

TH PLANTATIONS BERHAD

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

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014

The Directors have pleasure in announcing the unaudited consolidated results for the second quarter ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	UNAUDITED SECOND QUARTER		UNAUDITED CUMULATIVE	
		CURRENT YEAR 30.06.14	PRECEDING YEAR 30.06.13	CURRENT YEAR 30.06.14	PRECEDING YEAR 30.06.13
		RM'000	RM'000	RM'000	RM'000
Revenue	19 (a)	132,589	95,805	256,835	185,258
Cost of sales		(80,955)	(59,749)	(162,821)	(116,996)
Depreciation and amortisation		(20,383)	(17,062)	(40,408)	(34,259)
Gross profit		31,251	18,994	53,606	34,003
Other income		2,716	1,220	3,597	2,012
Administrative expenses		(4,712)	(4,987)	(8,488)	(9,564)
Other expenses		(1,173)	(1,750)	(1,803)	(2,998)
Depreciation		(243)	(299)	(474)	(596)
Zakat expense		(15)	-	(204)	-
Profit from operations		27,824	13,178	46,234	22,857
Finance costs		(6,382)	(5,748)	(12,917)	(10,378)
Profit before tax	19 (b)	21,442	7,430	33,317	12,479
Tax expense	23	5,063	3,037	1,491	4,237
Profit for the quarter		26,505	10,467	34,808	16,716
Other comprehensive income ,net of tax					
Foreign currency translation differences for foreign operations		58	-	58	-
Other comprehensive income ,net of tax		58	-	58	-
Total comprehensive income for the quarter		26,563	10,467	34,866	16,716
Profit attributable to:					
Owners of the Company		20,152	7,104	25,767	10,313
Non-Controlling Interests		6,353	3,363	9,041	6,403
Profit for the quarter		26,505	10,467	34,808	16,716
Total comprehensive income attributable to:					
Owners of the Company		20,206	7,104	25,821	10,313
Non-Controlling Interests		6,357	3,363	9,045	6,403
Total comprehensive income for the quarter		26,563	10,467	34,866	16,716
Earnings per share (sen) :					
Basic earnings per share	32	2.28	0.81	2.92	1.18
Diluted earnings per share	32	2.21	0.79	2.82	1.15

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30.06.14 RM'000 (unaudited)	As at 31.12.13 RM'000 (audited)
Assets			
Property, plant & equipment	28	2,237,962	1,961,740
Plantation development expenditure		636,281	831,655
Intangible assets	10	73,265	73,265
Other investment		599	599
Total non-current assets		<u>2,948,107</u>	<u>2,867,259</u>
Inventories		33,528	39,238
Current tax assets		13,036	9,499
Trade and other receivables		61,459	77,335
Prepayments and other assets		4,074	3,451
Cash and cash equivalents		98,630	145,235
		<u>210,727</u>	<u>274,758</u>
Assets classified as held for sale	11	34,566	35,281
Total current assets		<u>245,293</u>	<u>310,039</u>
Total assets		<u><u>3,193,400</u></u>	<u><u>3,177,298</u></u>
Equity			
Share capital		441,865	440,256
Reserves		745,538	748,999
Total equity attributable to equity holders of the Company		<u>1,187,403</u>	<u>1,189,255</u>
Non-controlling interests		<u>405,396</u>	<u>396,726</u>
Total equity		<u><u>1,592,799</u></u>	<u><u>1,585,981</u></u>
Liabilities			
Deferred tax liabilities		291,764	300,017
Loans and borrowings	29	1,037,048	997,513
Trade and other payables		12,173	11,885
Total non-current liabilities		<u>1,340,985</u>	<u>1,309,415</u>
Current liabilities			
Trade and other payables		239,878	264,963
Loan and borrowings	29	10,000	10,000
Current tax liabilities		6,746	3,716
		<u>256,624</u>	<u>278,679</u>
Liabilities classified as held for sale	11	2,992	3,223
Total current liabilities		<u>259,616</u>	<u>281,902</u>
Total liabilities		<u><u>1,600,601</u></u>	<u><u>1,591,317</u></u>
Total equity and liabilities		<u><u>3,193,400</u></u>	<u><u>3,177,298</u></u>
Net tangible assets per share (RM)		<u>1.34</u>	<u>1.35</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2014

