



TH Plantations Berhad

(Company No. 12696-M)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

The Directors are pleased to announce the unaudited consolidated results for the first quarter ended 31 March 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		UNAUDITED	
		FIRST QUARTER	
		CURRENT YEAR	PRECEDING YEAR
		31.03.2019	31.03.2018
		RM'000	RM'000
	Note		
Revenue	27	115,283	121,235
Fair value change in biological assets	18	6,664	3,520
Cost of sales		(97,069)	(93,487)
Gross profit		24,878	31,268
Other income	7	586	3,881
Administrative expenses	8	(7,534)	(11,976)
Other expenses	9	(1,073)	(980)
Results from operating activities		16,857	22,193
Profit margin income from short-term investments and receivables		98	423
Finance cost	10	(19,988)	(15,251)
Net finance cost		(19,890)	(14,828)
(Loss)/ Profit before tax	27	(3,033)	7,365
Tax expense	31	(5,869)	(3,269)
(Loss)/ Profit for the period	27	(8,902)	4,096
Other comprehensive income, net of tax			
Items that are or may be reclassified subsequently to profit and loss, net of tax			
Foreign currency translation differences for foreign operations		126	(5,196)
Total comprehensive expenses for the period		(8,776)	(1,100)



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Note	UNAUDITED	
		FIRST QUARTER	
		CURRENT YEAR	PRECEDING YEAR
		31.03.2019	31.03.2018
		RM'000	RM'000
(Loss)/ Profit attributable to:			
Owners of the Company		(8,091)	3,232
Non-controlling interests		(811)	864
(Loss)/ Profit for the period		(8,902)	4,096
Total comprehensive expense attributable to:			
Owners of the Company		(7,974)	(1,600)
Non-controlling interests		(802)	500
Total comprehensive expense for the period		(8,776)	(1,100)
Basic earnings per ordinary share (sen)	38	(0.92)	0.37
Diluted earnings per ordinary share (sen)	38	(0.92)	0.37

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31.03.2019	As at 31.12.2018
		RM'000	RM'000
Assets			
Property, plant and equipment		1,789,101	1,765,183
Right-of-use – property, plant and equipment		81,727	-
Plantation development expenditure	14	57,193	84,842
Forestry	15	49,825	49,825
Intangible asset	16	-	-
Other investments	17	1,825	1,825
Deferred tax assets		57,106	54,166
Total non-current assets		2,036,777	1,955,841
Inventories		16,699	19,634
Current tax assets		15,592	15,166
Biological assets	18	40,592	35,658
Other investments	17	1,851	1,888
Trade and other receivables		30,745	36,899
Prepayments and other assets		7,825	7,745
Cash and cash equivalents	19	28,909	50,561
		142,213	167,551
Assets classified as held for sale	20	768,448	744,911
Total current assets		910,661	912,462
Total assets		2,947,438	2,868,303



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 31.03.2019	As at 31.12.2018
		RM'000	RM'000
Equity			
Capital and reserve		770,121	770,004
Retained earnings		(30,998)	22,355
Equity attributable to owners of the Company		739,123	792,359
Non-controlling interests		296,233	302,736
Total equity		1,035,356	1,095,095
Liabilities			
Loans and borrowings	35	1,200,506	1,199,510
Lease liabilities		115,031	-
Employee benefits		504	542
Deferred tax liabilities		254,859	252,542
Trade and other payables		19,366	10,388
Total non-current liabilities		1,590,266	1,462,982
Loans and borrowings	35	38,564	41,544
Lease liabilities		10,247	-
Trade and other payables		180,480	202,701
Current tax liabilities		-	1
		229,291	244,246
Liabilities classified as held for sale	20	92,525	65,980
Total current liabilities		321,816	310,226
Total liabilities		1,912,082	1,773,208
Total equity and liabilities		2,947,438	2,868,303
Net tangible assets per share (RM)		0.84	0.90

