



TH Plantations Berhad

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

QUARTERLY REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors are pleased to announce the unaudited consolidated results for the year ended 31 December 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		UNAUDITED			
		FOURTH QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
	Note				
Revenue	27	136,247	118,622	493,650	519,324
Fair value changes on biological Assets	18	787	(13,757)	11,031	(9,856)
Fair value changes on forestry		(43,215)	(134,300)	(43,215)	(134,300)
Cost of sales		(105,255)	(147,935)	(414,362)	(484,229)
Gross profit/ (loss)		(11,436)	(177,370)	47,104	(109,061)
Other income	7	6,300	3,893	8,956	8,308
Administrative expenses	8	(14,300)	(9,996)	(37,986)	(48,084)
Other expenses	9	(130,965)	(460,074)	(189,085)	(463,269)
Results from operating Activities		(150,401)	(643,547)	(171,011)	(612,106)
Profit margin income from short-term investments and receivables		313	243	648	1,001
Finance cost	10	(14,010)	(20,741)	(74,647)	(67,006)
Net finance cost		(13,697)	(20,498)	(73,999)	(66,005)
Loss before tax	27	(164,098)	(664,045)	(245,010)	(678,111)
Tax expense	31	(37,377)	20,068	(28,125)	19,729
Loss for the year	27	(201,475)	(643,977)	(273,135)	(658,382)
Other comprehensive (expense)/ 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		(3,011)	2,834	(1,566)	(4,062)
Remeasurement on defined benefit liability		25	(185)	25	(185)
Other comprehensive (expense)/ income, net of tax		(2,986)	2,649	(1,541)	(4,247)
Total comprehensive expense for the year		(204,461)	(641,328)	(274,676)	(662,629)



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

		UNAUDITED			
		FOURTH QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Loss attributable to:	Owners of the Company	(167,648)	(578,237)	(226,498)	(594,608)
	Non-controlling interests	(33,827)	(65,740)	(46,637)	(63,774)
Loss for the year		(201,475)	(643,977)	(273,135)	(658,382)
Total comprehensive expense attributable to:					
	Owners of the Company	(170,425)	(575,774)	(227,931)	(598,558)
	Non-controlling interests	(34,036)	(65,554)	(46,745)	(64,071)
Total comprehensive expense for the year		(204,461)	(641,328)	(274,676)	(662,629)
Basic earnings per ordinary share (sen)	38	(18.97)	(65.42)	(25.63)	(67.27)
Diluted earnings per ordinary share (sen)	38	(18.97)	(65.42)	(25.63)	(67.27)

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 31.12.2019	As at 31.12.2018
		RM'000	RM'000
Assets			
Property, plant and equipment		770,110	1,765,183
Right-of-use – property, plant and equipment		638,035	-
Plantation development expenditure	14	111,410	84,842
Intangible assets	15	-	-
Forestry	16	6,385	49,825
Other investments	17	1,825	1,825
Deferred tax assets		37,964	54,166
Total non-current assets		1,565,729	1,955,841
Inventories		7,902	19,634
Current tax assets		6,744	15,166
Biological assets	18	35,405	35,658
Other investments	17	1,239	1,888
Trade and other receivables		31,375	36,899
Prepayments and other assets		8,022	7,745
Cash and cash equivalents	19	68,953	50,561
		159,640	167,551
Assets classified as held for sale	20	1,011,233	744,911
Total current assets		1,170,873	912,462
Total assets		2,736,602	2,868,303



