

TH PLANTATIONS BERHAD

(Incorporated in Malaysia)

(Company No : 12696-M)

QUARTERLY REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors have pleasure in announcing the unaudited consolidated results for the year ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	UNAUDITED FOURTH QUARTER		UNAUDITED CUMULATIVE	
		CURRENT YEAR 31.12.17 RM'000	PRECEDING YEAR 31.12.16 RM'000	CURRENT YEAR 31.12.17 RM'000	PRECEDING YEAR 31.12.16 RM'000
Revenue	24	178,202	170,078	689,216	562,310
Cost of sales		(122,508)	(113,885)	(447,434)	(387,862)
Depreciation and amortisation		(10,024)	(28,225)	(83,878)	(95,752)
Gross profit		45,670	27,968	157,904	78,696
Other income		5,953	125,574	23,292	133,567
Administrative expenses		(4,918)	(1,155)	(18,224)	(12,550)
Other expenses		1,750	(3,264)	(18,755)	(19,962)
Depreciation		(612)	(349)	(1,423)	(1,259)
Profit from operations		47,843	148,774	142,794	178,492
Finance costs	7	(13,893)	(37,354)	(56,106)	(51,196)
Profit before tax	24	33,950	111,420	86,688	127,296
Tax expense	29	(21,927)	15,138	(35,935)	23,173
Profit for the period	24	12,023	126,558	50,753	150,469
Other comprehensive income, net of tax					
Item that are or may be reclassified subsequently to profit and loss, net of tax					
Foreign currency translation differences for foreign operations		(8,961)	-	(8,614)	(138)
Post employment benefit		(30)		(30)	
Other comprehensive income, net of tax		(8,991)	-	(8,644)	(138)
Total comprehensive income for the period		3,032	126,558	42,109	150,331
Profit attributable to:					
Owners of the Company		6,880	127,462	36,730	147,070
Non-Controlling Interests		5,143	(904)	14,023	3,399
Profit for the period		12,023	126,558	50,753	150,469
Total comprehensive income attributable to:					
Owners of the Company		(1,482)	127,462	28,691	146,942
Non-Controlling Interests		4,514	(904)	13,418	3,389
Total comprehensive income, net of tax		3,032	126,558	42,109	150,331
Earnings per share (sen) :					
Basic earnings per share	37	0.78	14.42	4.16	16.64
Diluted earnings per share	37	0.78	14.42	4.16	16.64

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31.12.17 RM'000 (unaudited)	As at 31.12.16 RM'000 (audited)
Assets			
Property, plant & equipment	33	2,610,337	2,614,875
Plantation development expenditure	11	318,423	326,445
Forestry	12	187,956	162,470
Intangible assets	13	73,265	73,265
Other investment	14	1,825	1,825
Deferred tax assets		114,375	117,771
Total non-current assets		3,306,181	3,296,651
Inventories		20,124	17,045
Current tax assets		8,603	5,366
Other investment	14	3,288	3,520
Trade and other receivables		41,952	118,475
Prepayments and other assets		4,620	4,289
Cash and cash equivalents	15	99,175	163,771
		177,762	312,466
Assets classified as held for sale	16	30,142	-
Total current assets		207,904	312,466
Total assets		3,514,085	3,609,117
Equity			
Capital reserve		773,422	781,875
Retained earnings		604,043	634,486
Total equity attributable to equity holders of the Company		1,377,465	1,416,361
Non-controlling interests		359,175	351,134
Total equity		1,736,640	1,767,495
Liabilities			
Loans and borrowings	34 (a)	1,196,183	1,175,374
Deferred tax liabilities		326,738	331,787
Trade and other payables		48,587	13,656
Total non-current liabilities		1,571,508	1,520,817
Current liabilities			
Loans and borrowings	34 (b)	47,857	113,151
Trade and other payables		138,138	205,446
Current tax liabilities		4,005	2,208
		190,000	320,805
Liabilities classified as held for sale	16	15,937	-
Total current liabilities		205,937	320,805
Total liabilities		1,777,445	1,841,622
Total equity and liabilities		3,514,085	3,609,117
Net tangible assets per share (RM)		1.48	1.52

