	-
Addition	66,606	18,300	167,107	193,073	64,498	132,094	2,412
Reclassification	32,041	2,890	8,743	5,955	1,008	44,008	-
Disposals	-	-	141	696	-	(583)	-
Exchange difference	(3)	-	(4,954)	(1,215)	-	(912)	-
	(1,017)	-	(96)	(148)	(275)	-	-
At 31 December 2017	97,627	21,190	170,941	198,361	65,231	174,607	2,412
Accumulated depreciation							
Charge for 2016	360	419	2,348	5,574	1,052	-	-
							9,753

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

6. Property, plant and equipment (Contd.)										
Group	Freehold land/long leasehold land RM' 000	Short leasehold land RM' 000	Buildings and improvements RM' 000	Plant machinery and equipment RM' 000	Leasehold improvement RM' 000	Capital and construction work in progress RM' 000	Pasture development costs RM' 000	Total RM' 000		
Accumulated depreciation (Contd.)										
At 1 January 2017	3,396	4,817	70,272	158,589	49,332	212	499	287,117		
Reclassification	2,372	-	(3,178)	634	-	-	-	(172)		
At 1 January 2017	5,768	4,817	67,094	159,223	49,332	212	499	286,945		
Charge for the year	267	525	2,992	5,693	992	-	-	10,469		
Reclassification	-	-	133	113	-	-	-	246		
Disposals	-	-	(2,671)	(1,283)	-	-	-	(3,954)		
Transfer	-	-	4,492	66	-	-	-	4,558		
Exchange difference	(725)	-	(34)	(101)	(173)	-	-	(1,033)		
At 31 December 2017	5,310	5,342	72,006	163,711	50,151	212	499	297,231		
Accumulated impairment losses										
At 1 January 2017 /	-	-	4,094	2,215	27	-	1,913	8,249		
31 December 2017	-	-	4,094	2,215	27	-	1,913	8,249		

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

6. Property, plant and equipment (Contd.)

Corporation	Land RM'000	Work in progress RM'000	Motor vehicles RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Furniture, fitting and equipment RM'000	Total RM'000
Cost/Valuation							
At 1 January 2017	28,342	63,176	3,280	96,746	757	9,140	201,441
Addition	2,893	27,499	573	3,369	-	138	34,472
Disposals	(3)	(459)	-	(5)	-	(202)	(669)
Adjustment	-	-	-	141	-	113	254
At 31 December 2017	31,232	90,216	3,853	100,251	757	9,189	235,498
Accumulated depreciation							
Charge for 2016	443	-	278	660	-	242	1,623
At 1 January 2017	4,863	-	2,399	32,540	533	8,959	49,294
Charge for the year	525	-	276	754	-	224	1,779
Disposals	-	-	-	(2)	-	(201)	(203)
Charged to development grant	-	-	-	3,595	-	-	3,595
Adjustment	-	-	-	133	-	113	246
At 31 December 2017	5,388	-	2,675	37,020	533	9,095	54,711

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

6. Property, plant and equipment (Contd.)

Corporation	Land RM'000	Work in progress RM'000	Motor vehicles RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Furniture, fitting and equipment RM'000	Total RM'000
At 1 January 2017/ 31 December 2017	-	-	-	174	-	-	174
Net book value							
At 31 December 2017	25,844	90,216	1,178	63,057	224	94	180,613
At 31 December 2016	23,479	63,176	881	64,032	224	181	151,973



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

6. Property, plant and equipment (Contd.)

Corporation	Land RM'000	Work in progress RM'000	Motor vehicles RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Furniture, fitting and equipment RM'000	Total RM'000
Analysis of cost and valuation:							
At cost	30,078	90,216	3,853	99,437	431	9,189	233,204
At valuation	1,154	-	-	814	326	-	2,294
At 31 December 2017	31,232	90,216	3,853	100,251	757	9,189	235,498
At cost	27,188	63,176	3,280	95,932	431	9,140	199,147
At valuation	1,154	-	-	814	326	-	2,294
At 31 December 2016	28,342	63,176	3,280	96,746	757	9,140	201,441



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

6. Property, plant and equipment (Contd.)

Land comprises of:	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Total RM'000
Cost/Valuation				
At 1 January 2017	118	3,200	25,024	28,342
Reclassification	-	(970)	970	-
Addition	-	1,482	1,411	2,893
Disposed	-	-	(3)	(3)
At 31 December 2017	118	3,712	27,402	31,232
Representing:				
At cost	118	2,558	27,402	30,078
At valuation	-	1,154	-	1,154
	118	3,712	27,402	31,232
Accumulated depreciation				
Charges for 2016	-	25	418	443
At 1 January 2017	-	40	4,823	4,863
Charges for the year	-	-	525	525
At 31 December 2017	-	40	5,348	5,388

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

6. Property, plant and equipment (Contd.)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Total RM'000
Net Book Value				
At 31 December 2017				
At cost	118	2,518	22,054	24,690
At valuation	-	1,154	-	1,154
	<u>118</u>	<u>3,672</u>	<u>22,054</u>	<u>25,844</u>
Net Book Value				
At 31 December 2016				
At cost	118	2,006	20,201	22,325
At valuation	-	1,154	-	1,154
	<u>118</u>	<u>3,160</u>	<u>20,201</u>	<u>23,479</u>

The Corporation revalued certain of its leasehold land, buildings, plant and equipment in 1979 and 1981 based on prevailing market values. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, the revalued property, plant and equipment have continued to be stated on the basis of their 1979 and 1981 valuations. The land titles for landed properties of the Corporation and certain subsidiaries of the Group have yet to be issued by the relevant authorities.