	Attributable to equity holders of the Company									
	Non-distributable					Distributable				
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Translation reserve RM'000	Share Option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling Interests RM'000	Total RM'000	
At 1 January 2013	364,178	484,206	(82,557)	-	4,317	348,942	1,119,086	393,899	1,512,985	
Profit/ Total comprehensive income for the year	-	-	-	-	-	63,107	63,107	13,394	76,501	
Total comprehensive income for the year	-	-	-	-	-	63,107	63,107	13,394	76,501	
Adjustment on fair value of ESOS after bonus issue	-	-	-	-	(492)	-	(492)	-	(492)	
Issuance of ordinary shares pursuant to ESOS	2,990	6,441	-	-	(1,002)	-	8,429	-	8,429	
Issuance of ordinary shares-Bonus issue	73,088	(73,088)	-	-	-	-	-	-	-	
Dividends to shareholders of the Company	-	-	-	-	-	(7,303)	(7,303)	-	(7,303)	
Investment from non-controlling interests	-	-	-	-	-	-	-	1,241	1,241	
Dividends to non-controlling interests	-	-	-	-	-	6,428	6,428	(11,808)	(5,380)	
At 31 December 2013 (audited)	440,256	417,559	(82,557)	-	2,823	411,174	1,189,255	396,726	1,585,981	
At 1 January 2014	440,256	417,559	(82,557)	-	2,823	411,174	1,189,255	396,726	1,585,981	
Profit for the quarter	-	-	-	-	-	25,767	25,767	9,041	34,808	
Total comprehensive income for the quarter	-	-	-	54	-	-	54	4	58	
Total comprehensive income for the quarter	-	-	-	54	-	25,767	25,821	9,045	34,866	
Issuance of ordinary shares pursuant to ESOS	1,609	3,159	-	-	(476)	-	4,292	-	4,292	
Dividends to shareholders of the Company	-	-	-	-	-	(31,965)	(31,965)	-	(31,965)	
Investment from non-controlling interests	-	-	-	-	-	-	-	1,095	1,095	
Dividends to non-controlling interests	-	-	-	-	-	-	-	(1,470)	(1,470)	
At 30 June 2014 (unaudited)	441,865	420,718	(82,557)	54	2,347	404,976	1,187,403	405,396	1,592,799	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER 30 JUNE 2014**

	Note	FOR THE SECOND QUARTER ENDED	
		30.06.14 RM'000 (unaudited)	30.06.13 RM'000 (unaudited)
Cash flows from operating activities			
Profit before tax		33,317	12,479
Adjustment for non-cash flow items		51,645	43,380
Operating profit before changes in working capital		<u>84,962</u>	<u>55,859</u>
Changes in working capital			
Net changes in working capital		(6,629)	66,334
Cash generated from operations		<u>78,333</u>	<u>122,193</u>
Borrowing cost paid		(14,025)	(13,059)
Profit margin income from short term Islamic deposits and inter-company receivables		611	929
Tax paid		(14,552)	(16,641)
Tax refund		3,693	1,772
Net cash generated from operating activities		<u>54,060</u>	<u>95,194</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(17,077)	(73,372)
Acquisition of subsidiaries, net cash acquired	15	(12,622)	(264,137)
Decrease in deposits pledged		3,781	1,403
Plantation development expenditure		(83,150)	(77,162)
Net cash used in investing activities		<u>(109,068)</u>	<u>(413,268)</u>
Cash flows from financing activities			
Repayment of loans and borrowings		(465)	(61,765)
Dividends paid to shareholders of the Company		(31,630)	(33,402)
Proceeds from issuance of SUKUK Murabahah		40,000	430,000
Proceeds from loan drawdown		-	26,154
Proceeds from issuance of new shares		4,292	4,879
Net cash generated from financing activities		<u>12,197</u>	<u>365,866</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(42,811)</u>	<u>47,792</u>
Cash and cash equivalents at beginning of the year		<u>141,308</u>	<u>123,764</u>
Cash and cash equivalents at end of the second quarter		<u>98,497</u>	<u>171,556</u>
Cash and cash equivalents comprise:			
Deposits with licensed banks		73,161	142,970
Cash and bank balances		<u>25,469</u>	<u>28,636</u>
		<u>98,630</u>	<u>171,606</u>
Assets classified as held for sale	11	<u>28</u>	-
		<u>98,658</u>	<u>171,606</u>
Less :			
Deposits pledged		(161)	(50)
		<u>98,497</u>	<u>171,556</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