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Company						Total RM'000	Non-controlling Interests RM'000	Total RM'000	
	Non-distributable			Distributable						
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Share Option reserve RM'000	Exchange reserve RM'000	Total capital reserve RM'000	Retained earnings RM'000			
At 1 January 2016	441,925	420,827	(82,557)	2,228	(405)	782,018	487,416	1,269,434	354,439	1,623,873
Foreign currency translation differences for foreign operations	-	-	-	-	(128)	(128)	-	(128)	(10)	(138)
Other comprehensive income for the year	-	-	-	-	(128)	(128)	-	(128)	(10)	(138)
Profit for the period	-	-	-	-	-	-	147,070	147,070	3,399	150,469
Total comprehensive income for the period	-	-	-	-	(128)	(128)	147,070	146,942	3,389	150,331
Adjustment on fair value of ESOS	-	-	-	(15)	-	(15)	-	(15)	-	(15)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(6,694)	(6,694)
Total transactions with owners of the Group	-	-	-	(15)	-	(15)	-	(15)	(6,694)	(6,709)
At 31 December 2016	441,925	420,827	(82,557)	2,213	(533)	781,875	634,486	1,416,361	351,134	1,767,495
At 1 January 2017	441,925	420,827	(82,557)	2,213	(533)	781,875	634,486	1,416,361	351,134	1,767,495
Foreign currency translation differences for foreign operations	-	-	-	-	(8,011)	(8,011)	-	(8,011)	(603)	(8,614)
Other comprehensive income for the year	-	-	-	-	(8,011)	(8,011)	-	(8,011)	(603)	(8,614)
Post employment benefit	-	-	(28)	-	-	(28)	-	(28)	(2)	(30)
Profit for the period	-	-	-	-	-	-	36,730	36,730	14,023	50,753
Total comprehensive income for the period	-	-	(28)	-	(8,011)	(8,039)	36,730	28,691	13,418	42,109
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-
Fair value on payables	-	-	1,799	-	-	1,799	-	1,799	-	1,799
Adjustment on fair value of ESOS	-	-	-	(2,213)	-	(2,213)	-	(2,213)	-	(2,213)
Dividends to owners of the Company	-	-	-	-	-	-	(67,173)	(67,173)	-	(67,173)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(5,377)	(5,377)
Total transactions with owners of the Group	-	-	1,799	(2,213)	-	(414)	(67,173)	(67,587)	(5,377)	(72,964)
Transition to no-par value regime on 31 January 2017¹	420,827	(420,827)	-	-	-	-	-	-	-	-
At 31 December 2017 (unaudited)	862,752	-	(80,786)	-	(8,544)	773,422	604,043	1,377,465	359,175	1,736,640

1. The New Companies Act 2016 ('Act'), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the outstanding credit amount in the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM420,827,000 for purposes as set out in Section 618 (3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	FOR THE YEAR ENDED	
		31.12.17 RM'000 (unaudited)	31.12.16 RM'000 (unaudited)
Cash flows from operating activities			
Profit before tax		86,688	127,296
Adjustment for non-cash flow items		132,293	42,072
Operating profit before changes in working capital		<u>218,981</u>	<u>169,368</u>
Changes in working capital			
Net changes in working capital		53,735	(58,425)
Cash generated from operations		<u>272,716</u>	<u>110,943</u>
Finance cost		(73,571)	(74,649)
Profit margin income from short term Islamic deposits and inter-company receivables		3,884	2,538
Tax paid		(24,281)	(23,445)
Tax refund		607	1,779
Zakat paid		(109)	-
Net cash generated from operating activities		<u>179,246</u>	<u>17,166</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(39,533)	(35,706)
Decrease in deposits pledged		-	33
Plantation development expenditure		(63,848)	(62,585)
Forestry plantation		(12,182)	(23,348)
Proceed from disposal of property, plant and equipment		6	95
Dividend received		-	475
Decrease in other investment		232	607
Proceeds from disposal of estates		-	-
Proceeds from disposal of subsidiary		-	153,065
Net cash used in investing activities		<u>(115,325)</u>	<u>32,636</u>
Cash flows from financing activities			
Repayment of loans and borrowings		(184,617)	(112,219)
Repayment of SUKUK		(225,000)	(80,000)
Dividends paid to owners of the Company		(90,039)	(11,223)
Dividends paid to non-controlling interests		(4,792)	(6,694)
Proceeds from drawdown of loans and borrowings		240,808	145,152
Proceeds from tradeline drawdown		135,123	103,396
Net cash (used in)/generated from financing activities		<u>(128,517)</u>	<u>38,412</u>
Net decrease in cash and cash equivalents		<u>(64,596)</u>	<u>88,214</u>
Cash and cash equivalents at beginning of the year		<u>163,771</u>	<u>75,557</u>
Cash and cash equivalents at end of the period		<u>99,175</u>	<u>163,771</u>
Cash and cash equivalents comprise:			
Deposits	16	76,061	127,473
Cash and bank balances	16	23,114	36,298
		<u>99,175</u>	<u>163,771</u>
Less :			
Deposits pledged		-	-
		<u>99,175</u>	<u>163,771</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 basis unless otherwise stated.