The Group's property, plant and equipment include motor vehicles, plant, machinery and equipment with a net book value of RM188,334 (2016: RM108,632) which were acquired under hire purchase and finance lease agreements.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

7. Hotel and investment properties

	Group	
	2017	2016
	RM'000	RM'000
At valuation:		
2004	111,670	111,670
2007	166,820	166,820
2010	144,712	144,712
2012	(3,226)	(3,226)
2013	(52)	(52)
2014	7,057	7,057
2015	2,562	2,562
2016	(7,001)	-
2017	14,936	2,562
	<hr/>	<hr/>
	437,478	432,105
At cost	102,176	102,158
	<hr/>	<hr/>
	539,654	534,263
	<hr/>	<hr/>
At 1 January	521,304	521,255
Additions during the year	4,014	49
Adjustment during the year	8,862	-
Transfer to property, plant and equipment	5,244	3,166
Revaluation surplus	7,231	7,231
	<hr/>	<hr/>
At 31 December	546,655	531,701
	<hr/>	<hr/>
<u>Impairment loss:</u>		
At 1 January	(19,009)	(16,686)
Additions	(2,454)	(2,323)
	<hr/>	<hr/>
At 31 December	(21,463)	(19,009)
	<hr/>	<hr/>
Net book value	525,192	512,692
	<hr/>	<hr/>

The valuations for 2004, 2007, 2010, 2012, 2013, 2014 and 2015 in respect of hotel and investment properties were adopted by the directors of the subsidiaries based on independent valuations carried out by professional valuers on an open market value. The surplus or deficit on revaluation was credited or debited to revaluation reserve. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, certain hotel and investment properties have continued to be stated on the basis of their 1996 valuation in previous year.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

8. Plantation development expenditure

	Group	
	2017	2016
	RM'000	RM'000
At cost:		
At 1 January/31 December	<u>7,725</u>	<u>7,755</u>
Accumulated amortisation:		
At 1 January/31 December	<u>(3,304)</u>	<u>(3,334)</u>
Impairment loss:		
At 1 January/31 December	<u>(4,154)</u>	<u>(4,154)</u>
Net book value	<u><u>267</u></u>	<u><u>267</u></u>

9. Subsidiaries

	Corporation	
	2017	2016
	RM'000	RM'000
Unquoted shares at cost	362,548	352,528
Equity contribution	<u>172,899</u>	<u>179,179</u>
	535,447	531,707
Less: Allowance for diminution in value	<u>(71,136)</u>	<u>(70,981)</u>
	<u><u>464,311</u></u>	<u><u>460,726</u></u>



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

9. Subsidiaries (Contd.)

The shares of all the subsidiaries are unquoted. All the subsidiaries of the Group are incorporated in Malaysia except for Rosewood Station Pty Limited, which is incorporated in Australia. Details of the Group's subsidiaries are as follows:

Group's subsidiaries are as follows.

Name of company	Principal activities/status	Group's effective equity interest	
		2017 %	2016 %
Direct subsidiaries of the Corporation			
Bukit Saban Resort Sdn. Bhd. Company No. 315034-U	Owner of a holiday resort	100	100
Comerich Sdn. Bhd. Company No. 263183-P	Supplier of chicken and beef	100	100
Damai Beach Golf Course Bhd. Company No. 289575-H	Investment holding	100	100
Damai Beach Resort Sdn. Bhd. Company No. 409883-U	Inactive	100	100
Damai Cove Resorts Sdn. Bhd. Company No. 278414-M	Extraction and sale of timber, investment and property holding	100	100
Eastern Empress Silk Sdn. Bhd. Company No. 132777-W	Inactive	100	100
Kuching Hotels Sdn. Bhd. Company No. 19220-W	Owner and operator of hotel and shopping complex	89	89
Permaisara Sdn. Bhd. Company No. 104725-V	Inactive	100	100
Permata Carpark Sdn. Bhd. Company No. 315033-K	Owner of a commercial car park complex	100	100



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

9. Subsidiaries (Contd.)

Name of company	Principal activities/status	Group's effective equity interest	
		2017 %	2016 %
Direct subsidiaries of the Corporation (contd.)			
PPES Aqua (Santubong) Sdn. Bhd. Company No. 152122-T	Aquaculture and investment holding	100	100
PPES Ternak Holdings Sdn. Bhd. Company No. 104730-A	Investment holding	100	100
Revin Holdings Sdn. Bhd.* Company No. 213339-X	Inactive	-	100
Sara Concrete Poles Sdn. Bhd. Company No. 306003-M	Inactive	100	100
Sara Convention Sdn. Bhd.** Company No. 141893-M	Inactive	-	100
Sara Great Horizon Sdn. Bhd. Company No. 141892-P	Owner of a resort	100	100
Sara Hotels Bhd.*** Company No. 408127-H	Inactive	-	100
Sara-HL Plantation Sdn. Bhd. Company No. 248139-W	Oil palm plantation	100	100
Sara Rasa Sdn. Bhd. Company No. 022086-U	Owner of a restaurant	85	85
Sara Resorts Sdn. Bhd. Company No. 052135-X	Owner and operator of hotel and cultural centre, and extraction and sale of timber	100	100
Sara Resorts Holdings Sdn. Bhd. Company No. 407089-T	Inactive	100	100

*On 28th July 2017, the Company completed its Voluntary Winding-Up by Creditors and ceased to be a subsidiary at the Corporation at the Statement of Financial Position date.