NOTES PART A: EXPLANATORY NOTES PURSUANT TO FRS 134**1 Basis Of Preparation**

The interim financial statements have been prepared under the historical cost convention except where certain item is required to be stated at fair value.

The interim financial statements have been prepared in accordance with the requirements of FRS 134: *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statements.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. 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 2013.

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 2013.

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 2013.

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 in note 15.

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 2013 in their report dated 25 February 2014.

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

7 Changes In Estimated Amounts Reported In Prior Period Which Have Effect On The Current Period

There were no estimated amounts reported in prior period.

8 Changes In Debt And Equity Securities

The company issued:

- (i) RM40 million SUKUK Murabahah ("SUKUK") with maturity periods of 12 years from the date of issuance at effective profit margin rates of 6.10%.
- (ii) 3,218,300 new ordinary shares of RM0.50 each being shares exercised by eligible employees pursuant to THP Employee Share Option Scheme ("ESOS") as follows:

Exercise price per share (RM)	1.52	1.74	2.09
Exercise price per share after adjustment of bonus issue (RM)	1.27	1.45	1.74
No. of shares issued ('000)	2,533	404	281

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

9 Dividends

During the second quarter ended 30 June 2014, the Company declared and paid a final dividend of 3.62 sen per ordinary share in respect of financial year ended 31 December 2013 as approved by shareholders at the Company's AGM on 27 May 2014 amounting to RM31.96 million.

10 Intangible assets

	Note	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Cost			
Balance at the beginning of year		73,416	14,006
Acquisition through business combinations	15	185	59,410
Less: adjustment		<u>(185)</u>	<u>-</u>
		73,416	73,416
Transfer to assets held for sale	11	<u>(151)</u>	<u>(151)</u>
Balance at the end of year		<u>73,265</u>	<u>73,265</u>
Carrying amounts			
Balance at the beginning of year		<u>73,416</u>	<u>14,006</u>
Balance at the end of quarter/ year		<u>73,265</u>	<u>73,265</u>

The recoverable amount of the cash-generating unit was based on value in use.

Value in use of the company was determined by discounting the future cash flows expected to be generated from the continuing use of the units. Value in use as at 30 June 2014 was based on the following key assumptions:

- o Cash flows were projected based on past experiences, actual operating results and the 30 year business plan. Management believes that this 30-year forecast period was justified due to the long-term nature of the oil palm plantation.
- o A pre-tax discount rate of 10% was applied in determining the recoverable amount of the units. The discount rate was estimated based on an industry average weighted cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the oil palm plantation industry and are based on both external sources and internal historical data.

