

TH PLANTATIONS BERHAD

(Incorporated in Malaysia)

(Company No : 12696-M)

QUARTERLY REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors have pleasure in announcing the unaudited consolidated results for the year ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	UNAUDITED FOURTH QUARTER		UNAUDITED CUMULATIVE	
		CURRENT YEAR 31.12.16 RM'000	PRECEDING YEAR 31.12.15 RM'000	CURRENT YEAR 31.12.16 RM'000	PRECEDING YEAR 31.12.15 RM'000
Revenue	24 (a)	170,078	129,328	562,310	455,304
Cost of sales		(113,885)	(95,361)	(387,862)	(330,555)
Depreciation and amortisation		(28,225)	(25,054)	(95,752)	(86,626)
Gross profit		27,968	8,913	78,696	38,123
Other income	6	123,849	6,127	131,842	34,310
Administrative expenses		(1,155)	(7,067)	(12,550)	(18,582)
Other expenses	7	(3,264)	(7,259)	(19,962)	(10,558)
Depreciation		(349)	(799)	(1,259)	(2,047)
Profit from operations		147,049	(85)	176,767	41,246
Finance costs	8	(35,629)	(5,732)	(49,471)	(22,532)
Profit before tax	24 (b)	111,420	(5,817)	127,296	18,714
Tax expense	28	15,138	5,285	23,173	5,215
Profit for the period		126,558	(532)	150,469	23,929
Other comprehensive income, net of tax					
Item that is or may be reclassified subsequently to profit and loss, net of tax					
Foreign currency translation differences for foreign operations		-	(100)	(138)	(367)
Item that will not be reclassified subsequently to profit and loss, net of tax					
Fair value change in forestry		-	(5,281)	-	(5,281)
Government grant		-	22,139	-	22,139
Other comprehensive income, net of tax		-	16,758	(138)	16,491
Total comprehensive income for the period		126,558	16,226	150,331	40,420
Profit attributable to:					
Owners of the Company		127,462	44,217	147,070	62,133
Non-Controlling Interests		(904)	(44,749)	3,399	(38,204)
Profit for the period		126,558	(532)	150,469	23,929
Total comprehensive income attributable to:					
Owners of the Company		127,462	59,594	146,942	77,224
Non-Controlling Interests		(904)	(43,368)	3,389	(36,804)
Total comprehensive income, net of tax		126,558	16,226	150,331	40,420
Earnings per share (sen) :					
Basic earnings per share	37	<u>14.42</u>	<u>5.00</u>	<u>16.64</u>	<u>7.03</u>
Diluted earnings per share	37	<u>14.42</u>	<u>5.00</u>	<u>16.64</u>	<u>7.03</u>

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31.12.16 RM'000 (unaudited)	As at 31.12.15 RM'000 (audited)
Assets			
Property, plant & equipment	33	2,614,875	2,546,519
Plantation development expenditure	12	326,445	405,595
Forestry	13	162,470	145,905
Intangible assets	14	73,265	73,265
Other investment	15	1,825	1,825
Deferred tax assets		117,771	85,525
Total non-current assets		3,296,651	3,258,634
Inventories		17,045	25,661
Current tax assets		5,366	9,702
Other investment	15	3,520	4,127
Trade and other receivables		118,475	72,951
Prepayments and other assets		4,289	3,279
Cash and cash equivalents	16	163,771	75,590
Total current assets		312,466	191,310
Total assets		3,609,117	3,449,944
Equity			
Capital reserve		781,875	782,018
Retained earnings		634,486	487,416
Total equity attributable to equity holders of the Company		1,416,361	1,269,434
Non-controlling interests		351,134	354,439
Total equity		1,767,495	1,623,873
Liabilities			
Loans and borrowings	34	1,175,374	1,128,637
Deferred tax liabilities		331,787	348,012
Trade and other payables		13,656	13,037
Total non-current liabilities		1,520,817	1,489,686
Current liabilities			
Loan and borrowings	34	113,151	106,493
Trade and other payables		205,446	227,555
Current tax liabilities		2,208	2,337
Total current liabilities		320,805	336,385
Total liabilities		1,841,622	1,826,071
Total equity and liabilities		3,609,117	3,449,944
Net tangible assets per share (RM)		1.60	1.44