**On 30th May 2017, the Company had completed its strike off under Section 550 of the Company's Act 2016, and ceased to be a subsidiary of the Corporation at Statement of Financial Position date.

*** On 25th March 2017, the Company had completed its strike-off under section 550 of the Company's Act 2016 and ceased to be subsidiary of the Corporation at Statement of Financial Position date.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

9. Subsidiaries (Contd.)

		Group's effective equity interest	
Name of company	Principal activities/status	2017 %	2016 %
Direct subsidiaries of the Corporation (contd.)			
Sara Resorts Management Sdn. Bhd. Company No. 261450-A	Management and service provider for trainings and events	100	100
Sara Spectrum Holdings Sdn. Bhd. Company No. 219420-W	Investment holding	100	100
Sara Tourism & Leisure Sdn. Bhd. Company No. 408289-X	Extraction and sale of timber	100	100
Sara Urusharta Sdn. Bhd. Company No. 105180-V	Property management	100	100
Sara Worldwide Vacations Bhd. Company No. 019223-V	Management of membership schemes	100	100
Sarapine Sdn. Bhd. Company No. 237653-M	Inactive	100	100
Sarawak Car Care Centre Sdn. Bhd. Company No. 35646-U	Leasing of car care centre	100	100
Sedidik Sdn. Bhd. Company No. 50688-T	Early child development	100	100
Sejadu Sdn. Bhd. Company No. 170777-M	Owner and operator of hotel and shopping complex	100	100
Taskwin Marketing Sdn. Bhd.* Company No. 264315-D	Inactive	-	100
Sara Hospitality Sdn. Bhd. Company No. 441568-K	Hotel management	100	100
Subsidiary of Damai Beach Golf Course Bhd.			
Damai Golf and Country Club Bhd. Company No. 139361-U	Management of a golf club	100	100

*On 28th July 2017, the Company had completed its Voluntary Winding-Up by Creditors, and ceased to be a subsidiary of the Corporation at Statement of Financial Position date.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

9. Subsidiaries (Contd.)

Name of company	Principal activities/status	Group's effective equity interest	
		2017 %	2016 %
Subsidiaries of PPES Ternak Holdings Sdn. Bhd.			
PPES Ternak Sdn. Bhd. Company No. 104563-V	Rearing and marketing of livestock	100	100
Sara-Bif Sdn. Bhd.* Company No.081917-D	Inactive	100	100
Rosewood Station Pty Limited Company No. ACN 009 612 284	Owner and operator of cattle properties	100	100
Subsidiaries of Revlin Holdings Sdn. Bhd.			
Higlobe Sdn. Bhd. Company No. 254889-T	Inactive	-	80
Prime Height Sdn. Bhd. Company No. 258366-V	Inactive	-	51

*On 4th December 2015, the Company had applied to the Company Commission of Malaysia for striking off under Section 308 of the Company's Act 1965.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

9. Subsidiaries (Contd.)

		Group's effective equity interest	
Name of company	Principal activities/status	2017 %	2016 %
Subsidiaries of Sara Spectrum Holdings Sdn. Bhd.			
Hakanda Sdn. Bhd. Company No. 174704-T	Plantation	100	100
Sarawak Coconut Enterprise Sdn. Bhd. Company No. 218814-H	Inactive	100	100
Subsidiary of Sara Worldwide Vacations Bhd.			
Asia Vacations Club Sdn. Bhd. Company No. 82747-M	Inactive	90	90

All the subsidiaries are not audited by the Auditor General of Malaysia. The financial year-end of all the subsidiaries is 31 December.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

9. Subsidiaries (Contd.)

The auditors' reports of the subsidiaries' financial statements have been modified as detailed below:

(a) Bukit Saban Resort Sdn. Bhd.

"Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company's accumulated loss as at 31 December 2017 shows balance of RM4,285,582 and as of that date, the shareholder's equity is at deficit of RM4,285,580 thereby indicating the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue its operation as a going concern depend on continued financial support from its holding entity and on the success of the Company's future operation.

In view of these, the holding entity have expressed their intention to provide continued financial support to the Company so as to enable it to meet its financial obligations as when they fall due."

(b) Damai Beach Golf Course Berhad

"We draw attention to Note 2.2 in the financial statements, which indicates that the Company incurred net loss of RM3,256 during the year ended 31 December 2017 and, as of that date, the Company's current liabilities exceeded its current assets by RM6,026,675. As stated in Note 2.2, these events or conditions, along with other matters as set forth in Note 2.4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

(c) Damai Golf and Country Club Berhad Resort

"We draw attention to Note 2.4 in the financial statements, which indicates that the Company incurred net loss of RM1,498,855 during the year ended 31 December 2017 and, as of that date, the Company's current liabilities exceeded its current assets by RM2,007,076. As stated in Note 2.4, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

(d) Damai Beach Resort Sdn. Bhd.

"We draw attention to Note 4.1 in the financial statements, which indicates that the Company incurred net loss of RM4,901 during the year ended 31 December 2017 and, as of that date, the Company's current liabilities exceeded its current assets by RM50,758 and with shareholders' deficit of RM50,758. As stated in Note 4.1, these events or conditions, along with other matters as set forth in Note 4.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

9. Subsidiaries (Contd.)

(e) Damai Cove Resorts Sdn. Bhd.