11 Assets/ liabilities held for sale

Investment in subsidiary, TH Bakti Sdn. Bhd. is presented as an asset held for sale following the approval of Board of Directors to sell the whole investment in TH Bakti Sdn. Bhd. on 30 May 2013. Efforts to sell the company has commenced, and a sale is expected by December 2014. Asset classified as held for sale is as below:

Assets classified as held for sale	Note	RM'000
Property, plant & equipment	a	34,191
Intangible asset		151
Inventories		27
Trade and other receivables		166
Deposit and prepayment		3
Cash and cash equivalents		28
		<u>34,566</u>
Liabilities classified as held for sale		
Deferred tax liabilities		2,824
Payables and accruals		167
Current tax liabilities		1
		<u>2,992</u>

Note a

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

	RM'000
Cost	36,194
Accumulated depreciation	<u>(2,003)</u>
	<u>34,191</u>

12 Operating segments

The Group has two reportable segments, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer reviews internal management reports on quarterly basis.

	Plantation RM'000	Management Services RM'000	Elimination RM'000	Consolidated RM'000
RESULTS FOR 3 MONTHS ENDED 30 JUNE 2014				
External operating revenue	132,589	-	-	132,589
Inter-segment revenue	16,992	4,788	(21,780)	-
Total operating revenue	149,581	4,788	(21,780)	132,589
Other income	24,444	-	(21,728)	2,716
	174,025	4,788	(43,508)	135,305
Operating expenses	(97,275)	(6,103)	2,040	(101,338)
Segment results	76,750	(1,315)	(41,468)	33,967
Other expenses	(8,444)	(1,234)	3,535	(6,143)
Finance costs	(22,419)	-	16,037	(6,382)
Profit before tax	45,887	(2,549)	(21,896)	21,442
RESULTS FOR 3 MONTHS ENDED 30 JUNE 2013				
External operating revenue	92,199	3,606	-	95,805
Inter-segment revenue	14,967	4,348	(19,315)	-
Total operating revenue	107,166	7,954	(19,315)	95,805
Other income	21,582	6	(20,368)	1,220
	128,748	7,960	(39,683)	97,025
Operating expenses	(73,480)	(6,486)	3,155	(76,811)
Segment results	55,268	1,474	(36,528)	20,214
Other expenses	(5,324)	(1,257)	(454)	(7,035)
Finance costs	(19,956)	-	14,207	(5,749)
Profit before tax	29,988	217	(22,775)	7,430

	Plantation RM'000	Management Services RM'000	Elimination RM'000	Consolidated RM'000
RESULTS UP TO SECOND QUARTER ENDED 30 JUNE 2014				
External operating revenue	256,117	718	-	256,835
Inter-segment revenue	36,407	9,744	(46,151)	-
Total operating revenue	292,524	10,462	(46,151)	256,835
Other income	48,441	-	(44,844)	3,597
Operating expenses	340,965	10,462	(90,995)	260,432
Segment results	(203,994)	(12,744)	13,509	(203,229)
Other expenses	136,971	(2,282)	(77,486)	57,203
Finance costs	(15,715)	(2,494)	7,240	(10,969)
Profit before tax	(44,554)	-	31,637	(12,917)
	76,702	(4,776)	(38,609)	33,317
RESULTS UP TO SECOND QUARTER ENDED 30 JUNE 2013				
External operating revenue	180,565	7,316	(2,623)	185,258
Inter-segment revenue	27,830	8,686	(36,516)	-
Total operating revenue	208,395	16,002	(39,139)	185,258
Other income	39,511	7	(37,506)	2,012
Operating expenses	247,906	16,009	(76,645)	187,270
Segment results	(154,749)	(11,835)	15,329	(151,255)
Other expenses	93,157	4,174	(61,316)	36,015
Finance costs	(17,696)	(2,653)	7,191	(13,158)
Profit before tax	(32,327)	-	21,949	(10,378)
	43,134	1,521	(32,176)	12,479
ASSETS AND LIABILITIES AS AT 30 JUNE 2014				
Assets that belong to the Group	4,757,134	14,671	(1,578,405)	3,193,400
Total assets	4,757,134	14,671	(1,578,405)	3,193,400
Liabilities that belong to the Group	2,423,074	12,928	(835,401)	1,600,601
Total liabilities	2,423,074	12,928	(835,401)	1,600,601
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2013				
Assets that belong to the Group	4,598,422	16,187	(1,437,311)	3,177,298
Total assets	4,598,422	16,187	(1,437,311)	3,177,298
Liabilities that belong to the Group	2,291,786	9,535	(710,004)	1,591,317
Total liabilities	2,291,786	9,535	(710,004)	1,591,317