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 31.12.2019	As at 31.12.2018
		RM'000	RM'000
Equity			
Capital and reserve		768,571	770,004
(Accumulated loss)/ Retained earnings		(204,143)	22,355
Equity attributable to owners of the Company		564,428	792,359
Non-controlling interests		253,375	302,736
Total equity		817,803	1,095,095
Liabilities			
Loans and borrowings	35	1,139,644	1,199,510
Lease liabilities		68,918	-
Employee benefits		730	542
Deferred tax liabilities		193,102	252,542
Trade and other payables		9,826	10,388
Total non-current liabilities		1,412,220	1,462,982
Loans and borrowings	35	139,771	41,544
Lease liabilities		7,808	-
Trade and other payables		187,747	202,701
Current tax liabilities		687	1
Liabilities classified as held for sale	20	336,013	244,246
		170,566	65,980
Total current liabilities		506,579	310,226
Total liabilities		1,918,799	1,773,208
Total equity and liabilities		2,736,602	2,868,303
Net tangible assets per share (RM)		0.64	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 YEAR ENDED 31 DECEMBER 2019

Group	Note	/-----Attributable to owners of the Company-----/ /-----Non-distributable-----/					Total capital reserve RM'000	Distributable (Accumulated loss)/ Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Other reserve RM'000	Share Option reserve RM'000	Exchange reserve 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)	(284)	(4,062)
Remeasurement loss on defined benefit liability		-	-	(172)	-	-	(172)	-	(172)	(13)	(185)
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 YEAR ENDED 31 DECEMBER 2019 (continued)

Group	Note	/-----Attributable to owners of the Company-----/ /-----Non-distributable-----/						Distributable (Accumulated loss)/ Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Other reserve RM'000	Share Option reserve RM'000	Exchange reserve RM'000	Total capital reserve RM'000				
At 1 January 2019		862,752	-	(80,958)	-	(11,790)	770,004	22,355	792,359	302,736	1,095,095
Foreign currency translation differences for foreign operations		-	-	-	-	(1,456)	(1,456)	-	(1,456)	(110)	(1,566)
Remeasurement loss on defined benefit liability		-	-	23	-	-	23	-	23	2	25
Total other comprehensive income for the year		-	-	23	-	(1,456)	(1,433)	-	(1,433)	(108)	(1,541)
Loss for the year		-	-	-	-	-	(226,498)	(226,498)	(226,498)	(46,637)	(273,135)
Total comprehensive income for the year		-	-	23	-	(1,456)	(1,433)	(226,498)	(227,931)	(46,745)	(274,676)
<i>Contribution by and distribution to owners of the Group</i>											
Dividends to owners of the Company		-	-	-	-	-	-	-	-	-	-
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	(2,616)	(2,616)
Total transactions with owners of the Group		-	-	-	-	-	-	-	-	(2,616)	(2,616)
At 31 December 2019		862,752	-	(80,935)	-	(13,246)	768,571	(204,143)	564,428	253,375	817,803

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 YEAR ENDED 31 DECEMBER 2019

	FOR THE YEAR ENDED	
	31.12.2019	31.12.2018
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(245,010)	(678,111)
Adjustment for non-cash items	367,400	764,283
Operating profit before changes in working capital	122,390	86,172
Net changes in working capital	28,690	62,602
Cash generated from operations	151,080	148,774
Profit margin income from short-term investments and other receivables	648	1,001
Finance cost	(76,303)	(72,795)
Tax paid	(14,951)	(26,844)
Tax refund	1,463	2,364
Net cash generated from operating activities	61,937	52,500
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,860)	(17,816)
Decrease in other investment	649	1,400
Plantation development expenditure	(42,066)	(54,068)
Forestry	(11,479)	(25,290)
Proceeds from disposal of property, plant and equipment	145	116
Net cash used in investing activities	(60,611)	(95,658)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

	Note	FOR THE YEAR ENDED	
		31.12.2019	31.12.2018
		RM'000	RM'000
Cash flows from financing activities			
Dividends paid to owners of the Company		(157)	(18,155)
Dividends paid to non-controlling interest		(4,314)	-
(Decrease)/ Increase in amount due to holding corporation		(1,094)	(965)
Proceeds from drawdown of loans and borrowings		67,642	47,322
Proceeds from drawdown of tradeline		120,058	128,047
Loan repayment		(165,046)	(161,360)
Net cash generated from financing activities		17,089	(5,111)
Net increase/ (decrease) in cash and cash equivalents		18,415	(48,269)
Cash and cash equivalents at 1 January		50,969	99,238
Cash and cash equivalents at end of the year		69,384	50,969

Cash and cash equivalents comprise:

		FOR THE YEAR ENDED	
		31.12.2019	31.12.2018
		RM'000	RM'000
Deposits		59,662	38,132
Less: Other investments		(1,239)	(1,888)
	19	58,423	36,244
Cash and bank balances	19	10,961	14,725
		69,384	50,969



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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.