“We draw attention to Note 2.1 in the financial statements, which indicates that the Company's current liabilities exceeded its current assets by RM41, 261,359. As stated in Note 2.1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

(f) Eastern Empress Silk Sdn. Bhd.

During the current financial year, the Company incurred net loss of RM6,371. As at 31 December 2017, the Company recorded a deficit in its total equity and the current liabilities of the Company exceeded its current assets by RM1,641,905.

The financial statements of the Company are prepared on the basis of accounting principles applicable to going concern as the ultimate holding corporation indicated its willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future. Accordingly, the directors are of the opinion that the going concern basis used in the preparation of the financial statements is appropriate. Our opinion is not modified in respect of this matter.

(g) Sara-HL Plantation Sdn. Bhd.

During the financial year, the Company incurred net loss of RM156,609. As at 31 December 2017, the Company recorded a deficit in its total equity of RM3,400,512. This indicates the existence of a material uncertainty which cast significant doubt about the ability of the Company to continue as a going concern.

The financial statements are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation has indicated their willingness to provide financial support to the Company to enable the Company to continue its business operation as a going concern in the foreseeable future. Accordingly, the directors are of the opinion that the going concern basis used in the preparation of the financial statements is appropriate. Our opinion is not modified in respect this matters.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

9. Subsidiaries (Contd.)

(h) Sarawak Car Care Centre Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements, which indicated that the Company incurred a net profit of RM154,383 during the financial year ended 31 December 2017 and as of that date, the Company’s current liabilities exceeded its current asset by RM4,279,572 and its shareholder’s funds is in deficit of RM1,833,420. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 18, indicated that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect this matter”.

(i) Sara Spectrum Holdings Sdn. Bhd.

During the financial year, the Group’s and Company’s current liabilities exceeded their current assets by RM21,816,954 and RM6,926,523 respectively. This indicated the existence of a material uncertainty which may cast significant doubt about the Group’s and the Company’s abilities to continue as going concern.

The financial statements of the Group and the Company prepared on the basis of accounting principles applicable to going concern as the directors have indicated their willingness to provide financial support to the Group and the Company to enable it to operate as a going concern it the foreseeable future. Accordingly, the directors are of the opinion that the going concern basis used in the preparation of the financial statements is appropriate. Our opinion is not modified in respect of this matter.

(j) Sara Resorts Holdings Sdn. Bhd.

“We draw attention to Note 4.1 in the financial statements, which indicates that the Company incurred net loss of RM4,903 during the year ended 31 December 2017 and, as of that date, the Company’s current liabilities exceeded its current assets by RM45,536 and with shareholders’ deficit of RM50,439. As stated in Note 4.1, these events or conditions, along with other matters as set forth in Note 4.1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

(k) Sara Rasa Sdn. Bhd.

“We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of RM23,440 during the year ended 31 December 2017 and, as of the date, the Company’s current liabilities exceeded its current assets by RM70,182. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exist that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

9. Subsidiaries (Contd.)

(i) Sara Great Horizon Sdn. Bhd.

“We draw attention to Note 4.1 in the financial statements, which indicates that the Company’s current liabilities exceeded its current assets by RM333,445. As stated in Note 4.1, these events or conditions, along with other matters as set forth in Note 4.1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

10. Associates

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	48,952	48,952	47,655	47,655
Allowance for diminution in value	(1,150)	(1,150)	(150)	(150)
	47,802	47,802	47,505	47,505
Share of retained profits less losses	265,942	251,340	-	-
	<u>313,744</u>	<u>299,142</u>	<u>47,505</u>	<u>47,505</u>



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

10. Associates (Contd.)

Details of the Group's associates, all of which are incorporated in Malaysia, as at 31 December 2017 and their principal activities are shown below:

Name of company	Principal activities/status	Group's effective equity interest	
		2017 %	2016 %
Direct associates of the Corporation			
GOS Management Holdings Sdn. Bhd.* Company No. 591107-U	Investment holding	36	36
CMS Resources Sdn. Bhd. Company No. 98773-T	Investment and property holding	49	49
LF Asia Sebor (Sarawak) Holdings Sdn. Bhd. Company No. 17625-H	Investment holding	33	33
Syarikat Sebangun Sdn. Bhd. Company No. 113107-M	Extraction and processing of silica sand	21	21
PPES Works (Sarawak) Sdn. Bhd. Company No. 209892-K	Civil engineering contractor and road maintenance	49	49
CMS Property Management Sdn. Bhd. Company No. 326616-U	Management and marketing of realty and property projects	49	49
CMS Land Sdn. Bhd. Company No. 410797-H	Property holding, property development and construction	49	49
CMS Infra Trading Sdn. Bhd. Company No. 196635-M	General merchandising	49	49
SOP Karabungan Sdn. Bhd. Company No. 663077-D	Oil palm plantation	30	30
Good Harvest Plantation Sdn. Bhd. Company No. 600593-D	Cultivation of coconut	30	30
Fieldmart Care Sdn. Bhd. (formerly known as Pop Media Sdn. Bhd.) Company No. 486260-P	Investment holding	40	40

*On 1st August 2017, the Company had commenced Members' Voluntary Winding-Up under Section 445(2) of the Companies Act 2016.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

10. Associates (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2017 %	2016 %
Associates of Sara Spectrum Holdings Sdn. Bhd.			
Carbon Supplies (Sarawak) Sdn. Bhd. Company No. 295344-H	Owner of activated carbon factory	40	40
Kemudi Saling Sdn. Bhd.	Oil palm plantation	30	30

The financial year end of all the associates is 31 December.