13 Valuation Of Property, Plant And Equipment

There was no valuation of the property, plant and equipment in the current quarter under review except as disclosed in the Note 15.

14 Material Event Subsequent To The Balance Sheet Date

There were no material events which occurred subsequent to the balance sheet date until the date of announcement.

15 Changes In The Composition Of The Group

- (a) On 10 January 2014 the Company completed its acquisition of 93% equity interest in PT Persada Kencana Prima ("PKP") for an indicative cash consideration of RM12,624,515. PKP is principally involved in oil palm cultivations.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	As at 10.1.2014 RM'000
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	21,237
Trade and other receivables	218
Cash and bank balances	3
Trade and other payables	(751)
Deferred tax liability	(5,065)
Total identifiable net assets	<u>15,642</u>

	As at 10.1.2014 RM'000
Net cash arising from acquisition of subsidiary	
Final adjusted purchase consideration settled in cash and cash equivalents	12,625
Cash and bank balances acquired	(3)
Net cash outflow	<u>12,622</u>

	As at 10.1.2014 RM'000
Surplus over fair value of net assets acquired	
Surplus over fair value of net assets acquired was recognised in profit or loss as a result of the acquisition as follows:	
Total consideration transferred	12,625
Non-controlling interests, based on their proportionate interest in the recognised amounts	1,095
Fair value of identifiable net assets	(15,642)
Surplus over fair value of net assets acquired*	<u>(1,922)</u>

*Surplus over fair value of net assets acquired is recognised as "other income" in the statement of profit or loss and other comprehensive income.

The breakdown of other income is:

Surplus over fair value of net assets acquired	1,922
Profit margin income from short term investment and receivables	1,363
Sundry income	312
	<u>3,597</u>

Following FRS 3, Business Combinations, adjustments on goodwill are allowed within one year of the acquisition date. The adjustments was made to reflect the finalisation of amount of assets and liabilities existing on acquisition date.

Goodwill on acquisition	185
Less: Adjustment	(2,107)
Surplus over fair value of net assets acquired	<u>(1,922)</u>

Management estimates the computation of surplus over fair value of net assets acquired based on Hak Izin Lokasi ("HIL"), received from Government of Indonesia. HIL is subject to changes by Government of Indonesia until the subsidiary received Hak Guna Usaha ("HGU").

Acquisition related costs

The Group incurred acquisition related costs of RM169,148 relating to legal fees and due diligence costs. The legal fees and due diligence costs have been included in other expenses in the statement of comprehensive income.

16 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 19 August 2014.

17 Capital And Other Commitments Outstanding Not Provided For In The Interim Financial Report

	As at 30.06.2014
	RM'000
Approved and contracted for	11,155
Approved but not contracted for	307,543
	<u>318,698</u>

18 Material Related Party Transactions

**For the second
quarter ended
30.06.2014**

Transactions with THP

Transacting Parties	Relationship	Nature of transactions	RM'000
Lembaga Tabung Haji	Holding Corporation	Lease of land	1,330
Lembaga Tabung Haji	Holding Corporation	Rental of office	966

Transactions with THP Group

CCM Fertilizers Sdn Bhd	Related Company	Purchase of fertilisers	8,480
Syarikat Takaful Malaysia	Related Company	Insurance premium	2,409
Sistem Komunikasi Gelombang Sdn Bhd	Related Company	Telecommunication services	784
TH Travel Services Sdn Bhd	Related Company	Purchase of flight tickets	297

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

19 Review Of Performance

(a) Revenue

(i) Current quarter

For the current quarter ended 30 June 2014, the Group recorded a 38% increase in its revenue compared to the corresponding period last year. The Group's revenue stood at RM132.59 million (2Q13: RM95.81 million), driven mainly by higher production and sales of CPO and FFB as well as higher average commodity prices realised.