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 2016. 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 2016.

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 2016 unless otherwise stated.

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 2016.

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.
- (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 loan 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 by external, independent property values, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.
- (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.
- (viii) Inventories
Determination of the allocation cost of CPO and PK is based on the extraction rate of CPO and PK respectively.
- (ix) Valuation of land - PT Persada Kencana Prima ("PTPKP")
Valuation of the land was based on Sales and Purchase Agreement dated 11 November 2011 until a final valuation is completed.

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 2016 in their report dated 28 March 2017.

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

7 Finance cost

	CUMULATIVE	
	Current Year RM'000	Preceding Year RM'000
Finance cost	56,106	51,196

Higher finance cost for the current year was due to lower capitalisation of finance cost as part of plantation development expenditure due to more area coming to maturity. This is in compliance with MFRS 123 *Borrowing Costs*.

8 Material changes in estimates

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

Estates

During the financial year ended 31 December 2017, the Group reviewed the annual production yield table to reflect the potential yield production for each estate in the Group instead of one yield table for the whole Group.

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

	2017	2018	2019	2020	2021
Reduction in amortisation charge	(14,964)	(13,281)	(15,360)	(13,727)	(11,285)

Property, plant and equipment

During the financial year ended 31 December 2017, the Group reviewed the estimated useful lives of each class of assets to be in line with other companies within the industry with effect from 1 January 2017. The revisions have been treated as changes in accounting estimates and have been accounted for prospectively. As a result of the revisions, the expected useful lives of buildings, plant, machinery and equipment, motor vehicles and computer equipment have been extended.

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

	2017	2018	2019	2020	2021
Reduction in depreciation charge	(14,119)	(10,869)	(9,227)	(8,141)	(6,975)

9 Changes In Debt And Equity Securities

During the year under review, the Group had:

- i) Drawdown of RM21.4 million of soft loan at an effective profit margin rate of 3.00%.
- ii) Drawdown of RM220 million of its Commodity Mudharabah Facility at an effective profit margin of 5.85%.
- iii) Redemption of RM225 million SUKUK at average effective profit margin of 6.60%.

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

10 Dividends

The Directors have proposed a final ordinary dividend in respect of year 31 December 2017, of 2.00 sen under the single tier system amounting to RM17.68 million subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

11 Plantation development expenditure

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
At 1 January	326,445	405,595
Additions during the year	75,496	83,272
Additions in nurseries	5,074	5,401
Effect of movement in exchange rate	(9,318)	5,239
Less: Transfer to property, plant and equipment	(77,152)	(168,055)
Less: Write off	(1,193)	(1,625)
Less: Disposal of subsidiary	-	(3,382)
Less: Impairment	(929)	-
At 31 December/ December	<u>318,423</u>	<u>326,445</u>

12 Forestry

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
At 1 January	162,470	145,905
Additions during the year	20,339	15,158
Additions in nurseries	837	16,740
Change in fair value recognised in income statement	4,310	(15,333)
At 31 December/ December	<u>187,956</u>	<u>162,470</u>