11. Investments in other corporations

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unquoted shares in Malaysia	11,960	11,942	11,686	11,686
Quoted shares in Malaysia	241,327	247,907	241,287	247,859
Unit trust quoted in Malaysia	69,028	74,948	54,367	62,561
	<u>322,315</u>	<u>334,797</u>	<u>307,340</u>	<u>322,106</u>

The fair value of quoted equity investments are measured based on the quoted price in active markets.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

12. Inventories

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Properties held for sale	6,191	6,380	6,191	6,380
Trading stocks	43	175	-	-
Livestock	39,511	40,996	-	-
Souvenir stocks	273	243	-	-
Materials and consumable	1,731	1,646	39	43
	<u>47,749</u>	<u>49,440</u>	<u>6,230</u>	<u>6,423</u>
Provision for inventories obsolescence	(258)	(258)	-	-
	<u>47,491</u>	<u>49,182</u>	<u>6,230</u>	<u>6,423</u>

Except for livestock and properties held for sale, all other inventories are stated at cost. The valuation for livestock and property held for sale are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Livestock		
At cost	-	515
At net realisable value	<u>39,511</u>	<u>40,481</u>
	<u>39,511</u>	<u>40,996</u>
Properties held for sale		
At cost	6,191	6,004
At net realisable value	<u>-</u>	<u>376</u>
	<u>6,191</u>	<u>6,380</u>



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

13. Receivables and other receivables

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Trade receivables	42,900	40,585	15,257	14,865
Allowance for doubtful debts	(12,037)	(10,799)	(8,439)	(9,766)
	<u>30,863</u>	<u>29,786</u>	<u>6,818</u>	<u>5,099</u>
Other receivables and prepayments	25,817	22,123	18,795	14,775
Advances to subsidiaries	-	-	160,668	156,560
Advances to associates	-	-	692	1,207
Allowance for doubtful debts	(119)	(111)	(84,833)	(89,162)
	<u>25,698</u>	<u>22,012</u>	<u>95,322</u>	<u>83,380</u>
Tax recoverable	<u>2,079</u>	<u>1,463</u>	<u>513</u>	<u>219</u>
Total	<u>58,640</u>	<u>53,261</u>	<u>102,653</u>	<u>88,698</u>

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment except for a certain loan to an associate which bear interest rate of 5% per annum and has fixed repayment terms.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

14. Cash and cash equivalents

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	65,261	71,417	6,755	15,592
Fixed deposits with financial institutions	241,692	258,434	182,773	211,211
	<u>306,953</u>	<u>329,851</u>	<u>189,528</u>	<u>226,803</u>

Deposits with financial institutions

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
With licensed banks	152,145	160,146	95,471	115,204
With licensed finance companies	89,547	98,288	87,302	96,007
	241,692	258,434	182,773	211,211
With licensed banks, pledged	(500)	(500)	-	-
	<u>241,192</u>	<u>257,934</u>	<u>182,773</u>	<u>211,211</u>

Included in the Group's fixed deposits was RM500,000 (2016: RM500,000) placed on lien to licensed banks for bank guarantee facilities granted to certain subsidiaries of the Group.

15. Reserves

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Capital reserves	3,768	3,768	-	-
Share premium (a)	9,348	9,308	-	-
Revaluation reserve (b)	70,594	109,207	-	-
Reserve on consolidation (c)	52,368	52,346	-	-
Revenue reserve	1,154,160	1,039,219	777,656	763,580
	<u>1,290,238</u>	<u>1,213,848</u>	<u>777,656</u>	<u>763,580</u>

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

15. Reserves (Contd.)

(a) Share premium

	Group	
	2017	2016
	RM'000	RM'000
At 1 January/31 December	<u>9,348</u>	<u>9,308</u>

(b) Revaluation reserve

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	109,207	107,882
Arising on consolidation	<u>(38,613)</u>	<u>1,325</u>
At 31 December	<u>70,594</u>	<u>109,207</u>

(c) Reserved on consolidation

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	52,346	52,334
Arising on consolidation	<u>22</u>	<u>12</u>
At 31 December	<u>52,368</u>	<u>52,346</u>

The revaluation reserve relates to surplus or deficit on revaluation of property, plant and equipment, hotel and investment properties of the Group.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

16. State government equity grant and contribution for equity participation

	Group and Corporation	
	2017	2016
	RM'000	RM'000
(a) State government equity grant		
Sejadu Sdn. Bhd.	11,000	11,000
Sara Resorts Sdn. Bhd.	10,850	10,850
Bukit Saban Sdn. Bhd.	9	9
Damai Cove Resorts Sdn. Bhd.	37,000	37,000
PPES Akua (Santubong) Sdn. Bhd.	1,000	1,000
Sarawak Car Care Centre Sdn. Bhd.	5,389	5,389
Sarawak Coconut Enterprises Sdn. Bhd.	7,080	7,080
Carbon Supplies (Sarawak) Sdn. Bhd.	2,880	2,880
GOS Management Holdings Sdn. Bhd.	20	20
	<u>75,228</u>	<u>75,228</u>
(b) State government contribution for equity participation		
Sejadu Sdn. Bhd.	144,189	144,189
Sara Resorts Sdn. Bhd.	57,400	57,400
Kuching Hotels Sdn. Bhd.	24,088	24,088
Damai Cove Resorts Sdn. Bhd.	37,000	37,000
Borsamulu Resort Sdn. Bhd.	2,000	2,000
	<u>264,677</u>	<u>264,677</u>

The State Government Equity Grant and State Government Contribution for Equity Participation represent funds injected into the Corporation by the State Government of Sarawak to finance investments in subsidiary companies which undertake commercial projects.

