TH PLANTATIONS BERHAD (12696-M)

ANNUAL REPORT
TWO THOUSAND EIGHTEEN

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ABOUT THIS REPORT

SCOPE & BOUNDARIES

The Report covers financial and non-financial performance for the period beginning 1 January 2018 and ending 31 December 2018 and communicates the risks and opportunities that have had a significant impact on the business.

Feedback

At THP, we believe in creating meaningful conversations with our stakeholders as this allows us to understand market needs and stakeholder perspectives, strengthen our strategy and most importantly, builds trust for the longer term. As such, we value any feedback, comments and questions on our reports. For those who would like to provide feedback on our reports, please contact our Sustainability and Investor Relations Department at 03-2603 4852 or email us at info@thplantations.com.

Forward-Looking Statement

This report contains forward-looking statements characterised by the use of words or phrases such as “might”, “forecast”, “anticipate”, “project”, “may”, “believe”, “predict”, “expect”, “continue”, “will”, “estimate”, “target”, and other similar expressions. The report may also contain forecast information such as improvements in production or stipulates a certain course of action with regards to our business. However, these statements do not guarantee future operating, financial or other results as it may involve certain risks and uncertainties. As such, it is important to note that the statements here do not provide a warranty or guarantees that the anticipated results mentioned by these forward-looking statements will be achieved.

THP’s Annual Report 2018 is available on the Company’s website at www.thplantations.my

CORPORATE INFORMATION

As at 1 April 2019

BOARD OF DIRECTORS

Tan Sri Abu Talib bin Othman
Chairman
Non-Independent Non-Executive Director
(Appointed w.e.f. 26 March 2019)

Datuk Seri Nurmala binti Abd Rahim
Independent Non-Executive Director

Dato' Shari bin Haji Osman
Independent Non-Executive Director

Dato' Indera Dr. Md Yusop bin Omar
Independent Non-Executive Director

Mohd Adzahar bin Abdul Wahid
Independent Non-Executive Director

Nik Mohd Hasyudeen bin Yusoff
Independent Non-Executive Director
(Appointed w.e.f. 20 August 2018)

Dzul Effendy bin Ahmad Hayan
Non-Independent Non-Executive Director
(Appointed w.e.f. 27 March 2019)

AUDIT COMMITTEE

Mohd Adzahar bin Abdul Wahid
Chairman
Independent Non-Executive Director

Datuk Seri Nurmala binti Abd Rahim
Member
Independent Non-Executive Director

Dato' Shari bin Haji Osman
Member
Independent Non-Executive Director

Nik Mohd Hasyudeen bin Yusoff
Member
Independent Non-Executive Director
(Appointed w.e.f. 20 August 2018)

SECRETARIES

Aliatun binti Mahmud
(LS 0008841)

Wan Nurul Hidayah binti Wan Yusoff
(LS 0008555)

NOMINATION & REMUNERATION COMMITTEE (Merged w.e.f. 30 May 2018)

Datuk Seri Nurmala binti Abd Rahim
Chairman
Independent Non-Executive Director

Mohd Adzahar bin Abdul Wahid
Member
Independent Non-Executive Director

Dato' Shari bin Haji Osman
Member
Independent Non-Executive Director
(Appointed w.e.f. 30 May 2018)

Nik Mohd Hasyudeen bin Yusoff
Member
Independent Non-Executive Director
(Appointed w.e.f. 22 October 2018)

CHIEF EXECUTIVE OFFICER

Muzmi bin Mohamed
(Appointed w.e.f. 11 February 2019)

CORPORATE INFORMATION
As at 1 April 2019

REGISTERED OFFICE

Level 35
Menara TH Platinum
No. 9 Persiaran KLCC
50088 Kuala Lumpur

Tel : 03 2603 4800
Fax : 03 2603 4695

AUDITORS

KPMG Desa Megat PLT
Level 10 KPMG Tower
8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Tel : 03 7721 3388
Fax : 03 7721 3399

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
(Formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6 Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : 03 7849 0777
Fax : 03 7841 8151/8152

INVESTOR RELATIONS

Sustainability and Investor Relations Department
Level 31
Menara TH Platinum
No. 9 Persiaran KLCC
50088 Kuala Lumpur