		Current quarter		Variance	%
		2014	2013		
Sales Volume					
Crude palm oil	(Metric tonnes)	37,908	33,841	4,067	12.02
Palm kernel	(Metric tonnes)	8,123	8,207	(84)	(1.02)
FFB	(Metric tonnes)	42,646	27,770	14,876	53.57

Average realised prices

Crude palm oil	(RM/tonne)
Palm kernel	(RM/tonne)
FFB	(RM/tonne)

		Current quarter		Variance	%
		2014	2013		
Crude palm oil	(RM/tonne)	2,524	2,151	373	17.34
Palm kernel	(RM/tonne)	2,014	1,194	820	68.68
FFB	(RM/tonne)	482	345	137	39.77

(ii) Cumulative quarter

The Group recorded a 39% increase in its revenue of RM256.84 million for the second quarter ended 30 June 2014 compared to the corresponding period last year (2Q13: RM185.26). It driven mainly by higher production and sales of CPO , PK and FFB as well as higher average commodity prices realised.

		Cumulative quarter		Variance	%
		2014	2013		
Sales Volume					
Crude palm oil	(Metric tonnes)	77,004	66,781	10,223	15.31
Palm kernel	(Metric tonnes)	17,238	16,436	802	4.88
FFB	(Metric tonnes)	59,400	55,347	4,053	7.32

Average realised prices

Crude palm oil	(RM/tonne)
Palm kernel	(RM/tonne)
FFB	(RM/tonne)

		Cumulative quarter		Variance	%
		2014	2013		
Crude palm oil	(RM/tonne)	2,515	2,094	421	20.11
Palm kernel	(RM/tonne)	1,963	1,154	809	70.10
FFB	(RM/tonne)	482	346	136	39.18

(b) Profit before tax

(i) current quarter

Profit before tax for the current quarter ended 30 June 2014 stood at RM21.44 million, 189% higher than the corresponding quarter last year. The increase is mainly attributed to the higher revenue, which increased by 38% and higher gross profit, which increased by 65%. The increase is also attributed to higher other income, being surplus over fair value of the net assets acquired amounting to RM1.9 million arising from acquisition of new subsidiaries during the year. (Refer to Note 15)

(ii) Cumulative quarter

Profit before tax for the second quarter ended 30 June 2014 was higher by 167% compared to the corresponding period last year mainly due to higher revenue and higher gross profit, which increased by 39% and 58% respectively. The Group also recognised non-operational income of RM1.9 million, arising from surplus over fair value of net assets acquired for the quarter ended 30 June 2014.

20 Material Changes In The Quarterly Results Compared To The Preceding Quarter

The comparison of the Group revenue and profit before taxation for the current and preceding quarter is as follows:

		2014	2014	Variance	%
		Quarter 2	Quarter1		
Sales Volume					
Crude palm oil	(Metric tonnes)	37,908	39,096	(1,188)	(3.04)
Palm kernel	(Metric tonnes)	8,123	9,115	(992)	(10.88)
FFB	(Metric tonnes)	42,646	16,754	25,892	154.55

		2014	2014	Variance	%
		Quarter 2	Quarter1		
Average realised prices					
Crude palm oil	(RM/tonne)	2,524	2,507	17	0.68
Palm kernel	(RM/tonne)	2,014	1,918	96	5.03
FFB	(RM/tonne)	482	480	2	0.47

	2014	2014	Variance	%
	Quarter 2	Quarter1		
	RM'000	RM'000	RM'000	%
Revenue	132,589	124,246	8,343	6.71
Profit before tax	21,442	11,876	9,566	80.55

Compared to the preceding quarter, revenue for the second quarter ended 30 June 2014 was higher by 7%. This is mainly attributed to higher realised average commodity prices compared to the preceding quarter. Profit before tax was higher by 81% due to higher gross profit margin by 24% and higher other income, being surplus over fair value of the net assets acquired amounting to RM1.9 million arising from acquisition of new subsidiaries during the year.