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to equity holders of the Company							Total RM'000
	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	Non-controlling Interests RM'000	
At 1 January 2015	441,925	420,827	(82,557)	(64)	2,275	427,528	403,771	1,613,705
Foreign currency translation differences for foreign operations	-	-	-	(341)	-	-	(26)	(367)
Fair value on forestry	-	-	-	-	-	(6,707)	1,426	(5,281)
Deferred income	-	-	-	-	-	22,139	-	22,139
Other comprehensive income for the year	-	-	-	(341)	-	15,432	1,400	16,491
Profit for the year	-	-	-	-	-	62,133	(38,204)	23,929
Total comprehensive income for the year	-	-	-	(341)	-	77,565	(36,804)	40,420
Issuance of ordinary shares	-	-	-	-	-	-	1,000	1,000
Adjustment on fair value of ESOS	-	-	-	-	(47)	-	-	(47)
Dividends to owners of the Company	-	-	-	-	-	(17,677)	-	(17,677)
Dividends to non-controlling interests	-	-	-	-	-	-	(4,493)	(4,493)
Disposal of subsidiary	-	-	-	-	-	-	(9,035)	(9,035)
At 31 December 2015	441,925	420,827	(82,557)	(405)	2,228	487,416	354,439	1,623,873
At 1 January 2016	441,925	420,827	(82,557)	(405)	2,228	487,416	354,439	1,623,873
Foreign currency translation differences for foreign operations	-	-	-	(128)	-	-	(10)	(138)
Other comprehensive income for the year	-	-	-	(128)	-	-	(10)	(138)
Profit for the period	-	-	-	-	-	147,070	3,399	150,469
Total comprehensive income for the period	-	-	-	(128)	-	147,070	3,389	150,331
Adjustment on fair value of ESOS	-	-	-	-	(15)	-	-	(15)
Dividends to owners of the Company	-	-	-	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	(6,694)	(6,694)
At 31 December 2016 (unaudited)	441,925	420,827	(82,557)	(533)	2,213	634,486	351,134	1,767,495

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	FOR THE YEAR ENDED	
		31.12.16 RM'000 (unaudited)	31.12.15 RM'000 (unaudited)
Cash flows from operating activities			
Profit before tax		127,296	18,714
Adjustment for non-cash flow items		42,072	86,944
Operating profit before changes in working capital		<u>169,368</u>	<u>105,658</u>
Changes in working capital			
Net changes in working capital		(58,425)	(279,740)
Cash generated from/(used in) operations		<u>110,943</u>	<u>(174,082)</u>
Finance cost		(74,649)	(71,481)
Profit margin income from short term Islamic deposits and inter-company receivables		2,538	4,953
Tax paid		(23,445)	(22,873)
Tax refund		1,779	13,665
Net cash generated from/(used in) operating activities		<u>17,166</u>	<u>(249,818)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(35,706)	(28,290)
Decrease in deposits pledged		33	1,923
Plantation development expenditure		(62,585)	(124,904)
Forestry plantation		(23,348)	(23,568)
Proceed from disposal of property, plant and equipment		95	711
Dividend received		475	-
(Increase)/Decrease in other investment		607	16,678
Proceeds from disposal of estates		-	-
Proceeds from disposal of subsidiary		153,065	16,250
Net cash generated from/(used in) investing activities		<u>32,636</u>	<u>(141,200)</u>
Cash flows from financing activities			
Repayment of loans and borrowings		(192,219)	(1,057,678)
Dividends paid to owners of the Company		(11,223)	(17,622)
Dividends paid to non-controlling interests		(6,694)	(6,880)
Dividends paid by a subsidiary in relation to pre-acquisition dividend payables			(12,999)
Proceeds from loans and borrowings drawdown		145,152	1,198,415
Proceeds from tradeline drawdown		103,396	-
Proceeds from issuance of new shares		-	1,000
Net cash generated from financing activities		<u>38,412</u>	<u>104,236</u>
Net increase/(decrease) in cash and cash equivalents		<u>88,214</u>	<u>(286,782)</u>
Cash and cash equivalents at beginning of the year		<u>75,557</u>	<u>362,339</u>
Cash and cash equivalents at end of the year		<u>163,771</u>	<u>75,557</u>
Cash and cash equivalents comprise:			
Deposits	16	127,473	61,458
Cash and bank balances	16	36,298	14,132
		<u>163,771</u>	<u>75,590</u>
Less :			
Deposits pledged		-	(33)
		<u>163,771</u>	<u>75,557</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 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 2015. 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 2015.