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, Leases and related interpretations.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Effects of the change in accounting policy on the financial position of the Group as at 1 January 2019 are as follows:

	As previously stated RM'000	Effect of adoption of MFRS 16 RM'000	As restated RM'000
Non-current assets			
Property, plant and equipment	1,765,183	(658,656)	1,106,527
Right Of Use assets	-	766,383	766,383
Non-current liabilities			
Lease liabilities	-	107,727	107,727

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 :



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- (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 annually. 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.
- (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) **Lease**
The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.



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(v) **Forestry**

The fair value of the assets is determined using valuation prepared by external, licensed independent property valuer as at 31 December 2019.

(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 was no unusual item affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review because of its nature, size and incidence, other than as follow:

- (i) the recognition of impairment loss on the Group's goodwill in relation to Hydroflow Sdn. Bhd., of RM9,761,000 after assessment based on fair value less cost to sell derived by a register valuer;
- (ii) the recognition of impairment loss on the Group's rights of use assets, of RM15,605,000 after assessment based on fair value less cost to sell derived by a register valuer;
- (iii) the recognition of impairment loss on the Group's plantation development expenditure, of RM50,446,000 after assessment based on fair value less cost to sell derived by a register valuer; and
- (iv) the recognition of impairment loss on the Group's property, plant and equipment, of RM110,161,000 after assessment based on fair value less cost to sell derived by a register valuer



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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
- d) Foreign exchange gain

31.12.2019 RM'000	31.12.2018 RM'000
-	5,192
1,571	1,524
3,903	1,592
3,482	-
8,956	8,308

8. Administrative expenses

Administrative expenses consist of the followings:

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

31.12.2019 RM'000	31.12.2018 RM'000
24,213	28,188
4,621	4,722
-	2,928
9,152	12,246
37,986	48,084

* 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) PPE written off
- c) Plantation development expenditure ("PDE") written off
- d) Impairment loss on amount due from related companies
- e) Impairment loss on ROU
- f) Impairment loss on PPE
- g) Impairment loss on PDE
- h) Impairment loss on intangible asset
- i) Impairment loss on other receivables
- j) Nurseries written off
- k) Miscellaneous expenses

	31.12.2019 RM'000	31.12.2018 RM'000
a) Head Office Depreciation	1,289	1,319
b) PPE written off	250	33,768
c) Plantation development expenditure ("PDE") written off	-	12,028
d) Impairment loss on amount due from related companies	506	4,317
e) Impairment loss on ROU	15,605	-
f) Impairment loss on PPE	110,161	258,971
g) Impairment loss on PDE	50,446	83,193
h) Impairment loss on intangible asset	9,761	63,504
i) Impairment loss on other receivables	-	2,396
j) Nurseries written off	-	3,116
k) Miscellaneous expenses	1,067	657
	189,085	463,269

10. Finance cost

Finance cost on:

- loans and borrowings
- profit margin expense on related companies
- profit margin expense on external
- lease liability
- profit margin expense to non- controlling interest

	31.12.2019 RM'000	31.12.2018 RM'000
- loans and borrowings	62,809	63,877
- profit margin expense on related companies	273	3,129
- profit margin expense on external	2,759	-
- lease liability	8,185	-
- profit margin expense to non- controlling interest	621	-
	74,647	67,006



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

There were no changes in estimates that have a material effect in the financial year to date save as below:

During the financial year ended 31 December 2019, the Group reviewed the annual production yield table to reflect the potential yield production for each estate in the Group.