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2019

Group	Note	/-----Attributable to owners of the Company-----/								Non-controlling interest	Total equity
		Non-distributable			Distributable			Total			
		Share capital	Share premium	Other reserve	Share Option reserve	Exchange reserve	Total capital reserve	Retained earnings	Total	RM'000	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018		862,752	-	(80,786)	-	(8,012)	773,954	634,639	1,408,593	367,647	1,776,240
Foreign currency translation differences for foreign operations		-	-	-	-	(3,778)	(3,778)	-	(3,778)	(297)	(4,075)
Remeasurement loss on defined benefit liability		-	-	(172)	-	-	(172)	-	(172)	-	(172)
Total other comprehensive expense for the year		-	-	(172)	-	(3,778)	(3,950)	-	(3,950)	(297)	(4,247)
Loss for the year		-	-	-	-	-	-	(594,608)	(594,608)	(63,774)	(658,382)
Total comprehensive expense for the year		-	-	(172)	-	(3,778)	(3,950)	(594,608)	(598,558)	(64,071)	(662,629)
<i>Contribution by and distribution to owners of the Group</i>											
Dividends to owners of the Company		-	-	-	-	-	-	(17,676)	(17,676)	-	(17,676)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	(840)	(840)
Total transactions with owners of the Group		-	-	-	-	-	-	(17,676)	(17,676)	(840)	(18,516)
At 31 December 2018		862,752	-	(80,958)	-	(11,790)	770,004	22,355	792,359	302,736	1,095,095



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2019 (continued)

Group	Note	/-----Attributable to owners of the Company-----/									
		/-----Non-distributable-----/					Distributable				
		Share capital	Share premium	Other reserve	Share Option reserve	Exchange reserve	Total capital reserve	Retained earnings	Total	Non-controlling interest	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2019, As previously stated		862,752	-	(80,958)	-	(11,790)	770,004	22,355	792,359	302,736	1,095,095
Impact of change in accounting policy		-	-	-	-	-	-	(45,262)	(45,262)	(5,701)	(50,963)
Adjusted balances at 1 January 2019		862,752	-	(80,958)	-	(11,790)	770,004	(22,907)	747,097	297,035	1,044,132
Foreign currency translation differences for foreign operations		-	-	-	-	117	117	-	117	9	126
Total other comprehensive income for the year		-	-	-	-	117	117	-	117	9	126
Profit for the year		-	-	-	-	-	-	(8,091)	(8,091)	(811)	(8,902)
Total comprehensive income for the year		-	-	-	-	117	117	(8,091)	(7,974)	(802)	(8,776)
<i>Contribution by and distribution to owners of the Group</i>											
Dividends to owners of the Company		-	-	-	-	-	-	-	-	-	-
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Group		-	-	-	-	-	-	-	-	-	-
At 31 March 2019		862,752	-	(80,958)	-	(11,673)	770,121	(30,998)	739,123	296,233	1,035,356

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

	FOR THE FIRST QUARTER ENDED	
	31.03.2019	31.03.2018
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/ Profit before tax	(3,033)	7,365
Adjustment for non-cash items	31,917	26,101
Operating profit before changes in working capital		
Net changes in working capital	28,884	33,466
	(13,080)	(22,817)
Cash generated from operations	15,804	10,649
Profit margin income from short-term investments and other receivables	98	423
Finance cost	(13,622)	(14,111)
Tax paid	(4,493)	(8,150)
Tax refund	374	-
Net cash used in operating activities	(1,839)	(11,189)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,481)	(3,913)
Decrease in other investment	36	9
Plantation development expenditure	(8,705)	(13,109)
Forestry	(1,669)	(397)
Proceeds from disposal of property, plant and equipment	-	3
Net cash used in investing activities	(12,819)	(17,407)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2019 (continued)

	Note	FOR THE FIRST QUARTER ENDED	
		31.03.2019	31.03.2018
		RM'000	RM'000
Cash flows from financing activities			
Dividends paid to owners of the Company		(58)	(383)
Proceeds from drawdown of loans and borrowings		7,498	4,560
Proceeds from drawdown of tradeline		29,188	13,975
Loan repayment		(43,668)	(24,094)
Net cash used in financing activities		(7,040)	(5,942)
Net decrease in cash and cash equivalents		(21,698)	(34,538)
Cash and cash equivalents at 1 January		50,969	99,238
Cash and cash equivalents at end of the period		29,271	64,700

Cash and cash equivalents comprise:

	19	FOR THE FIRST QUARTER ENDED	
		31.03.2019	31.03.2018
		RM'000	RM'000
Deposits		16,596	49,841
Less: Other investments		(1,851)	(3,279)
	19	14,745	46,562
Cash and bank balances	19	14,526	18,138
		29,271	64,700



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NOTES PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The interim financial statements have been prepared under the historical cost basis unless otherwise stated.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2018.

2. Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2018 except for MFRS 16 *Leases* as disclosed below.

MFRS 16: Leases

MFRS 16 will replace MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.



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2. Significant Accounting Policies (continued)

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has elected to apply MFRS 16 using a modified retrospective approach, whereby the cumulative effect of initial application of MFRS 16 is adjusted to the opening balance of retained earnings at the date of initial application, as shown below:

	RM'000
Retained earnings as at 1 January 2019, as previously stated	22,355
Cumulative effect of initial application of MFRS 16	(45,262)
Retained earnings as at 1 January 2019, as restated	(22,907)

3. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, certain judgements made by management in applying the Group's accounting policies and the key sources of estimation, were the same as those applied to the financial statements as at and for the year ended 31 December 2018.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed below :

(i) **Depreciation of estate**

The rate used to depreciate the estate is based on the general rule of the normal palm oil trees production trend.

(ii) **Recoverable amount of plantation development expenditure ("PDE")**

Management reviews its PDE for objective evidence of impairment at least quarterly. Significant delay in maturity is considered as an indication of impairment. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the performance of the PDE, or whether there have been significant changes with adverse effect in the market environment in which the PDE operates in.



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3. Estimates (continued)

(iii) **Intangible assets-goodwill**

Measurement of recoverable amounts of cash generating units is derived based on value in use of the cash generating unit.

(iv) **Deferred income**

Determination of the fair value of the soft loan received from Government agency for development and maintenance of rubber trees (forestry) were determined using the Group financing rate of 7.85% and the difference between the fair value and nominal value is treated as government grant.

(v) **Forestry**

The fair value of the assets is determined using valuation prepared by external, licensed independent property valuer as at 31 December 2018. The directors of the Group are of the opinion that there is no material change in the fair value of forestry during the quarter.

(vi) **Contingencies**

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group, for matters in the ordinary course of business.

(vii) **Deferred tax**

Estimating the deferred tax assets to be recognised requires a process that involves determining appropriate tax provisions, forecasting future years' taxable income and assessing our ability to utilise tax benefits through future earnings.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors have expressed an unqualified opinion on the Group's statutory consolidated financial statements for the year ended 31 December 2018 in their report dated 2 April 2019.

5. Seasonal or Cyclical Factors

The Group's plantation operations are affected by seasonal crop production and weather conditions.

6. Unusual Items Due To Their Nature, Size or Incidence

There are no unusual items affecting assets, liabilities, equity and net income.



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7. Other income

Other income consist of the following:

- a) Fair value on government grant
- b) Management fees
- c) Sundry income

31.03.2019 RM'000	31.03.2018 RM'000
-	2,309
299	725
287	847
586	3,881

8. Administrative expenses

Administrative expenses consist of the followings:

- a) Overhead expenses
- b) Rental of office
- c) Lease of land
- d) Sundry expenses

31.03.2019 RM'000	31.03.2018 RM'000
5,684	7,112
-	1,180
-	732
1,850	2,952
7,534	11,976

* Lease rental has been accounted based on MFRS 16 during the financial year 2019.



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9. Other expenses

Other expenses consist of the followings:

- a) Head Office Depreciation
- b) Miscellaneous expenses

31.03.2019 RM'000	31.03.2018 RM'000
921	406
152	574
1,073	980

10. Finance cost

Finance cost on:

- loans and borrowings
- profit margin expense on related companies
- lease liability

31.03.2019 RM'000	31.03.2018 RM'000
15,967	14,499
814	752
3,207	-
19,988	15,251

11. Changes in Estimated Amounts Reported in Prior Period Which Have Effect on the Current Period

There were no changes in estimated amounts reported in prior period.

12. Changes in Debt and Equity Securities

The Group has drawdown USD1.9 million (RM7.7 million at an exchange rate of 1USD:RM4.0750) Commodity Murahabah Term Financing-i at an effective profit margin rate of 5.36%.

Apart from the above, there were no other issuances, cancellations, repurchases, resale of debt and equity securities in the period.



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13. Dividends

There were no dividends declared nor paid during the first quarter ended 31 March 2019.