13 Intangible assets	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Cost		
Goodwill	73,265	73,265
14 Other investments		
	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Non-current		
Available-for-sale financial assets	1,825	1,920
Less: Impairment loss	-	(95)
	<u>1,825</u>	<u>1,825</u>
Current		
Deposits placed with licensed banks (maturity period more than 3 months)	3,288	3,520
At 31 December/December	<u>5,113</u>	<u>5,345</u>
15 Cash and cash equivalents		
	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Deposits placed with licensed banks (maturity period less than 3 months)	76,061	127,473
Cash and bank balances	23,114	36,298
	<u>99,175</u>	<u>163,771</u>

16 Group assets and liabilities held for sale**Ladang Jati Keningau Sdn Bhd**

The Group's investment in its subsidiary, Ladang Jati Keningau Sdn Bhd is presented as assets and liabilities held for sale following the approval of the Board of Directors on 20 December 2017 to sell the whole investment in Ladang Jati Keningau Sdn. Bhd. Efforts to sell have commenced and disposal is expected to be completed within twelve (12 months) from the approval date. Assets and liabilities classified as held for sale are as below:

Assets classified as held for sale	Note	31.12.2017 RM'000
Property, plant & equipment	a	30,076
Trade and other receivables		3
Cash and cash equivalents		63
		<u>30,142</u>
Liabilities classified as held for sale		
Deferred tax liability		7,052
Payables and accruals		8,885
		<u>15,937</u>
Note a		
Property, plant and equipment held for sale comprise the following:		
		RM'000
Cost		32,726
Accumulated depreciation		(2,650)
		<u>30,076</u>

17 Operating segments

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

	Oil Palm Plantation RM'000	Forestry RM'000	Management Services RM'000	Elimination RM'000	Consolidated RM'000
RESULTS FOR 3 MONTHS ENDED 31 DECEMBER 2017					
External operating revenue	177,709	-	493	-	178,202
Inter-segment revenue	64,733	-	6,410	(71,143)	-
Total operating revenue	242,442	-	6,903	(71,143)	178,202
Other income	41,449	4,364	-	(39,860)	5,953
	283,891	4,364	6,903	(111,003)	184,155
Operating expenses	(138,893)	-	(15,646)	22,007	(132,532)
Segment results	144,998	4,364	(8,743)	(88,996)	51,623
Other expenses	(33,102)	8,031	(3,370)	24,661	(3,780)
Finance costs	(26,952)	(755)	-	13,814	(13,893)
Profit before tax	84,944	11,640	(12,113)	(50,521)	33,950
RESULTS FOR 3 MONTHS ENDED 31 DECEMBER 2016					
External operating revenue	165,212	-	4,866	-	170,078
Inter-segment revenue	152,658	-	6,600	(159,258)	-
Total operating revenue	317,870	-	11,466	(159,258)	170,078
Other income	120,863	846	31	3,834	125,574
	438,733	846	11,497	(155,424)	295,652
Operating expenses	(153,939)	-	(7,017)	18,846	(142,110)
Segment results	284,794	846	4,480	(136,578)	153,542
Other expenses	(16,468)	(1,420)	(680)	13,800	(4,768)
Finance costs	(54,844)	(1,725)	-	19,215	(37,354)
Profit before tax	213,482	(2,299)	3,800	(103,563)	111,420
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017					
External operating revenue	687,983	-	1,233	-	689,216
Inter-segment revenue	137,605	-	24,912	(162,517)	-
Total operating revenue	825,588	-	26,145	(162,517)	689,216
Other income	102,768	16,963	9	(96,448)	23,292
	928,356	16,963	26,154	(258,965)	712,508
Operating expenses	(562,109)	-	(42,103)	72,900	(531,312)
Segment results	366,247	16,963	(15,949)	(186,065)	181,196
Other expenses	(68,110)	(315)	(11,643)	41,666	(38,402)
Finance costs	(120,289)	(1,796)	-	65,979	(56,106)
Profit before tax	177,848	14,852	(27,592)	(78,420)	86,688
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016					
External operating revenue	557,406	-	4,904	-	562,310
Inter-segment revenue	210,557	-	21,825	(232,382)	-
Total operating revenue	767,963	-	26,729	(232,382)	562,310
Other income	189,041	3,224	31	(58,729)	133,567
	957,004	3,224	26,760	(291,111)	695,877
Operating expenses	(507,811)	-	(29,311)	53,508	(483,614)
Segment results	449,193	3,224	(2,551)	(237,603)	212,263
Other expenses	(40,898)	(15,907)	(4,028)	27,062	(33,771)
Finance costs	(126,920)	(1,725)	-	77,449	(51,196)
Profit before tax	281,375	(14,408)	(6,579)	(133,092)	127,296
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2017					
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets that belong to the Group	5,495,787	224,737	26,943	(2,233,382)	3,514,085
Total assets	5,495,787	224,737	26,943	(2,233,382)	3,514,085
Liabilities that belong to the Group	2,850,597	167,586	81,221	(1,321,959)	1,777,445
Total liabilities	2,850,597	167,586	81,221	(1,321,959)	1,777,445
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2016					
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets that belong to the Group	5,589,928	200,801	27,510	(2,209,122)	3,609,117
Total assets	5,589,928	200,801	27,510	(2,209,122)	3,609,117
Liabilities that belong to the Group	2,970,406	157,422	46,114	(1,332,320)	1,841,622
Total liabilities	2,970,406	157,422	46,114	(1,332,320)	1,841,622