The effect of these changes on amortisation expenses, recognised in cost of sales, in current and future periods is as follows:

	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Decrease in amortisation charge	(1,845)	(799)	(1,686)	(1,149)	(821)

12. Changes in Debt and Equity Securities

During the year under review, The Group carried out the following:

- Drawdown of USD1.9 million (RM7.7 million at an exchange rate of 1USD:RM4.0750) Commodity Murabahah Term Financing-i at an effective profit margin rate of 5.36%.
- Drawdown of RM60.0 million Commodity Murabahah Revolving-i at an effective profit margin rate of 5.64%.
- Repayment of RM30.0 million Commodity Murabahah Term Financing-i at an effective profit margin rate of 5.85%.
- Repayment of RM13.72 million Flexi Term Financing-i at an effective profit margin rate of 5.43%.

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

13. Dividends

There were no dividends declared nor paid during the year ended 31 December 2019.



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14. Plantation development expenditure

	Note	31.12.2019 RM'000	31.12.2018 RM'000
At 1 January		84,842	318,423
Additions during the year		52,179	64,374
Addition of nurseries		1,706	3,223
Transfer from assets held for sale		133,718	-
Transfer to property, plant and equipment		(76,957)	(68,238)
Write off		-	(12,028)
Impairment		(50,446)	(83,193)
Effect of movement in exchange rate		2,610	(4,001)
Transfer to assets held for sale	20	(36,242)	(133,718)
		111,410	84,842

15. Intangible assets

Cost	31.12.2019 RM'000	31.12.2018 RM'000
Current		
At 1 January	-	73,265
Transfer from assets held for sale	9,761	-
Impairment	(9,761)	(63,504)
Transfer to assets held for sale	-	(9,761)
	-	-

16. Forestry

	31.12.2019 RM'000	31.12.2018 RM'000
At 1 January	49,825	187,956
Addition during the year	25,373	26,005
Transfer from nurseries	(13,385)	(2,393)
Additions of nurseries	-	1,678
Addition charged to profit and loss	(12,213)	(26,005)
Change in fair value recognised to profit or loss	(43,215)	(134,300)
Write off	-	(3,116)
	6,385	49,825



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17. Other investments

	31.12.2019 RM'000	31.12.2018 RM'000
Non-current		
Fair value through profit or loss	1,825	1,825
Current		
Amortised cost	1,239	1,888
	3,064	3,713

18. Biological assets

	Note	31.12.2019 RM'000	31.12.2018 RM'000
At 1 January		35,658	52,105
Transfer from asset held for sale		6,591	
Change in fair value recognised to profit or loss		11,031	(9,856)
Less: Transfer to assets held for sale	20	(17,875)	(6,591)
		35,405	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	31.12.2019 RM'000	31.12.2018 RM'000
Deposits placed with licensed banks		58,423	36,244
Cash and bank balances		10,961	14,725
Transfer to assets held for sale	20	69,384 (431)	50,969 (408)
		68,953	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").

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) on 27 February 2019.

Subsequently, on 1 August 2019, the Board of Directors had approved the proposal to dispose four additional subsidiary companies which are THP Saribas Sdn. Bhd. ("THPS"), THP Ibok Sdn. Bhd. ("THPI"), TH PELITA Gedong Sdn. Bhd. and TH PELITA Sadong Sdn. Bhd.