14. Plantation development expenditure

	Note	31.03.2019 RM'000	31.12.2018 RM'000
At 1 January		84,842	318,423
Additions during the year		10,833	64,374
Addition of nurseries		525	3,223
Transfer from assets held for sale		133,718	
Transfer to property, plant and equipment		(104,116)	(68,238)
Write off		-	(12,028)
Impairment		-	(83,193)
Effect of movement in exchange rate		253	(4,001)
Transfer to assets held for sale	20	(68,862)	(133,718)
		57,193	84,842

15. Forestry

	31.03.2019 RM'000	31.12.2018 RM'000
At 1 January	49,825	187,956
Addition during the year	3,609	26,005
Transfer from nurseries	-	(2,393)
Additions of nurseries	-	1,678
Addition charged to profit and loss	(3,609)	(26,005)
Change in fair value recognised to profit or loss	-	(134,300)
Write off	-	(3,116)
	49,825	49,825



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16. Intangible asset

Cost

Goodwill
Impairment loss
Transfer to assets held for sale

Note	31.03.2019 RM'000	31.12.2018 RM'000
	9,761	73,265
	-	(63,504)
20	(9,761)	(9,761)
	-	-

17. Other investments

Non-current

Available-for-sale financial
assets – stated at cost

Current

Deposits placed with licensed banks (maturity
period more than 3 months)

	31.03.2019 RM'000	31.12.2018 RM'000
	1,825	1,825
	1,851	1,888
	3,676	3,713



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18. Biological assets

Note	31.03.2019 RM'000	31.12.2018 RM'000
	35,658	52,105
	6,591	
	6,664	(9,856)
20	(8,321)	(6,591)
	40,592	35,658

Biological assets comprise of produce growing on bearer plants. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants that are expected to be harvested.

19. Cash and cash equivalents

Note	31.03.2019 RM'000	31.12.2018 RM'000
	14,745	36,244
	14,526	14,725
	29,271	50,969
20	(362)	(408)
	28,909	50,561



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20. Group assets held for sale

On 26 November 2018, the Board of Directors had approved in principle the disposals of THP-YT Plantation Sdn. Bhd. ("THPYT"), TH PELITA Meludam Sdn. Bhd. ("THPM"), TH PELITA Beladin Sdn. Bhd. ("THPBel"), TH PELITA Simunjan Sdn. Bhd. ("THPSim"), Hydroflow Sdn. Bhd. ("HYD"), Bumi Suria Ventures Sdn. Bhd. ("BSV") and Maju Warisanmas Sdn. Bhd. ("MWM").

Subsequently, on 27 February 2019 apart from the companies mentioned above, the Board of Directors had approved the disposals of TH Bonggaya Sdn. Bhd. ("THB"), TH-USIA Jatimas Sdn. Bhd. ("THUJ") and PT Persada Kencana Prima (PTPKP").

Efforts to sell have commenced, and sale is expected to be completed within twelve (12) months from the approval date except for THB, THUJ and PTPKP of which the Board is of the opinion that completion will take more than 12 months, hence those companies was not being reclassified as asset held for sale. Assets classified as held for sale are as below:

Group

Assets classified as held for sale

	Note	31.03.2019 RM'000
Property, plant and equipment ("PPE")	a	631,357
Right-of-use – PPE	b	25,469
Plantation development expenditure ("PDE")		68,862
Goodwill		9,761
Deferred tax assets		20,294
Biological assets		8,321
Inventories		1,854
Current tax assets		24
Trade and other receivables		2,001
Prepayment and Other assets		143
Cash and cash equivalents		362
		<hr/>
		768,448
		<hr/>

Liabilities classified as held for sale

Borrowings		9,215
Lease liabilities		35,354
Deferred tax liability		22,993
Payables and accruals		24,694
Current tax payable		269
		<hr/>
		92,525
		<hr/>



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20. Group assets held for sale (continued)

Note

a) Property, plant and equipment held for sale comprise the following:

	RM'000
Cost	726,587
Accumulated depreciation	<u>(95,230)</u>
	<u>631,357</u>

b) Right-of-use-PPE held for sale comprise the following:

	RM'000
Cost	25,596
Accumulated depreciation	<u>(127)</u>
	<u>25,469</u>



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21. Operating segments

	Oil palm Plantation	Forestry	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
RESULTS FOR FIRST QUARTER ENDED				
31 MARCH 2019				
External operating revenue	115,283	-	-	115,283
Inter-segment revenue	15,905	-	(15,905)	-
Total operating revenue	131,188	-	(15,905)	115,283
Fair value change in biological assets	6,664	-	-	6,664
Other income	23,472	-	(22,788)	684
	161,324	-	(38,693)	122,631
Operating expenses	(109,272)	(1,205)	13,408	(97,069)
Segment results	52,052	(1,205)	(25,285)	25,562
Other expenses	(13,303)	(112)	4,808	(8,607)
Finance cost	(33,537)	(2,829)	16,378	(19,988)
Profit before tax	5,212	(4,146)	(4,099)	(3,033)
RESULTS FOR FIRST QUARTER ENDED				
31 MARCH 2018				
External operating revenue	121,235	-	-	121,235
Inter-segment revenue	14,492	-	(14,492)	-
Total operating revenue	135,727	-	(14,492)	121,235
Fair value change in biological assets	3,520	-	-	3,520
Other income	23,322	2,309	(21,327)	4,304
	162,569	2,309	(35,819)	129,059
Operating expenses	(98,932)	(5,031)	10,476	(93,487)
Segment results	63,637	(2,722)	(25,343)	35,572
Other expenses	(24,406)	(107)	11,557	(12,956)
Finance cost	(27,840)	(2,193)	14,782	(15,251)
Profit before tax	11,391	(5,022)	996	7,365



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21. Operating segments (continued)

	Oil palm Plantation	Forestry	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
ASSETS AND LIABILITIES AS AT 31 MARCH 2019				
Assets that belong to the Group	4,240,101	102,035	(1,394,698)	2,947,438
Total Assets	4,240,101	102,035	(1,394,698)	2,947,438
Liabilities that belong to the Group	3,196,839	194,524	(1,479,281)	1,912,082
Total liabilities	3,196,839	194,524	(1,479,281)	1,912,082
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2018				
Assets that belong to the Group	5,056,519	100,859	(2,289,075)	2,868,303
Total Assets	5,056,519	100,859	(2,289,075)	2,868,303
Liabilities that belong to the Group	3,009,049	188,964	(1,424,805)	1,773,208
Total liabilities	3,009,049	188,964	(1,424,805)	1,773,208



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22. Valuation of Property, Plant and Equipment

There was no valuation of property, plant and equipment during the current quarter under review.

23. Material Event Subsequent to the Balance Sheet Date

There is no material event which occurred subsequent to the balance sheet date of this announcement.

24. Contingent Liabilities

The Directors are of the opinion that the Group has no contingent liabilities which may have a material impact on the financial position and business of the Group as at 27 May 2019.

25. Capital and Other Commitments Outstanding Not Provided For In the Interim Financial Report

Approved and contracted for
Approved but not contracted for

31.03.2019 RM'000
1,765
111,569
113,334

26. Material Related Party Transactions

Transacting Parties	Relationship	Nature of transactions	For the first quarter ended 31.03.2019 RM'000
Transactions with THP Lembaga Tabung Haji Lembaga Tabung Haji	Holding Corporation Holding Corporation	Lease of land Rental of office	732 1,180
Transactions with THP Group Syarikat Takaful Malaysia Deru Semangat Sdn Bhd TH Estates (Holdings) Sdn Bhd	Related Company Related Company Related Company	Insurance premium Management fees Management fees	1,565 74 225

Save as the above, there are no other material related party transactions.



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NOTES PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

27. Review of Group's Financial Performance

	UNAUDITED FIRST QUARTER		VARIANCE	
	CURRENT YEAR	PRECEDING YEAR		
	31.03.2019	31.03.2018	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	115,283	121,235	(5,952)	(4.91)
Fair value change in biological assets	6,664	3,520	3,144	89.32
Operating profit	24,878	31,268	(6,390)	(20.44)
Profit Before Interest and Tax ("PBIT")	16,857	22,193	(5,336)	(24.04)
(Loss)/ Profit Before Tax ("LBT/ PBT")	(3,033)	7,365	(10,398)	(141.18)
(Loss)/ Profit after Tax ("LAT/ PAT")	(8,902)	4,096	(12,998)	(317.33)
(Loss)/ Profit attributable to owners of the Company ("LATAMI/ PATAMI")	(8,091)	3,232	(11,323)	(350.34)