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 2015 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 2015.

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 oil palm 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 with adverse effect in the 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) Forestry

The fair value of the assets is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

(v) 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.

(vi) 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.

(vii) Inventories

Determination of the allocation cost of CPO and PK is based on the extraction rate of CPO and PK respectively.

(viii) Valuation of land

Valuation of land in Indonesia under the Group's subsidiary company is determined by management based on estimated fair value and provisional Hak Guna Usaha ("HGU"). HGU is subject to changes by the Government of Indonesia.

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 2015 in their report dated 29 February 2016.

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 except for disposal of subsidiary's during the year as disclosed in Note 20.

Other income consist of the following:

	Note 20	RM'000
a) Gain on disposal of subsidiary		112,584
b) Profit margin income from short term investments and receivables		2,538
c) Unrealised gain on foreign exchange		4,684
d) Government grant		3,120
e) Other income		8,916
Total		<u><u>131,842</u></u>

7 Other Expenses

Other expenses consist of the following:

	Note 13	RM'000
a) Change in fair value of forestry		15,333
b) Other expenses		4,629
Total		<u><u>19,962</u></u>

8 Finance cost

	CUMULATIVE	
	Current Year RM'000	Preceding Year RM'000
Finance cost	<u>49,471</u>	<u>22,532</u>

Finance cost charged to income statement was higher by 120% due to increase in mature area in 2016. For the year 2015, RM45.27 million has been capitalised as part of plantation development expenditure cost as compared to RM29.96 million in 2016.

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

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

10 Changes In Debt And Equity Securities

During the year under review, The Group:

- i) Issued RM60 million SUKUK Murabahah ("SUKUK") with maturity periods of 6 to 10 years from the date of issuance at effective profit margins of 5.71% to 6.10%
- ii) Drawdown of RM80 million of its Commodity Mudharabah Facility at a effective profit margin of 5.75%
- iii) Drawdown of RM5.1 million term loan from Forest Plantation Development at an effective profit margin of 3.00%
- iv) Principal repayment of RM80 million SUKUK at an effective profit margin of 4.97%

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

11 Dividends

The Directors have proposed a final ordinary dividend in respect of year 31 December 2016, of 6.00 sen under the single tier system amounting to RM53.03 million subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

12 Plantation development expenditure

	Note	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
At 1 January		405,595	749,784
Change in fair value recognised in other comprehensive income		-	(6,949)
Less: Transfer to forestry	13	-	(107,105)
		405,595	635,730
Additions during the year		83,272	128,594
Additions in nurseries		5,401	
Effect of movement in exchange rate		5,239	3,639
Less: Transfer to property, plant and equipment	33	(168,055)	(362,368)
Less: Write off		(1,625)	-
Less: Disposal of subsidiary	20	(3,382)	
At 31 December		<u>326,445</u>	<u>405,595</u>

13 Forestry

	Note	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Fair Value of Forestry as at 1 January		145,905	-
Transfer from plantation development expenditure	12	-	107,105
Additions during the year		15,158	19,298
Additions in nurseries		16,740	5,041
Change in fair value recognised profit and loss		(15,333)	14,461
Fair Value of Forestry as at 31 December		<u>162,470</u>	<u>145,905</u>

13.1 Fair value information

The fair value of forestry is categorised as follows:

	31.12.2016		31.12.2015	
	Level 3 RM'000	Total RM'000	Level 3 RM'000	Total RM'000
Forestry	162,470	162,470	145,905	145,905

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description	Valuation Technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	<i>Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from forestry, taking into account expected projected latex yield, expected timber volume, latex sales price, timber sales price, upkeep and maintenance cost and harvesting cost. The expected net cash flows are discounted using risk-adjusted discount rates.</i>	<ul style="list-style-type: none"> • Expected projected latex yield (455kg/ha/yr -1,980kg/ha/yr) • Expected timber volume (305m3/ha 450m3/ha) • Latex price (RM6/kg) • Log price (RM144/m3 – RM145/m3) • Upkeep and Maintenance cost (RM913/ha – RM3,373/ha) • Harvesting cost (RM2.35/kg) • Pre- tax discount rate (10%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Expected projected latex yield were higher (lower); • Expected timber volume were higher (lower); • Latex sales price higher (lower); • Log price higher (lower); • Upkeep, maintenance and harvesting cost were lower (higher); or • Discount rates were lower (higher).

14 Intangible assets		
	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Cost		
Balance at the beginning of year	73,265	73,265
Transfer from assets held for sale	-	-
Derecognition of goodwill	-	-
Balance at the end of year	<u>73,265</u>	<u>73,265</u>
Carrying amounts		
Balance at the beginning of year	<u>73,265</u>	<u>73,265</u>
Balance at the end of year	<u>73,265</u>	<u>73,265</u>
15 Other investments		
	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Non-current		
Available-for-sale financial assets	1,920	1,920
Less: Impairment loss	(95)	(95)
	<u>1,825</u>	<u>1,825</u>
Current		
Deposits placed with licensed banks (maturity period more than 3 months)	<u>3,520</u>	<u>4,127</u>
At 31 December	<u>5,345</u>	<u>5,952</u>
16 Cash and cash equivalents		
	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Deposits placed with licensed bank (maturity period less than 3 months)	127,473	61,458
Cash and bank balances	36,298	14,132
	<u>163,771</u>	<u>75,590</u>

17 Operating segments

The Group has three 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 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 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	(879)	31	3,834	123,849
Operating expenses	438,733	(879)	11,497	(155,424)	293,927
Segment results	(153,939)	-	(7,017)	18,846	(142,110)
Other expenses	284,794	(879)	4,480	(136,578)	151,817
Finance costs	(16,468)	(1,420)	(680)	13,800	(4,768)
Profit before tax	(54,844)	-	-	19,215	(35,629)
	213,482	(2,299)	3,800	(103,563)	111,420
RESULTS FOR 3 MONTHS ENDED 31 DECEMBER 2015					
External operating revenue	129,315	-	13	-	129,328
Inter-segment revenue	48,886	-	4,495	(53,381)	-
Total operating revenue	178,201	-	4,508	(53,381)	129,328
Other income	157,169	(323)	-	(150,719)	6,127
Operating expenses	335,370	(323)	4,508	(204,100)	135,455
Segment results	(124,453)	-	(6,186)	10,224	(120,415)
Other expenses	210,917	(323)	(1,678)	(193,876)	15,040
Finance costs	(16,283)	(1,697)	(1,377)	4,232	(15,125)
Profit before tax	(121,044)	(34,553)	-	149,865	(5,732)
	73,590	(36,573)	(3,055)	(39,779)	(5,817)
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	1,499	31	(58,729)	131,842
Operating expenses	957,004	1,499	26,760	(291,111)	694,152
Segment results	(507,811)	-	(29,311)	53,508	(483,614)
Other expenses	449,193	1,499	(2,551)	(237,603)	210,538
Finance costs	(40,898)	(15,907)	(4,028)	27,062	(33,771)
Profit before tax	(126,920)	-	-	77,449	(49,471)
	281,375	(14,408)	(6,579)	(133,092)	127,296
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015					
External operating revenue	455,270	-	34	-	455,304
Inter-segment revenue	99,707	-	17,920	(117,627)	-
Total operating revenue	554,977	-	17,954	(117,627)	455,304
Other income	218,986	21,496	-	(206,172)	34,310
Operating expenses	773,963	21,496	17,954	(323,799)	489,614
Segment results	(421,198)	-	(29,305)	33,322	(417,181)
Other expenses	352,765	21,496	(11,351)	(290,477)	72,433
Finance costs	(37,620)	(2,120)	(5,439)	13,992	(31,187)
Profit before tax	(183,773)	(34,553)	-	195,794	(22,532)
	131,372	(15,177)	(16,790)	(80,691)	18,714
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2016					
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
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2015					
Assets that belong to the Group	5,409,964	179,359	16,241	(2,155,620)	3,449,944
Total assets	5,409,964	179,359	16,241	(2,155,620)	3,449,944
Liabilities that belong to the Group	2,938,431	126,594	31,906	(1,270,860)	1,826,071
Total liabilities	2,938,431	126,594	31,906	(1,270,860)	1,826,071