Efforts to sell have commenced, and sale is expected to be completed within twelve (12) months from the approval date except for HYD, THB, THUJ, PTPKP, THPS and THPI of which the Board is of the opinion that completion will take more than 12 months, hence those companies were 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	31.12.2019 RM'000
Property, plant and equipment ("PPE")	a	643,017
Right-of-use ("ROU")		271,568
Plantation development expenditure ("PDE")		36,242
Deferred tax assets		25,225
Biological assets		17,875
Inventories		1,827
Current tax assets		4,743
Trade and other receivables		10,147
Prepayment and Other assets		158
Cash and cash equivalents		431
		<u>1,011,233</u>

Liabilities classified as held for sale

Lease liabilities	34,961
Deferred tax liability	83,433
Payables and accruals	52,172
	<u>170,566</u>

Note

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

	RM'000
Cost	900,871
Accumulated depreciation	(257,854)
	<u>643,017</u>



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21. Operating segments

	Oil palm Plantation	Forestry	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
RESULTS FOR 3 MONTHS ENDED				
31 DECEMBER 2019				
External operating revenue	136,247	-	-	136,247
Inter-segment revenue	42,450	-	(42,450)	-
Total operating revenue	178,697	-	(42,450)	136,247
Fair value change in biological assets	787	-	-	787
Fair value change in forestry	-	(43,215)	-	(43,215)
Other income	28,136	64	(21,587)	6,613
Operating expenses	207,620	(43,151)	(64,037)	100,432
Segment results	(126,943)	(2,898)	24,586	(105,255)
Other expenses	80,677	(46,049)	(39,451)	(4,823)
Finance cost	(195,664)	(149)	50,548	(145,265)
Loss before tax	(31,745)	(2,990)	20,725	(14,010)
Loss before tax	(146,732)	(49,188)	31,822	(164,098)
RESULTS FOR 3 MONTHS ENDED				
31 DECEMBER 2018				
External operating revenue	118,622	-	-	118,622
Inter-segment revenue	44,594	-	(44,594)	-
Total operating revenue	163,216	-	(44,594)	118,622
Fair value change in biological assets	(13,757)	-	-	(13,757)
Fair value change in forestry	-	(134,300)	-	(134,300)
Other income	25,504	3,703	(25,071)	4,136
Operating expenses	174,963	(130,597)	(69,665)	(25,299)
Segment results	(154,142)	(3,009)	9,216	(147,935)
Other expenses	20,821	(133,606)	(60,449)	(173,234)
Finance cost	(479,463)	(3,261)	12,654	(470,070)
Loss before tax	(35,041)	(4,009)	18,309	(20,741)
Loss before tax	(493,683)	(140,876)	(29,486)	(664,045)



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21. Operating segments (continued)

	Oil palm Plantation	Forestry	Elimination	Consolidated
RESULTS UP TO YEAR ENDED 31 DECEMBER	RM'000	RM'000	RM'000	RM'000
2019				
External operating revenue	493,650	-	-	493,650
Inter-segment revenue	95,505	-	(95,505)	-
Total operating revenue	589,155	-	(95,505)	493,650
Fair value change in biological assets	11,031	-	-	11,031
Fair value change in forestry	-	(43,215)	-	(43,215)
Other income	86,339	86	(76,821)	9,604
Operating expenses	686,525	(43,129)	(172,326)	471,070
Segment results	(483,189)	(5,634)	74,461	(414,362)
Other expenses	203,336	(48,763)	(97,865)	56,708
Other expenses	(267,254)	(398)	40,581	(227,071)
Finance cost	(138,457)	(11,581)	75,391	(74,647)
Loss before tax	(202,375)	(60,742)	18,107	(245,010)
RESULTS FOR THE YEAR ENDED 31 DECEMBER	RM'000	RM'000	RM'000	RM'000
2018				
External operating revenue	519,324	-	-	519,324
Inter-segment revenue	102,899	-	(102,899)	-
Total operating revenue	622,223	-	(102,899)	519,324
Fair value change in biological assets	(9,856)	-	-	(9,856)
Fair value change in forestry	-	(134,300)	-	(134,300)
Other income	98,918	5,295	(94,904)	9,309
Operating expenses	711,285	(129,005)	(197,803)	384,477
Segment results	(515,307)	(16,809)	47,887	(484,229)
Other expenses	195,978	(145,814)	(149,916)	(99,752)
Other expenses	(546,005)	(3,632)	38,284	(511,353)
Finance cost	(123,268)	(10,717)	66,979	(67,006)
Profit/ (Loss) before tax	(473,295)	(160,163)	(44,653)	(678,111)