18 Valuation Of Property, Plant And Equipment

There was no valuation of property, plant and equipment during the current quarter under review except as disclosed in Note 12.

19 Material Event Subsequent To The Balance Sheet Date

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

20 Changes In The Composition Of The Group

There is no change in the composition of the Group for the current quarter under review.

21 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 28 February 2018.

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

	As at 31.12.2017
	RM'000
Approved and contracted for	-
Approved but not contracted for	227,891
	<u>227,891</u>

23 Material Related Party Transactions

			For the year ended 31.12.2017
<u>Transactions with THP</u>			
Transacting Parties	Relationship	Nature of transactions	RM'000
Lembaga Tabung Haji	Holding Corporation	Lease of land	2,928
Lembaga Tabung Haji	Holding Corporation	Rental of office	3,904
<u>Transactions with THP Group</u>			
Syarikat Takaful Malaysia	Related Company	Insurance premium	3,870
TH Travel Services Sdn Bhd	Related Company	Purchase of flight tickets	535
Deru Semangat Sdn Bhd	Related Company	Management fees	284
TH Estates (Holdings) Sdn Bhd	Related Company	Management fees	949
Sistem Komunikasi Gelombang Sdn Bhd	Related Company	Telecommunication services	233

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

24 Review Of Group's Financial Performance**(i) Current quarter**

	UNAUDITED FOURTH QUARTER		Variance RM'000	Variance %
	CURRENT YEAR 31.12.17 RM'000	PRECEDING YEAR 31.12.16 RM'000		
	Revenue	178,202	170,078	8,124
Operating profit	45,670	27,968	17,702	63.29%
Profit Before Interest and Tax ("PBIT")	47,843 #	148,774	(100,931)	-67.84%
Profit Before Tax ("PBT")	33,950 #	111,420	(77,470)	-69.53%
Profit After Tax ("PAT")	12,023	126,558	(114,535)	-90.50%
Profit attributable to owners of the Company ("PATAMI")	6,880	127,462	(120,582)	-94.60%

Note:

Included in PBIT for 4Q16 was an extraordinary gain of RM112.58 million from the disposal of shares in a subsidiary company which was recognised as other income.

(a) Revenue

For current quarter ended 31 December 2017 ("4Q17"), the Group's revenue stood at RM178.20 million (4Q16: RM170.08 million), an increase of 5% compared to the same period last year. This increase is mainly attributed to higher sales volume of PK and FFB.