	FIRST QUARTER		VARIANCE	
	2019	2018		
	MT	MT	MT	%
Sales volume				
Crude palm oil	47,505	37,390	10,115	27.05
Palm kernel	10,906	8,374	2,532	30.24
FFB	30,043	33,214	(3,171)	(9.55)

	FIRST QUARTER		VARIANCE	
	2019	2018		
	RM/MT	RM/MT	RM/MT	%
Average realised prices				
Crude palm oil	1,924	2,355	(431)	(18.30)
Palm kernel	1,241	2,140	(899)	(42.01)
FFB	345	459	(114)	(24.84)



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27. Review of Group's Financial Performance (continued)

Overall

The Group's revenue for the first quarter ended 2019 (1Q19) declined by 4.91% to RM115.28 million due to lower average realised prices for CPO, PK and FFB. The Group incurred loss before taxation of RM3.03 million as compared to Profit before Taxation of RM7.37 million in the corresponding quarter in previous year due to:

- a) Lower revenue.
- b) Higher amortisation charge due to higher rate based on revised annual production yield table.
- c) Higher finance cost by RM4.74 million mainly due to adoption of MFRS 16 Leases.

Plantation sector

In 1Q19, FFB production increased by 12.09% to 208,548 mt and FFB yield per hectare increased by 7.72% to 4.06 mt/ha. OER also increased to 20.22% compared to 19.43% achieved in the same period last year. Despite the improved operational performance, PBT for 1Q19 was lower by 54.26 % to RM5.21 million as compared to RM11.39 million in 1Q18 due to lower selling prices of all products.

Forestry sector

For 1Q19, the forestry sector recorded a lower LBT of RM4.15 million, as compared to a LBT of RM5.02 million in 1Q18. This is a result of lower operating expenses in 1Q19



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28. Material Changes in the Quarterly Results Compared To the Preceding Quarter

	2019	2018	VARIANCE	
	Quarter 1	Quarter 4		
	RM'000	RM'000	RM'000	%
Revenue	115,283	118,622	(3,339)	(2.81)
Fair value change in biological assets	6,664	(13,757)	20,421	(148.44)
Fair value change in forestry	-	(134,300)	134,300	100.00
Operating profit /(loss)	24,878	(177,370)	202,248	(114.03)
Profit/ (Loss) Before Interest and Tax ("PBIT/LBIT")	16,857	(643,547)	660,404	(102.62)
Loss Before Tax ("LBT")	(3,033)	(664,045)	661,012	(99.54)
Loss after Tax ("LBT")	(8,902)	(643,977)	635,075	(98.62)
Loss attributable to owners of the Company ("LATAMI")	(8,091)	(578,237)	570,146	(98.60)

	2019	2018	VARIANCE	
	Quarter 1	Quarter 4		
	MT	MT	MT	%
Sales volume				
Crude palm oil	47,505	48,366	(861)	(1.78)
Palm kernel	10,906	10,761	145	1.35
FFB	30,043	45,765	(15,722)	(34.35)

	2019	2018	VARIANCE	
	Quarter 1	Quarter 4		
	RM/MT	RM/MT	RM/MT	%
Average realised prices				
Crude palm oil	1,924	1,821	103	5.65
Palm kernel	1,241	1,377	(136)	(9.88)
FFB	345	341	4	1.17



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28. Material Changes in the Quarterly Results Compared To the Preceding Quarter (continued)

Overall

The Group's revenue decreased by 2.81% to RM115.28 million compared to the preceding quarter. The Group incurred a lower LBT of RM3.03 million in 1Q19 compared to RM664.05 million in 4Q18 due to the following:

- a) Changes in the fair value of biological assets from negative RM13.76 million in 4Q18 to positive RM6.66 million in 1Q19.
- b) The changes in the fair value of forestry by RM134.40 million in 4Q18.
- c) A one-off impairment of plantation assets amounting to RM446.83 million was recognised in 4Q18.

Plantation sector

The Plantation sector registered a PBT of RM5.21 million in the current quarter compared to a LBT of RM493.68 million in the preceding quarter. A few factors contributed to the significant change in results, as follows:

- (i) Significant movement in fair value of biological assets from negative RM13.76 million in 4Q18 to positive RM6.66 million in 1Q19 due to production and price movements.
- (ii) A one off impairment of plantation assets amounting to RM446.83 million was recognised in 4Q18.