21 Current Year Prospects**(a) Commentary on Prospects**

Notwithstanding the volatility of commodity prices, the Group is cautiously optimistic in being able to meet its projected targets for the year.

(b) Projection of Targets Previously Announced

On 22 April 2014, the Group announced its 2014 target was to achieve 6.0% return on equity ("ROE"), 22.40 mt/ha FFB yield per matured hectare and to distribute approximately 50% of Group's annual net profit after tax as dividend.

As at 30 June 2014, the Group achieved 4.34% annualised ROE, while the distribution of annual net profit after tax will be done after finalisation of audited financial statements for financial year 2014.

The Group will endeavour to achieve its full year targeted yield per hectare despite the cyclical nature of plantations industry and unforeseen circumstances surrounding the remaining period of the year.

22 Variance Of Actual Profit From Forecast Profit

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

23 Taxation

	Second Quarter		Cumulative Quarter	
	Current Year RM'000	Preceding Year RM'000	Current Year RM'000	Preceding Year RM'000
Current	3,982	7,438	11,874	12,175
Deferred	(9,045)	(10,475)	(13,365)	(16,412)
	<u>(5,063)</u>	<u>(3,037)</u>	<u>(1,491)</u>	<u>(4,237)</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the quarter.

The effective tax rate of the Group for the quarter under review is lower than its statutory rate as a result of higher deferred tax recognised.

24 Realised and Unrealised Profits

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Realised	607,107	580,452
Unrealised	(11,467)	7,957
	<u>595,640</u>	<u>588,409</u>
Less: Consolidation adjustments	(190,664)	(177,235)
Total Group retained earnings as per consolidated interim financial statements	<u>404,976</u>	<u>411,174</u>

The unrealised portion of retained earnings comprise mainly of deferred tax expense.

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

25 Unquoted Investments And/Or Properties

There were no purchases or disposals of unquoted investments for the current quarter under review other than as disclosed in Note 15.

26 Quoted Investments

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

27 Status Of Corporate Proposals

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

28 Property, Plant and Equipment ("PPE")

As at 30 June 2014, 7,484 hectares of oil palm estates have reached maturity and reclassified as PPE.

29 Group Borrowings

As at 30 June 2014, the total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Loans and borrowings		
Non current		
Secured:		
Flexi Term Financing-i	55,358	55,789
Ijarah Term Financing-i Facility	31,690	31,724
Unsecured:		
Murabahah Medium Term Notes ("MMTNs")	200,000	200,000
SUKUK Murabahah Medium Term Notes	750,000	710,000
	<u>1,037,048</u>	<u>997,513</u>
Current		
Secured:		
Ijarah Term Financing-i Facility	10,000	10,000
Tawarruq Flexi Term Financing-i	-	-
	<u>1,047,048</u>	<u>1,007,513</u>

Maturity analysis

Tenure	Year of maturity	Profit margin %	Amount Non Current RM'000
1-2 years	2015	4.85-6.41	28,700
2-3 years	2016	4.85-6.41	101,000
3-4 years	2017	4.85-6.41	90,690
4-5 years	2018	4.85-6.10	67,000
5-6 years	2019	4.85-5.39	79,658
6-7 years	2020	5.51	75,000
7-8 years	2021	5.62	75,000
8-9 years	2022	5.75	75,000
9-10 years	2023	5.88	75,000
10-11 years	2024	5.88-6.11	90,000
11-12 years	2025	5.98	20,000
12-13 years	2026	6.09-6.10	70,000
13-14 years	2027	6.6	200,000
			<u>1,047,048</u>

30 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.