The State Government Contribution for Equity Participation is repayable only upon request by the State Government when investments are disposed.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

17. Development funds

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Bumiputra Participation Fund	62,287	65,374	62,287	65,374
Aquaculture Development Fund	9,611	9,611	9,611	9,611
Camp Permai Fund	15,052	15,052	-	-
Others	21,886	39,453	21,886	39,453
	<u>108,836</u>	<u>129,490</u>	<u>93,784</u>	<u>114,438</u>
At 1 January	129,490	140,737	114,438	125,686
Received during the year	40,604	18,584	40,604	18,584
Disbursed/ utilised during the year	<u>(61,258)</u>	<u>(29,831)</u>	<u>(61,258)</u>	<u>(29,832)</u>
At 31 December	<u>108,836</u>	<u>129,490</u>	<u>93,784</u>	<u>114,438</u>

18. Lease Payables

	Group	
	2017	2016
	RM'000	RM'000
Repayable within twelve months	29	37
Repayable after twelve months	<u>40</u>	<u>69</u>
	<u>69</u>	<u>106</u>
<u>Minimum lease payment:</u>		
Not later than one year	29	38
Later than one year but not later than five years	<u>42</u>	<u>71</u>
	71	109
Future finance charges	<u>(2)</u>	<u>(3)</u>
Present value of finance lease liabilities	<u>69</u>	<u>106</u>



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

19. Government term loans

	Group and Corporation	
	2017	2016
	RM'000	RM'000
Interest bearing loans, unsecured	8,507	8,725
Repayable within one year	(227)	(218)
Repayable after one year	8,280	8,507

The interest rate is 4% per annum (2016: 4% per annum) for interest bearing loans.

20. Government grants

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	9,834	9,731
Amortisation of grants	(2,331)	(3,224)
Government grant (transfer)/received during the year	(109)	2,080
At 31 December	7,394	8,587



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

21. Deferred tax

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	11,730	10,109
Recognised in income statement (Note 27)	(333)	1,286
Exchange differences	(313)	335
At 31 December	<u>11,084</u>	<u>11,730</u>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Inventories (livestock) RM'000	Property, plant & equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group:				
At 1 January 2017	11,070	526	134	11,730
Recognised in income statement	(333)	-	-	(333)
Exchange differences	(313)	-	-	(313)
At 31 December 2017	<u>10,424</u>	<u>526</u>	<u>134</u>	<u>11,084</u>

	Inventories (livestock) RM'000	Property, plant & equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group:				
At 1 January 2016	9,462	526	121	10,109
Recognised in income statement	1,286	-	-	1,286
Exchange differences	322	-	13	335
At 31 December 2016	<u>11,070</u>	<u>526</u>	<u>134</u>	<u>11,730</u>



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

22. Employee benefits

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Long service leave	114	97	-	-
Annual leave and others	2,559	2,367	2,559	2,367
	<u>2,673</u>	<u>2,464</u>	<u>2,559</u>	<u>2,367</u>

23. Other borrowing

	Group	
	2017	2016
	RM'000	RM'000
Term loans, secured	<u>15,000</u>	<u>-</u>
Repayable after one year	<u>15,000</u>	<u>-</u>

24. Trade and other payables

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Trade payables	9,262	6,816	-	-
Other payables and accruals	34,251	28,885	6,354	6,233
	<u>43,513</u>	<u>35,701</u>	<u>6,354</u>	<u>6,233</u>

Included in other payables and accruals of the Group is deferred membership fee amounting to RM938,000 (2016: RM813,966) which represents advance membership fees received from members under the short term membership arrangement and advance licence fees received from members.

The Group's other payables and accruals also include advances from a former Corporate Shareholder of a subsidiary amounting to RM1,385,696 (2016: RM1,385,696). The amount due to the former corporate shareholder of a subsidiary, Sarawak Coconut Enterprise Sdn. Bhd., is unsecured, interest-free and has no fixed terms of repayment.

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment except for a certain loan to an associate which bear interest rate of 5% per annum and has fixed repayment terms.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

25. Revenue and cost of sales

Revenue

Revenue of the Corporation represents income from property development, management fee charged to its subsidiaries, income derived from investments, invoiced value of goods sold less returns and billings for services rendered to customers, rental income received and receivable, and gain on disposal of investments and property, plant and equipment.

Revenue of the Group represents the aggregate of the invoiced value of goods sold less returns and billings for services rendered to customers, revenue from room sales, food and beverage sales and other incidental services rendered in conjunction with hotel operations, and rental income received and receivable. Inter-company sales, dividends, management fees, interest income and marketing fees are eliminated on consolidation.

Cost of sales

Cost of sales of the Corporation represents development costs and raw materials consumed.