18 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 Note 13.

19 Material Event Subsequent To The Balance Sheet Date

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

20 Changes In The Composition Of The Group

On 23 December 2016, The Group has disposed the assets and liabilities of THP Gemas which has been satisfied via the disposal of 100% shares in THP Gemas Sdn Bhd for a total sales consideration of RM1.54 million.

Effect of disposal on the financial position of the Group

	RM'000
Property, plant and equipment	34,142
Plantation development expenditure	3,382
Other receivables	8,322
Cash and cash equivalents	993
Inventories	751
Current tax assets	1,960
Other payables	(572)
Deferred tax	(7,504)
	<u>41,474</u>
Non- Controlling interest	-
Net assets and liabilities	41,474
Gain on disposal	<u>112,584</u>
Consideration received	154,058
Less: cash and balances	(993)
Net cash inflow	<u><u>153,065</u></u>

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 23 February 2017.

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

	As at 31.12.2016
	RM'000
Approved and contracted for	-
Approved but not contracted for	194,725
	<u><u>194,725</u></u>

23 Material Related Party Transactions

**For the year
ended
31.12.2016**

Transactions with THP

Transacting Parties	Relationship	Nature of transactions	RM'000
Lembaga Tabung Haji	Holding Corporation	Lease of land	2,661
Lembaga Tabung Haji	Holding Corporation	Rental of office	1,932

Transactions with THP Group

Syarikat Takaful Malaysia	Related Company	Insurance premium	3,269
TH Travel Services Sdn Bhd	Related Company	Purchase of flight tickets	685
Deru Semangat Sdn Bhd	Related Company	Management fees	51
TH Estates Holding Sdn Bhd	Related Company	Management fees	4,852
Sistem Komunikasi Gelombang Sdn Bhd	Related Company	Telecommunication services	444

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

24 Review Of Performance

(a) Revenue

(i) Current quarter

For the current quarter ended 31 December 2016, the Group's revenue stood at RM170.08 million (4Q15: RM129.33 million), a 32% increase compared to the corresponding period last year. This increase is mainly attributed to higher average realised prices of CPO, PK and FFB.

		Fourth quarter			
		2016	2015	Variance	%
Sales Volume					
Crude palm oil	(Metric tonnes)	50,362	51,063	(701)	(1.37)
Palm kernel	(Metric tonnes)	10,765	11,969	(1,204)	(10.06)
FFB	(Metric tonnes)	2,764	10,485	(7,721)	(73.64)

		Fourth quarter			
		2016	2015	Variance	%
Average realised prices					
Crude palm oil	(RM/tonne)	2,637	2,070	567	27.39
Palm kernel	(RM/tonne)	2,750	1,611	1,139	70.70
FFB	(RM/tonne)	609	412	197	47.82

(ii) Cumulative quarter

For the year ended 31 December 2016, the Group's revenue stood at RM562.31 million (FY15: RM455.30 million), a 24% increase compared to the corresponding period last year. This increase is mainly attributed to higher average realised prices of CPO, PK and FFB.