	Fourth quarter		Variance	
	2017	2016	MT	%
Sales Volume				
Crude palm oil	50,360	50,362	(2)	(0.00)
Palm kernel	11,922	10,765	1,157	10.75
FFB	38,139	2,764	35,375	1,279.85

	Fourth quarter		Variance	
	2017	2016	RM/MT	%
Average realised prices				
Crude palm oil	2,529	2,637	(108)	(4.10)
Palm kernel	2,529	2,750	(221)	(8.04)
FFB	529	609	(80)	(13.14)

(b) Operating profit

Operating profit for 4Q17 was higher by RM17.70 million or 63.29% mainly attributed to higher revenue and lower cost of sales. The Group has revised its amortisation and depreciation rate resulting in lower cost of sales in 4Q17. The effect of the revision in amortisation and depreciation rate has been disclosed in Note 8.

(c) PBIT

PBIT for 4Q17 was lower by RM100.93 million or 67% compared to 4Q16 mainly due to lower other income as disclosed in Note # above.

(d) PBT

For 4Q17, PBT was lower by RM77.47 million or 69.53% compared to 4Q16 due to lower PBIT as mentioned in Note # above.

(e) PAT

PAT for 4Q17 was lower by RM114.54 million compared to 4Q16 due to an extraordinary gain of RM112.58 million as a result of the disposal of a subsidiary in 4Q16.

(f) PATAMI

For 4Q17, PATAMI was lower by RM120.58 million as compared to 4Q16 due to lower PAT as mentioned above.

(ii) Cumulative quarter (12M17 vs 12M16)

	UNAUDITED CUMULATIVE		Variance	Variance
	CURRENT YEAR	PRECEDING YEAR		
	31.12.17	31.12.16		
	RM'000	RM'000	RM'000	%
Revenue	689,216	562,310	126,906	22.57%
Operating profit	157,904	78,696	79,208	100.65%
PBIT	142,794	# 178,492	(35,698)	-20.00%
PBT	86,688	# 127,296	(40,608)	-31.90%
PAT	50,753	150,469	(99,716)	-66.27%
PATAMI	36,730	147,070	(110,340)	-75.03%

Note:

Included in PBIT and PBT for FY16 was an extraordinary gain of RM112.58 million from the disposal of shares in a subsidiary company which was recognised as other income.

(a) Revenue

Revenue for the year ended 31 December 2017 ("FY17") was RM689.22 million, an increase of 22.57% from RM562.31 million in 2016 ("FY16"). The increase is mainly attributed to higher volume and higher average realised prices of CPO, PK and FFB.

Sales Volume		Cumulative quarter		Variance	
		2017	2016	MT	%
Crude palm oil	(Metric tonnes)	191,011	173,662	17,349	9.99
Palm kernel	(Metric tonnes)	43,920	37,832	6,088	16.09
FFB	(Metric tonnes)	130,558	77,123	53,435	69.29

Average realised prices		Cumulative quarter		Variance	
		2017	2016	RM/MT	%
Crude palm oil	(RM/tonne)	2,672	2,463	209	8.49
Palm kernel	(RM/tonne)	2,444	2,365	79	3.34
FFB	(RM/tonne)	539	516	23	4.46

(b) Operating profit

Operating profit for FY17 was higher by RM79.21 million or 101% mainly driven by higher revenue. However, cost of sales were also higher by RM47.70 million due to:

- Higher FFB purchases by RM23.98 million due to higher volume and price of FFB purchases.
- Higher estates production cost by RM22.81 million due to higher volume of FFB production and FFB processed.

(c) PBIT

Operating profit was higher by RM79.21 million. FY17 PBIT was however lower by RM33.97 million mainly due to lower other income as disclosed in Note # above.

(d) PBT

The Group recorded lower PBT of RM86.69 million for FY17 as compared to RM127.30 million in FY16, mainly due to reason explained in Note # and higher finance cost by RM4.91 million. The increase in finance cost for the current year was mainly due to more areas being declared matured.

(e) PAT

PAT for FY17 was lower by RM99.72 million compared to FY16 due to lower PBT and higher deferred tax expense recognised during the year.

(f) PATAMI

PATAMI for FY17 was lower by RM110.34 million as compared to FY16 due to lower PAT.