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21. Operating segments (continued)

	Oil palm Plantation	Forestry	Elimination	Consolidated
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2019	RM'000	RM'000	RM'000	RM'000
Assets that belong to the Group	4,258,822	23,297	(1,545,517)	2,736,602
Total Assets	4,258,822	23,297	(1,545,517)	2,736,602
Liabilities that belong to the Group	3,371,648	206,596	(1,659,445)	1,918,799
Total liabilities	3,371,648	206,596	(1,659,445)	1,918,799
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

During the year, certain assets of the Group has been valued by Independent professional's valuers.

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 26 February 2020.

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

Approved and contracted for
Approved but not contracted for

31.12.2019 RM'000
-
73,265
73,265

26. Material Related Party Transactions

			For the year ended 31.12.2019
Transacting Parties	Relationship	Nature of transactions	RM'000
Transactions with THP Lembaga Tabung Haji	Holding Corporation	Lease of land	2,928
Transactions with THP Group Syarikat Takaful Malaysia TH Travel Sdn Bhd Deru Semangat Sdn Bhd	Related Company Related company Related Company	Insurance premium Purchase flight tickets Management fees	4,397 362 325

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 YEAR TODATE		VARIANCE	
	CURRENT YEAR	PRECEDING YEAR		
	31.12.2019	31.12.2018	RM'000	%
	RM'000	RM'000		
Revenue	493,650	519,324	(25,674)	(4.94)
Fair value changes on biological assets	11,031	(9,856)	20,887	211.92
Fair value changes on forestry	(43,215)	(134,300)	91,085	67.82
Operating profit/ (loss)	47,104	(109,061)	156,165	143.19
Loss Before Interest and Tax ("LBIT")	(171,011)	(612,106)	441,095	72.06
Loss Before Tax ("LBT")	(245,010)	(678,111)	433,101	63.87
Loss after Tax ("LAT")	(273,135)	(658,382)	385,247	58.51
Loss attributable to owners of the Company ("LATAMI")	(226,498)	(594,608)	368,110	61.91

	YEAR TODATE		VARIANCE	
	2019	2018		
	MT	MT	MT	%
Sales volume				
Crude palm oil	194,477	182,319	12,158	6.67
Palm kernel	43,236	39,254	3,982	10.14
FFB	159,652	160,297	(645)	(0.40)

	YEAR TODATE		VARIANCE	
	2019	2018		
	RM/MT	RM/MT	RM/MT	%
Average realised prices				
Crude palm oil	1,968	2,121	(153)	(7.21)
Palm kernel	1,172	1,709	(537)	(31.42)
FFB	377	408	(31)	(7.60)



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

Overall

The Group's revenue for the financial year ended 31 December 2019 declined by 4.94% to RM493.65 million due to lower average realised prices for CPO, PK and FFB. The Group incurred loss before taxation of RM245.01 million as compared to a bigger loss of RM678.1 million in previous year. The decrease was due to higher fair value changes on biological assets, lower changes in negative fair value of forestry and lower impairment of property, plant and equipment ("PPE"), plantation development expenditure ("PDE") and intangible assets amounting to RM186.22 million. Excluding impairment, LBT for the Group was RM58.79million.

Plantation sector

In FY19, FFB production increased by 0.74% to 917,071 MT with FFB yield per hectare of 18.18 MT/ha. OER increased to 20.05% compared to 19.94% achieved in the same period last year. With the improved operational performance, the plantation sector recorded a lower LBT of RM 202.38 million compared to the LBT of RM 473.29 million in FY18. The lesser LBT was mainly attributed to lower impairment of PPE, PDE and intangible assets recognised during the year amounting to RM 186.22 million compared to RM 451.46 million in FY18.