		Year todate			
		2016	2015	Variance	%
Sales Volume					
Crude palm oil	(Metric tonnes)	173,662	174,964	(1,302)	(0.74)
Palm kernel	(Metric tonnes)	37,832	39,345	(1,513)	(3.85)
FFB	(Metric tonnes)	77,123	80,146	(3,023)	(3.77)

		Year todate			
		2016	2015	Variance	%
Average realised prices					
Crude palm oil	(RM/tonne)	2,463	2,081	382	18.36
Palm kernel	(RM/tonne)	2,365	1,545	820	53.07
FFB	(RM/tonne)	516	379	137	36.15

(b) Profit before tax

(i) Current quarter

Profit before tax for the current quarter ended 31 December 2016 was higher by RM117.24 million or 2015% compared to the corresponding quarter last year mainly attributed to higher other income arising from gain on disposal of subsidiary.

(ii) Cumulative quarter

Profit before tax for the year ended 31 December 2016 was higher by RM108.58 million or 580% compared to the corresponding period last year mainly attributed to higher other income arising from gain on disposal of subsidiary.

25 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:

		2016	2016	Variance	%
		Quarter 4	Quarter 3		
Sales Volume					
Crude palm oil	(Metric tonnes)	50,362	51,283	(921)	(1.80)
Palm kernel	(Metric tonnes)	10,765	11,090	(325)	(2.93)
FFB	(Metric tonnes)	2,764	34,771	(32,007)	(92.05)

		2016	2016	Variance	%
		Quarter 4	Quarter 3		
Average realised prices					
Crude palm oil	(RM/tonne)	2,637	2,451	186	7.59
Palm kernel	(RM/tonne)	2,750	2,405	345	14.35
FFB	(RM/tonne)	609	516	93	18.02

		2016	2016	Variance	%
		Quarter 4	Quarter 3		
Revenue	RM'000	170,078	170,308	(230)	(0.14)
Profit before tax		111,420	25,495	85,925	337.03

Compared to the preceding quarter, revenue for the fourth quarter ended 31 December 2016 was lower by 0.14%. This is mainly attributed lower production and sales volumes despite higher average prices. Profit before tax was higher mainly due to higher other income arising from gain on disposal of subsidiary.

26 Current Year Prospects

(a) Commentary on Prospects

The Group's performance in the fourth quarter continued to be encouraging, driven by high commodity prices that mitigated the effects of lower production and sales volume. In the year ahead, the weak MYR, higher crude oil prices, higher soybean oil prices and increased demand for palm oil, all point towards bullish market sentiments on CPO prices. Nevertheless, with better weather conditions seen, the market also expects production to gradually improve, particularly in the second half of this year and consequently prices are expected to moderate from their current levels. The Board is also mindful of other challenges that may come in the form of tighter supply of labour and increased wages, costlier agricultural inputs, higher taxes and levies, and other non-supportive factors that will burden the margins of industry players. In view of these challenges, the Group must prepare for the uncertainties ahead and continue with cost-optimisation initiatives to ensure that the Group remains resilient and its margins are protected even under the toughest operating conditions.

The Board is optimistic that the long-term fundamentals of the palm oil sector remain attractive and the Group shall remain focused in carrying out its long term development and consolidation plans.

(b) Projection of Targets Previously Announced

On 12 April 2016, the Group announced its 2016 targets which were to achieve 3.33% return on equity ("ROE"), 20.32 mt/ha FFB yield per matured hectare and to distribute approximately 50% of profit attributable to owners of THP Group as dividend.

i) As at 31 December 2016, the Group achieved an annualised ROE of 10.95% while its FFB yield per matured hectare stood at 15.41/ha (2016 target of 20.32 mt/ha). The FFB yield target was not met mainly due to the El Nino having deeper effects on production than initially anticipated, and as a result, THP recorded a 8% decline in FFB production while the industry recorded double digit declines in general.

ii) The directors have recommended a final dividend of 6.00 sen per share which is equivalent to 36% of Group's annual net profit after tax and non-controlling interests.