Forestry sector

For 1Q19, the forestry sector registered a lower LBT of RM4.15 million compared to RM140.88 million LBT in preceding quarter. This is due to the fact that the Group had recognised a change in fair value of forestry amounting to RM134.40 million in 4Q18. As disclosed in Note 3 (v), the fair value of forestry is assessed annually during the fourth quarter.



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29. Current Year Prospects

Overall production for the industry improved in the first quarter of the year compared to a year ago. However, prices of palm oil commodities have not recovered as initially expected, thus increasing pressure on industry profitability. Production is expected to briefly taper off in 2Q19, thereby easing inventories and providing some support for prices particularly during the festive seasons of Ramadhan and Eid, when demand is traditionally higher. Export demand is also expected to be supported by lower Indian tariffs and stronger Rupee, as well as the suspension of Malaysian export duties until December 2019. Production is then expected to regain traction particularly in the peak production months of August to October.

The Group anticipates stronger production as well as improved operational and financial efficiencies in FY2019. However, the Group's performance is also highly contingent on palm oil commodity prices which are expected to remain largely subdued.

30. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast for the current quarter under review.

31. Taxation

	UNAUDITED FIRST QUARTER	
	Current year RM000	Preceding year RM000
Current	4,862	5,256
Deferred	1,007	(1,987)
	5,869	3,269

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the quarter.

Current year tax for 1Q19 was higher compared to last year due to higher deferred tax liabilities recognised during the year.

32. Unquoted Investments and /or Properties

There were no purchases or disposals of unquoted investments for the current quarter under review.

33. Quoted Investments

There were no purchases of quoted investments for the current quarter under review.



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34. Status of Corporate Proposals

There are no other corporate proposals announced for the current quarter under review.

35. Group Borrowings

As at 31 March 2019, total borrowings are as follows:

	Note	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
Non-current			
Secured			
Flexi Term Financing-i		-	-
Commodity Murahabah Term Financing-i (THPS)		222,859	229,819
Commodity Murahabah Term Financing-I (PTPKP)		46,111	38,612
Unsecured			
SUKUK Murahabah			
Medium Term Notes		895,000	895,000
Term Financing		36,536	36,079
		1,200,506	1,199,510
Current			
Secured			
Flexi Term Financing-i		9,215	13,715
Commodity Murahabah Term Financing-I (THPS)		31,000	30,000
Unsecured			
Islamic Trade Financing-i		7,564	11,544
		47,779	55,259
Transfer to assets held for sale	20	(9,215)	(13,715)
		38,564	41,544
		1,239,070	1,241,054



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35. Group Borrowings (continued)

Maturity analysis

Tenure	Year of maturity	SUKUK	Other Financial Instruments	TOTAL	Foreign Currency denominated loan
		RM'000	RM'000	RM'000	USD'000
1-2 years	2019	-	37,564	37,564	-
2-3 years	2020	40,000	29,500	69,500	-
3-4 years	2021	75,000	30,000	105,000	-
4-5 years	2022	100,000	30,000	130,000	1,000
5-6 years	2023	105,000	33,000	138,000	2,000
6-7 years	2024	110,000	37,000	147,000	2,000
7-8 years	2025	120,000	39,500	159,500	2,000
8-9 years	2026	145,000	24,859	169,859	4,279
9-10 years	2027	200,000	-	200,000	-
10-11 years	2028	-	-	-	-
11-12 years	2029	-	36,536	36,536	-
		895,000	297,959	1,192,959	11,279

36. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at the date of this announcement.

37. Material Litigation

There are no material litigations as at the date of this report.



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38. Earnings Per Share

		UNAUDITED FIRST QUARTER	
		Current Year	Preceding Year
Basic earnings per share			
Profit attributable to shareholders	RM'000	(8,091)	3,232
Weighted average number of ordinary shares in issue	000	883,851	883,851
Basic earnings per share	sen	(0.92)	0.37
Diluted earnings per share			
Profit attributable to shareholders	RM'000	(8,091)	3,232
Weighted average number of ordinary shares in issue	000	883,851	883,851
Effect of dilution		-	-
Adjusted weighted average of ordinary shares in issue	000	883,851	883,851
Diluted earnings per share	sen	(0.92)	0.37

39. Authorisation For Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 27 May 2019.

By Order of the Board
Aliatun binti Mahmud
LS0008841
Secretary

Kuala Lumpur
27 May 2019