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

	2017		Variance	
	Quarter 4	Quarter 3	RM'000	%
	RM'000	RM'000		
Revenue	178,202	189,536	(11,334)	(5.98)
Operating profit	45,670	43,003	2,667	6.20
PBIT	47,843	36,854	10,989	29.82
PBT	33,950	22,387	11,563	51.65
PAT	12,023	14,150	(2,127)	(15.03)
PATAMI	6,880	11,454	(4,574)	(39.93)

Sales Volume

Crude palm oil	<i>(Metric tonnes)</i>
Palm kernel	<i>(Metric tonnes)</i>
FFB	<i>(Metric tonnes)</i>

	2017		Variance	
	Quarter 4	Quarter 3	MT	%
Crude palm oil	50,360	55,492	(5,132)	(9.25)
Palm kernel	11,922	12,703	(781)	(6.15)
FFB	38,139	37,348	791	2.12

Average realised prices

Crude palm oil	<i>(RM/tonne)</i>
Palm kernel	<i>(RM/tonne)</i>
FFB	<i>(RM/tonne)</i>

	2017		Variance	
	Quarter 4	Quarter 3	RM/MT	%
Crude palm oil	2,529	2,564	(35)	(1.37)
Palm kernel	2,529	2,215	314	14.18
FFB	529	506	23	4.55

(a) Revenue

Revenue for 4Q17 was lower by 5.98% mainly due to lower sales volume of CPO and PK as well as lower average realised price for CPO.

(b) Operating profit

Despite lower revenue , operating profit was higher by RM2.62 million mainly due to lower cost of sales.

(c) PBIT

PBIT for 4Q17 was higher by RM10.99 million or 29.82% as compared to preceding quarter due to higher operating profit by RM2.67 million and higher other income by RM2.9 million.

(d) PBT

PBT was higher by RM11.56 million or 51.65% compared to preceding quarter due to higher PBIT by RM10.99 million.

(e) PAT

PAT for 4Q17 was lower by RM2.13 million compared to 3Q17 due to higher deferred tax expense recognised during the quarter.

(f) PATAMI

PATAMI for 4Q17 was lower by RM4.57 million as compared to preceding quarter due to lower PAT by RM2.13 million.

26 Review of operating segments**Oil Palm Plantation****(i)Current quarter**

The Oil Palm Plantation segment recorded an increase of RM75.43 million in its operating profit arising from higher sales volume of PK and FFB as well as lower cost of sales. However, its PBT decreased by 60.21% compared to 4Q16 as the segment recorded a RM112.58 million extraordinary gain from the disposal of a subsidiary in 4Q16.

(ii)Cumulative quarter

For FY17, the segment recorded higher operating profit (an increase of RM57.63 million from FY16) mainly attributed to higher sales volume and average realised prices. However, the PBT for the oil palm plantation segment was RM177.85 million, a decrease of 36.79% compared to RM281.38 million in FY16 mainly as detailed above.

Forestry**(i)Current quarter**

The forestry segment recorded a PBT of RM11.64 million in 4Q17, an increase of 606% compared to a loss of RM2.30 million in 4Q16. This is a result of a change in fair value of forestry amounting to RM4.31 million which is recognised as other income.

(ii)Cumulative quarter

For FY17, PBT for forestry plantation was RM14.85 million, an increase of 203.08% compared to a loss of RM14.41 million in FY16. This is mainly attributed to higher deferred income on government grant recognised amounting to RM12.60 million and a change in fair value of forestry amounting to RM4.31 million which is recognised as other income .

Management services**(i)Current quarter**

Management services recorded a loss before tax of RM12.14 million in 4Q17 which is higher by RM15.91 million compared to 4Q16.

(ii)Cumulative quarter

For FY17, management services recorded a loss before tax of RM27.59 million, compared to a loss of RM6.58 million in FY16. This is mainly due to an increase in overhead expenses by 43.64% and other expenses by 189.05% in FY17.

27 Current Year Prospects

The Group remains optimistic of performing satisfactorily in FY18. The outlook for the palm oil sector is encouraging, as production continues to recover from past weather challenges while demand and prices of palm oil products remain stable despite continued pressure from competing vegetable oils. However, the Group is also mindful of other challenges that may hamper the growth of the palm oil sector. The Group will continue its efforts to optimise costs, increase efficiency and internalise sustainable practices throughout its operations to help mitigate these challenges.