For the year 2017, the Group is in the midst of finalising its key targets to be achieved and will announce these targets in due course.

27 Variance of Actual Profit from Forecast Profit

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

28 Taxation

	Fourth Quarter		Cumulative Quarter	
	Current Year RM'000	Preceding Year RM'000	Current Year RM'000	Preceding Year RM'000
Current	7,288	5,544	17,521	15,811
Over/ (under) provision	265	1,012	265	1,012
Deferred	(22,691)	(11,841)	(40,959)	(22,038)
	<u>(15,138)</u>	<u>(5,285)</u>	<u>(23,173)</u>	<u>(5,215)</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 quarter under review is lower than its statutory rate as a result of higher deferred tax recognised.

29 Realised and Unrealised Profits

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Realised	733,533	701,506
Unrealised	169,050	44,952
	<u>902,583</u>	<u>746,458</u>
Less: Consolidation adjustments	(268,097)	(259,042)
Total Group retained earnings as per consolidated interim financial statements	<u>634,486</u>	<u>487,416</u>

The unrealised portion of retained earnings comprises mainly deferred tax expenses.

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.

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")

As at 31 December 2016, an additional of 3,788 hectares of oil palm estates have reached maturity and reclassified as PPE.

34 Group Borrowings

As at 31 December 2016, total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Loans and borrowings		
Non current		
Secured:		
Flexi Term Financing-i	30,715	43,715
Ijarah Term Financing-i Facility	-	7,768
Commodity Mudharabah Term Financing-i	73,693	-
Unsecured:		
SUKUK Murabahah Medium Term Notes	1,050,000	1,060,000
Term loan - Forest Plantation Development	20,966	17,154
	<u>1,175,374</u>	<u>1,128,637</u>
Current		
Secured:		
Flexi Term Financing-i	13,000	9,000
Ijarah Term Financing-i Facility	7,680	12,000
Commodity Mudharabah Term Financing-i	4,800	-
Unsecured:		
SUKUK Murabahah Medium Term Notes	70,000	80,000
Islamic Trade Financing-i	17,671	5,493
	<u>1,288,525</u>	<u>1,235,130</u>

Maturity analysis

Tenure	Year of maturity	Profit margin %	Amount RM'000
Below 1 year	2017	4.67-6.5	113,151
1-2 years	2018	4.55-6.60	73,400
2-3	2019	5.35-5.44	90,915
3-4	2020	5.44	82,867
4-5	2021	5.56	83,000
5-6	2022	5.56	108,000
6-7	2023	5.8	113,800
7-8	2024	5.93	119,867
8-9	2025	5.93-6.16	130,533
9-10 years	2026	6.14-6.21	152,026
10-11 years	2027	6.65	200,000
11-12 years	2028	-	-
12-13 years	2029	3*	20,966
13-14 years			<u>1,288,525</u>

* 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

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) Federal Court Civil Appeal No. 01-[f]-26- 12/2014 [Q]

The appeal before the Federal Court in Kuching was held on 7 February 2017. In the said appeal, the solicitors of all parties involved had made their respective submissions. The Federal Court had adjourned the case for a ruling to a date to be fixed in due course.

37 Earnings Per Share

		UNAUDITED FOURTH QUARTER		UNAUDITED CUMULATIVE QUARTER	
		Current Year	Preceding Year	Current Year	Preceding Year
(i) Basic earnings per share					
Profit attributable to shareholders	RM'000	<u>127,462</u>	<u>44,217</u>	<u>147,070</u>	<u>62,133</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>14.42</u>	<u>5.00</u>	<u>16.64</u>	<u>7.03</u>
(ii) Diluted earnings per share					
Profit attributable to shareholders	RM'000	<u>127,462</u>	<u>44,217</u>	<u>147,070</u>	<u>62,133</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>14.42</u>	<u>5.00</u>	<u>16.64</u>	<u>7.03</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 23 February 2017.

By Order of the Board
Aliatun binti Mahmud
LS0008841
Secretary

Kuala Lumpur
23 February 2017