Cost of sales of the Group represents cost of timber, food and beverage, hotel rooms and hospitality services, property management and maintenance services, golf course operations and maintenance costs and livestock.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

26. Profit/(Loss) before taxation

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting):				
Amortisation of development expenditure	(4,096)	(4,096)	(4,096)	(4,096)
Allowance for diminution in investment	6,734	62,770	7,061	62,778
Allowance for doubtful debts, net of allowance no longer required	(5,490)	(9,853)	5,657	(9,759)
Allowance for impairment receivables	741	(294)	-	-
Auditors' remuneration				
- current year	338	348	50	50
- under provision in prior years	4	9	-	1
Amortisation of goodwill	-	13	-	-
Amortisation of government grants	(3,226)	(3,225)	-	-
Bad debts written off	2,157	1,997	-	572
Depreciation of property, plant and equipment	10,465	9,753	1,779	1,623
Depreciation of investment property	2,454	2,322	-	-
Dividend income	(701)	(27,609)	(27,557)	(27,313)
(Loss)/gain on disposal of other investments	203	(4)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(91)	127	(58)	11
Gross dividends from:				
Associates				
- unquoted in Malaysia	(21,588)	(23,564)	(21,588)	(23,564)
Other corporations				
- quoted in Malaysia	(5,970)	(3,749)	(5,970)	(3,749)
Impairment of property, plant and equipment	-	1,339	-	-
Income from rental of land and buildings	(3,202)	(3,363)	(3,202)	(3,362)
Interest income	(10,164)	(10,747)	(8,728)	(9,940)

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

26. Profit before taxation (Contd.)

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting):				
Interest expense				
- commercial borrowings	1,164	59	-	-
- hire purchase	-	2	-	-
- government loan	341	350	341	350
Loss/(Gain) on foreign exchange				
- unrealised	36	(1,324)	-	-
- realised	36	59	-	-
Members' remuneration:				
- fees as Members of the Corporation	1,688	1,909	230	107
- allowance as Members of the Corporation	258	349	71	135
Rental income	(1,003)	(944)	-	-
Rental expenses				
- land and buildings	1,232	698	482	338
Reversal of allowance of doubtful debts	(4)	(4)	-	-

(b) Employee information

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Staff costs	44,239	42,453	20,703	19,020
Number of employees	885	892	260	263



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

27. Taxation

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Based on results for the year				
- Malaysian income tax	2,788	1,749	-	-
Under provision in prior years				
- Malaysian income tax	36	2,464	-	42
	<u>2,824</u>	<u>4,213</u>	<u>-</u>	<u>42</u>
Deferred tax:				
Relating to origination and reversal of temporary differences				
- Malaysian income tax	(441)	1,085	-	-
- Foreign tax	-	128	-	-
Under/(over) provision in prior year	(132)	(7)	-	-
	<u>(573)</u>	<u>1,206</u>	<u>-</u>	<u>-</u>
Tax expense for the current year	<u>2,251</u>	<u>5,419</u>	<u>-</u>	<u>42</u>

The disproportionate taxation charge for the Group is principally due to the absence of Group relief for losses suffered by certain subsidiaries. Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year. Current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

27. Taxation (Contd.)

A reconciliation of income tax expense applicable to profit before taxation of the Corporation and of the Group at the statutory income tax rate to income tax expense at the effective income tax rate of the Corporation and of the Group is as follows:

	Group	
	2017	2016
	RM'000	RM'000
Profit before taxation	44,984	24,006
Taxation at Malaysian statutory tax rate of 24%	10,796	5,762
Effect of different tax rates in other countries	(167)	1,656
Effect of income not subject to tax	(13,258)	(7,424)
Expenses not deductible for tax purposes	5,864	8,522
Revenue expenditure capitalised	1,371	-
Utilisation of previously unrecognised capital allowance and tax loss	(608)	(1,544)
Utilisation of deferred tax assets carried forward previously not recognised	(879)	(852)
Non allowable income	(775)	(178)
Deferred tax assets not recognised	-	(643)
Under provision of income tax expense in prior years	39	128
Over provision of deferred tax in prior years	(132)	(8)
Tax expense for the year	2,251	5,419
Tax losses are analysed as follows:		
Tax savings recognised during the year arising from:		
Unabsorbed capital allowance	385,717	-
Utilisation reinvestment allowances	153,467	-
Unutilised tax losses carried forward	46,379	25,583



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

27. Taxation (Contd.)

	Corporation	
	2017	2016
	RM'000	RM'000
Profit/(Loss) before taxation	14,076	(35,788)
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	3,378	(8,589)
Effect of income not subject to tax	(10,087)	(5,246)
Expenses not deductible for tax purposes	6,709	13,835
Under provision of income tax in prior years	-	42
Tax expense for the year	-	42
Tax savings during the financial year arising from:		
Unutilised capital allowances carried forward	7,730	-
Unutilised tax losses carried forward	21,645	16,932

28. Related Parties Disclosure

During the financial year, the Corporation entered into the following transaction with the subsidiaries and associates:

	Corporation	
	2017	2016
	RM'000	RM'000
Rental received from subsidiaries	(143)	(143)
Interest received from an associate	(34)	(62)
Interest received from subsidiaries	(1,158)	(521)
License fee received from an associate	(180)	(151)
Development cost paid to associates	19,019	25,128

The key management professional compensation is RM 909,444 (2016: RM798,887).

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

29. Contingent liabilities

Damai Cove Resorts Sdn. Bhd.