31 Material Litigation**(a) The Kuching High Court Suit No. 22-249-98-III(I) (The Court of Appeal Civil Appeal No. Q-01-136-03/2012 and Civil Appeal No. Q- 01-137-03/2012)****The Kuching High Court Civil Suit No. 22-43-2002-I (The Court of Appeal Civil Appeal No. Q-01-166-2011. Civil Appeal No. Q-01-164-2011 and Civil Appeal No. Q-02-756-2011**

The date of hearing has yet to be fixed for TH PELITA Sadong Sdn Bhd's and TH PELITA Gedong Sdn Bhd's (collectively referred to as "the Companies") Notice of Motion to the Federal Court for Leave To Appeal against the judgement of the Court of Appeal made on 27 September 2013.

In the meantime, the Companies' application for a Stay of Execution of the said judgement of the Court of Appeal, which was filed on 24 October 2013, had been allowed by the Court of Appeal on 19 June 2014.

(b) The Kuching High Court Suit No. 22-134/6-2012

On 27 March 2014, the Court of Appeal had allowed TH PELITA Sadong Sdn Bhd's and TH PELITA Gedong Sdn Bhd's appeal and the case is now reverted to the High Court for trial. On 31 March 2014, the High Court had fixed the date of trial to be from 1 December 2014 – 5 December 2014.

**(c) High Court at Kuantan, Civil Suit No.:22NCVC-64-11/2013
Abdul Aziz Bin Embong And Abdul Aziz Bin Arshad vs Lembaga Tabung Haji and TH Plantations Berhad**

The Appeal was fixed for Case Management on 17 June 2014 at the Court of Appeal. During the Case Management, the Court of Appeal directed the Appellants to ensure compliance with the timelines for the filing of the Record of Appeal and fixed the Appeal for further Case Management on 15 August 2014.

The date of the Case Management for the Appeal has changed to 14 August 2014. During the Case Management, the Appellants informed the Court of Appeal that they intend to withdraw the Appeal. The Court of Appeal has directed the Appellants to take necessary steps to file the Notice of Withdrawal to formalize the withdrawal of the Appeal by 28 August 2014. The Appeal is fixed for further Case Management on 28 August 2014.

32 Earnings Per Share

		UNAUDITED				
		Second Quarter Current Year	Preceding Year	Cumulative Quarter Current Year	Preceding Year	
(i)	<i>Basic earnings per share</i>					
	Profit attributable to shareholders	RM'000	<u>20,152</u>	<u>7,104</u>	<u>25,767</u>	<u>10,313</u>
	Weighted average number of ordinary shares in issue	'000	<u>883,730</u>	<u>877,320</u>	<u>883,730</u>	<u>877,320</u>
	Basic earnings per share	sen	<u>2.28</u>	<u>0.81</u>	<u>2.92</u>	<u>1.18</u>
(ii)	<i>Diluted earnings per share</i>					
	Profit attributable to shareholders	RM'000	<u>20,152</u>	<u>7,104</u>	<u>25,767</u>	<u>10,313</u>
	Weighted average number of ordinary shares in issue	'000	<u>883,730</u>	<u>877,320</u>	<u>883,730</u>	<u>877,320</u>
	Effect of dilution (ESOS outstanding)	'000	<u>28,609</u>	<u>20,424</u>	<u>28,609</u>	<u>20,424</u>
	Adjusted weighted average number of ordinary shares in issue	'000	<u>912,339</u>	<u>897,744</u>	<u>912,339</u>	<u>897,744</u>
	Diluted earnings per share	sen	<u>2.21</u>	<u>0.79</u>	<u>2.82</u>	<u>1.15</u>

33 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 19 August 2014.

By Order of the Board
Aliatun binti Mahmud
LS0008841
Secretary