Forestry sector

For FY19, the forestry sector recorded a LBT of RM60.74 million, lower by 62.07% as compared to a loss of RM160.16 million in FY18. This is a result of a lower changes in negative fair value of forestry in FY19.



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

	2019	2019	VARIANCE	
	Quarter 4	Quarter 3	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	136,247	136,007	240	0.18
Fair value changes on biological assets	787	7,115	(6,328)	(88.94)
Fair value changes on forestry	(43,215)	-	(43,215)	(100.00)
Operating (loss)/ profit	(11,436)	32,704	(44,140)	(134.97)
Loss Before Interest and Tax ("LBIT")	(150,401)	(28,882)	(121,519)	(420.74)
Loss Before Tax ("LBT")	(164,098)	(48,791)	(115,307)	(236.33)
Loss after Tax ("LAT")	(201,475)	(40,013)	(161,462)	(403.52)
Loss attributable to owners of the Company ("LATAMI")	(167,648)	(31,609)	(136,039)	(430.38)

	2019	2019	VARIANCE	
	Quarter 4	Quarter 3	MT	%
	MT	MT	MT	%
Sales volume				
Crude palm oil	47,120	54,736	(7,616)	(13.91)
Palm kernel	10,170	12,310	(2,140)	(17.38)
FFB	50,822	50,568	254	0.50

	2019	2019	VARIANCE	
	Quarter 4	Quarter 3	RM/MT	%
	RM/MT	RM/MT	RM/MT	%
Average realised prices				
Crude palm oil	2,133	1,916	217	11.33
Palm kernel	1,286	1,105	181	16.38
FFB	445	345	100	28.99



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

Overall

The Group's revenue increased by 0.18% to RM136.25 million compared to the preceding quarter. The Group registered a higher LBT of RM164.10 million as compared to LBT of RM48.79 million in 3Q19 due to:

- a) Lower fair value change in biological asset by RM6.33 million,
- b) Higher other expenses amounting to RM75.76 million as a result of higher impairment on ROU, PDE and PPE recognised during the current quarter
- c) Higher changes in negative fair value of forestry recognised amounting to RM43.22 million.

Plantation sector

The Plantation sector registered a higher operating profit of RM16.91 million as compared to RM35.63 million in 3Q19 mainly contributed by higher revenue. However, the sector's recorded higher LBT of RM146.73 million in the current quarter compared to a LBT of RM34.27 million in the preceding quarter due to:

- a) Lower fair value change in biological asset by RM6.33 million,
- b) Higher other expenses as a result of higher impairment on PDE and PPE recognised during the current quarter.

Forestry sector

For 4Q19, the forestry sector registered a higher LBT of RM49.19 million compared to RM3.59 million LBT in preceding quarter. This is due to higher changes in negative fair value of forestry recognised during 4Q19 as compared to the preceding quarter.



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29. Current Year Prospects

Overall production for the industry had marginally improved in the FY2019 compared to FY2018. However, prices of palm oil commodities remained low on yearly average, thus increasing pressure on profitability across the industry.

Global palm oil production was forecasted to increase to 78 million tonnes, amid lower than expected growth in top growers due to drought and lower fertilizer usage affects yields. Factors shaping demand USA- China trade war, protectionist or punitive policies, EU policy on environmental interests and coronavirus epidemic's impact.

However, we are optimistic with the upward trend in prices in line with the global concern on lower supply of CPO arising from adverse weather, poor input of fertilizer, demand from the enforcement of higher biodiesel mandates in Indonesia (B30%) & Malaysia (B20%) and lower closing stock in 2019.

The Group anticipate similar production on the back of improved operational efficiencies in the near future. However, the Group's performance is also highly contingent on palm oil commodity prices which are expected to remain largely subdued at the current global economy climate.

30. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast during the year under review.