As at the reporting date, there were two legal actions against the Company relating to the issuance of the Timber Licences and Timber Licences for Planted Forest to the Company. The lawsuits have been dismissed by the High Court on 5 April 2012. However, the plaintiffs have filed notices of appeal to the Court of Appeal against the decision of the High Court. No date has been fixed for the hearing of appeals.

The Court of Appeal has fixed 7th December, 2016 for hearing on two (2) appeal by the plaintiff's. However, the hearing of the appeal on 7th December, 2016 was adjourned and now vacated by the Court of Appeal. As at this reporting date, there was no further development on the lawsuits.

PPES Ternak Holdings Sdn. Bhd.

The implication of the decision of the High Court of Australia in *Mabo vs. The State of Queensland* (1992) 107 ALR1 relating to native title, on the future operations of Rosewood Station Pty Limited ("Rosewood"), the foreign subsidiary of PPES Ternak Holdings Sdn. Bhd. is discussed below. There has been a range of cases dealing with native title (most notably, *The Wik People vs. The State of Queensland* (1997) 141 ALR 129). In addition, there has been a range of legislative initiatives by the Commonwealth and the State and Territories of Australia.

Taken as a whole, other than where native title has been validly extinguished by a prior act (for example, the grant of a freehold title to relevant land), native title has the potential to affect the future operations of Rosewood. To that extent, as with other cattle properties, Rosewood will have to comply with all relevant legislation and will ordinarily do so on a case by case basis. Finally, the effect of native title (if any) on the future operations of Rosewood will vary on a case by case basis.

As disclosed in the Company's foreign subsidiary's financial statements, the Native Title consent determination over Rosewood was handed down on 31 May 2011 by Federal Court, Australia, which determined certain native title rights and interests of certain native title holders. However, these native title rights and interests do not confer native holders, possession, occupation and enjoyment to the exclusion of the rights and interests of Rosewood under Perpetual Pastoral Lease 1013. The native title rights and interests are for personal or communal needs of the native title holders which are of domestic nature and not for any commercial or business purpose. In the event of conflict, the rights and interests of Rosewood prevail over, but not extinguish the native rights.



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2017

30. Commitments

	Group		Corporation	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Capital commitment for the acquisition of property, plant and equipment:				
Approved and contracted for	46,152	66,092	22,467	18,637
Approved but not contracted for	35,102	1,291	-	-
	<u>81,254</u>	<u>67,383</u>	<u>22,467</u>	<u>18,637</u>

31. Significant events

The significant events are disclosed in Note 9 and 10 to the financial statements.

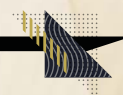


Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Detail Statement of Comprehensive Income
For The Year Ended 31 December 2017 (Contd.)

	2017 RM'000	2016 RM'000
Less: Administrative expenses		
Corporate staff welfare	-	12
Hotel room subsidy	34	42
Program Internship Siswazah	91	80
Staff accommodation	18	18
Staff incentive allowance	1,576	1,300
Staff paid leave	391	347
Staff bonus	983	249
Staff chronic illness and hospitalization	71	187
Staff corporate gathering	64	24
Staff divisional meeting	27	-
Staff EHS (medical checkup)	66	43
Staff external training	303	316
Staff housing loan interest subsidy	257	203
Staff in-house training	478	446
Staff leave passage	2	-
Staff maternity	10	6
Staff medical	200	193
Staff membership fees	8	13
Staff mileage	78	-
Staff overtime	141	197
Staff transport and travelling	958	771
Staff salary - junior	6,431	6,327
- senior	8,427	8,175
Staff uniform	28	-
Staff welfare	12	30
Staff children education	11	13
Welfare - retirement	34	28
	<u>20,699</u>	<u>19,020</u>

For management purpose only



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Detail Statement of Comprehensive Income
For The Year Ended 31 December 2017

	2017	2016
	RM'000	RM'000
Revenue		
Dividend income - associates	21,588	23,564
- other investments	5,970	3,749
Gain/(loss) on disposal of property, plant and equipment	58	(11)
Interest income	8,728	9,939
Licensing fees	180	151
Rental income	3,202	3,363
Sales of property development	230	868
Sundry income	343	76
	<u>40,299</u>	<u>41,699</u>
Less: Cost of sales		
Property development cost	<u>189</u>	<u>849</u>
Gross profit	<u>40,110</u>	<u>40,850</u>
Add: Other operating income		
Allowance for doubtful debts no longer required	5,688	6,569
Reversal of impairment investment in subsidiary	-	3,206
Government grant	4,625	4,260
Other operating income	<u>4,096</u>	<u>4,096</u>
	<u>14,409</u>	<u>18,131</u>

For management purpose only



Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Detail Statement of Comprehensive Income
For The Year Ended 31 December 2017 (Contd.)

	2017 RM'000	2016 RM'000
Less: Other operating expenses		
Board's expenses	433	308
Business zakat	250	300
Depreciation of property, plant and equipment	1,779	1,623
General expenses	1,282	1,378
Maintenance expenses	2,725	2,732
Office expenses	2,568	1,922
Professional fees	358	184
Project expenses	643	544
Financial assistance to subsidiaries	2,300	3,627
Provision for diminution in value of investment	7,061	62,778
	<u>19,399</u>	<u>75,396</u>
Operating profit/(loss)	14,421	(35,435)
Less: Finance costs		
Interest on government loan	342	350
Other finance costs	3	3
	<u>345</u>	<u>353</u>
Profit/(loss) before taxation	<u>14,076</u>	<u>(35,788)</u>

For management purpose only