28 Variance Of Actual Profit From Forecast Profit

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

29 Taxation

	Fourth Quarter		Cumulative Quarter	
	Current Year RM'000	Preceding Year RM'000	Current Year RM'000	Preceding Year RM'000
Current	8,608	7,553	30,817	17,786
Deferred	13,319	(22,691)	5,118	(40,959)
	<u>21,927</u>	<u>(15,138)</u>	<u>35,935</u>	<u>(23,173)</u>

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

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

30 Unquoted Investments And/Or Properties

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

31 Quoted Investments

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

32 Status Of Corporate Proposals

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

33 Property, Plant and Equipment ("PPE")

For the year 2017, an additional 4,107.97 hectares of oil palm estates have reached maturity and reclassified as PPE.

34 Group Borrowings

As at 31 December 2017, total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Loans and borrowings		
(a) Non current		
Secured:		
Flexi Term Financing-i	13,715	30,715
Commodity Mudharabah Term Financing-i	256,656	73,693
Unsecured:		
SUKUK Murabahah Medium Term Notes	895,000	1,050,000
Term loan - Forest Plantation Development	30,812	20,966
Total Non current	1,196,183	1,175,374
(b) Current		
Secured:		
Flexi Term Financing-i	17,000	13,000
Ijarah Term Financing-i Facility	-	7,680
Commodity Mudharabah Term Financing-i	27,000	4,800
Unsecured:		
SUKUK Murabahah Medium Term Notes	-	70,000
Islamic Trade Financing-i	3,857	17,671
Total current	47,857	113,151
Grand total	1,244,040	1,288,525

(c) Maturity analysis

Tenure	Year of maturity	Profit margin %	SUKUK RM'000	Other Financial Instruments RM'000	TOTAL RM'000
Below 1 year	2017	4.67-6.5	-	-	-
1-2 years	2018	4.55-6.60	-	47,857	47,857
2-3 years	2019	5.35-5.44	-	40,715	40,715
3-4 years	2020	5.44	40,000	29,500	69,500
4-5 years	2021	5.56	75,000	30,000	105,000
5-6 years	2022	5.56	100,000	30,000	130,000
6-7 years	2023	5.8	105,000	33,000	138,000
7-8 years	2024	5.93	110,000	37,000	147,000
8-9 years	2025	5.93-6.16	120,000	39,500	159,500
9-10 years	2026	6.14-6.21	145,000	30,656	175,656
10-11 years	2027	6.65	200,000	-	200,000
11-12 years	2028	-	-	-	-
12-13 years	2029	3*	-	30,812	30,812
			895,000	349,040	1,244,040

* Soft loan granted by Forest Plantation Development

35 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.

36 Material Litigation

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

37 Earnings Per Share

		UNAUDITED FOURTH QUARTER		UNAUDITED CUMULATIVE	
		Current Year	Preceding Year	Current Year	Preceding Year
(i) Basic earnings per share					
Profit attributable to shareholders	RM'000	<u>6,880</u>	<u>127,462</u>	<u>36,730</u>	<u>147,070</u>
Weighted average number of ordinary shares in issue	'000	<u>883,851</u>	<u>883,851</u>	<u>883,851</u>	<u>883,851</u>
Basic earnings per share	sen	<u>0.78</u>	<u>14.42</u>	<u>4.16</u>	<u>16.64</u>
(ii) Diluted earnings per share					
Profit attributable to shareholders	RM'000	<u>6,880</u>	<u>127,462</u>	<u>36,730</u>	<u>147,070</u>
Weighted average number of ordinary shares in issue	'000	<u>883,851</u>	<u>883,851</u>	<u>883,851</u>	<u>883,851</u>
Effect of dilution (ESOS outstanding)	'000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted weighted average number of ordinary shares in issue	'000	<u>883,851</u>	<u>883,851</u>	<u>883,851</u>	<u>883,851</u>
Diluted earnings per share	sen	<u>0.78</u>	<u>14.42</u>	<u>4.16</u>	<u>16.64</u>

38 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 28 February 2018.

By Order of the Board
Aliatun binti Mahmud
LS008841
Secretary

Kuala Lumpur
28 February 2018