31. Taxation

	FOURTH QUARTER		CUMULATIVE QUARTER	
	Current year RM000	Preceding year RM000	Current year RM000	Preceding year RM000
Current	(5,975)	499	(14,025)	(12,684)
Deferred	(31,402)	19,569	(14,100)	32,413
	(37,377)	20,068	(28,125)	19,729

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

Current year tax was higher compared to preceding 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.



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33. Quoted Investments

There were no purchases of quoted investments during the year under review.

34. Status of Corporate Proposals

- a) On 5 December 2019, the company had entered into A Conditional Sale and Purchase of Shares Agreement with Tamaco Plantation Sdn. Bhd. to dispose 100% equity interests in BSV and MWM for a total consideration of RM170 million.
- b) On 31 December 2019, THP had entered into a Heads of Agreement ("HOA") with TDM Berhad ("TDM") to dispose 70% equity interests in THP-YT Plantation Sdn. Bhd. ("THP-YT") for a cash consideration of RM7.0 million and settlement of RM62.0 million being part of the inter-company advances by THP-YT to THP Suria Mekar Sdn. Bhd., a wholly-owned subsidiary of the Company.

As at announcement date, proposal (a) has yet to be completed, pending completion of certain conditions precedent.

Save as disclosed above, there are no other corporate proposals announced but not completed as at end of year review.



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35. Group Borrowings

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

	Note	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Non-current			
Secured			
Commodity Murabahah Term Financing-i (THPS)		200,482	229,819
Commodity Murabahah Term Financing-i (PTPKP)		46,254	38,612
Unsecured			
SUKUK Murabahah			
Medium Term Notes		855,000	895,000
Term Financing		37,908	36,079
		1,139,644	1,199,510
Current			
Secured			
Flexi Term Financing-i		-	13,715
Commodity Murabahah Term Financing-i (THPS)		29,500	30,000
Commodity Murabahah Revolving-i		60,000	-
Unsecured			
SUKUK Murabahah			
Medium Term Notes		40,000	-
Islamic Trade Financing-i		10,271	11,544
		139,771	55,259
Transfer to assets held for sale	20	-	(13,715)
		139,771	41,544
		1,279,415	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	2020	40,000	99,771	139,771	-
2-3 years	2021	75,000	30,000	105,000	-
3-4 years	2022	100,000	30,000	130,000	1,000
4-5 years	2023	105,000	33,000	138,000	2,000
5-6 years	2024	110,000	37,000	147,000	2,000
6-7 years	2025	120,000	39,500	159,500	2,000
7-8 years	2026	145,000	30,982	175,982	4,279
8-9 years	2027	200,000	-	200,000	-
9-10 years	2028	-	-	-	-
10-11 years	2029	-	37,908	37,908	-
		895,000	338,161	1,233,161	11,279*

Total borrowings

Local currency denominated loan

Foreign currency denominated loan (USD 11.28 million)

31.12.2019
RM'000

1,233,161

46,254

1,279,415

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 is no material litigations as at the date of this report.



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38. Earnings Per Share

		UNAUDITED FOURTH QUARTER		UNAUDITED CUMULATIVE	
		Current Year	Preceding Year	Current Year	Preceding Year
Basic earnings per share					
Loss attributable to shareholders	RM'000	(167,648)	(578,237)	(226,498)	(594,608)
Weighted average number of ordinary shares in issue	000	883,851	883,851	883,851	883,851
Basic loss per share	sen	(18.97)	(65.42)	(25.63)	(67.27)
Diluted earnings per share					
Loss attributable to shareholders	RM'000	(167,648)	(578,237)	(226,498)	(594,608)
Weighted average number of ordinary shares in issue	000	883,851	883,851	883,851	883,851
Effect of dilution		-	-	-	-
Adjusted weighted average of ordinary shares in issue	000	883,851	883,851	883,851	883,851
Diluted loss per share	sen	(18.97)	(65.42)	(25.63)	(67.27)

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 26 February 2020.

By Order of the Board
Aliatun binti Mahmud
LS0008841
Secretary

Kuala Lumpur
26 February 2020