Tel : 03 2603 4852
Fax : 03 2603 4278

PRINCIPAL BANKERS

Bank Islam Malaysia Berhad
CIMB Bank Berhad
Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Listed since 27 April 2006

Stock Name : TH PLANT
Stock Code : 5112

PLACE OF INCORPORATION AND DOMICILE

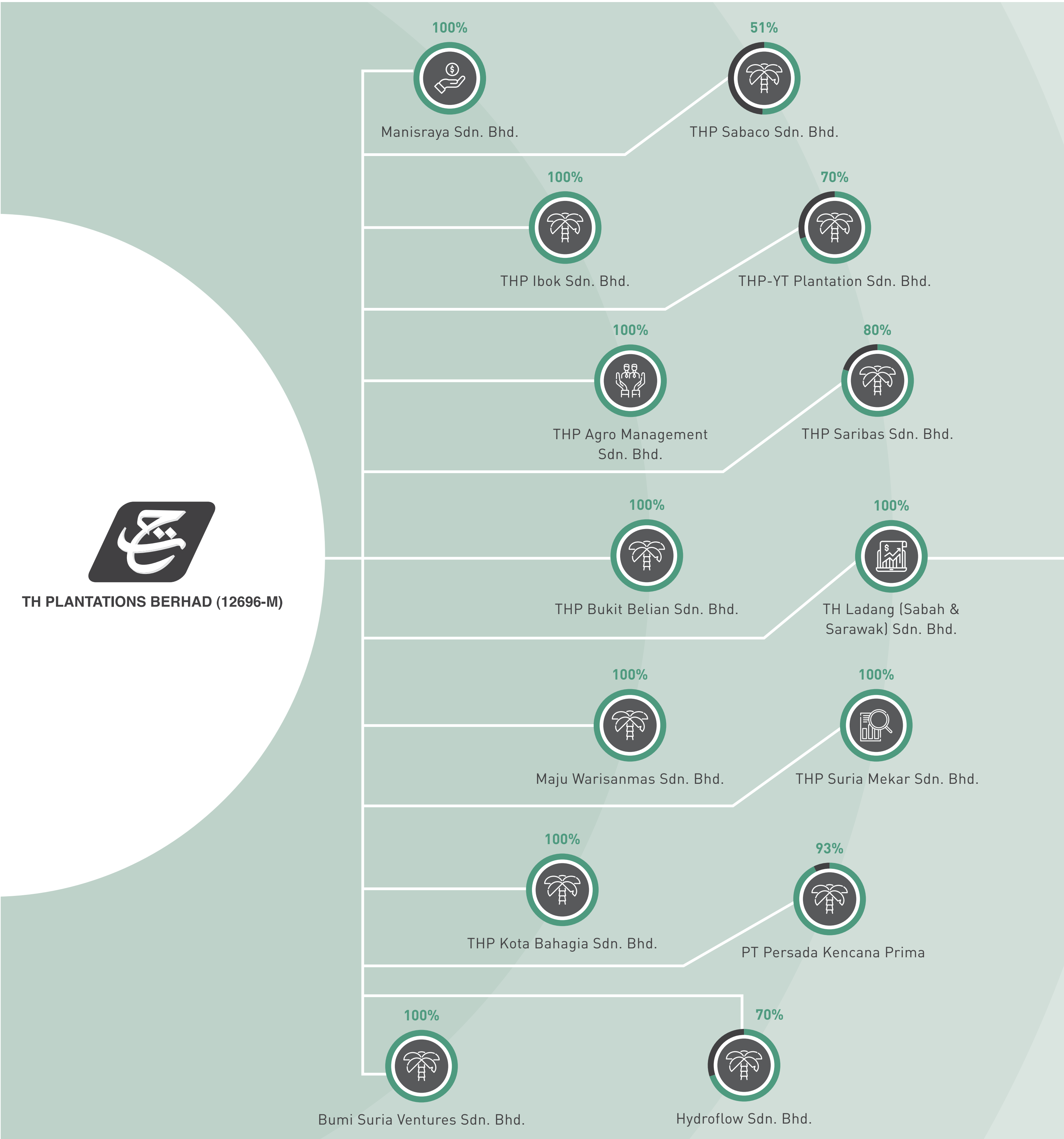
Malaysia

WEBSITE

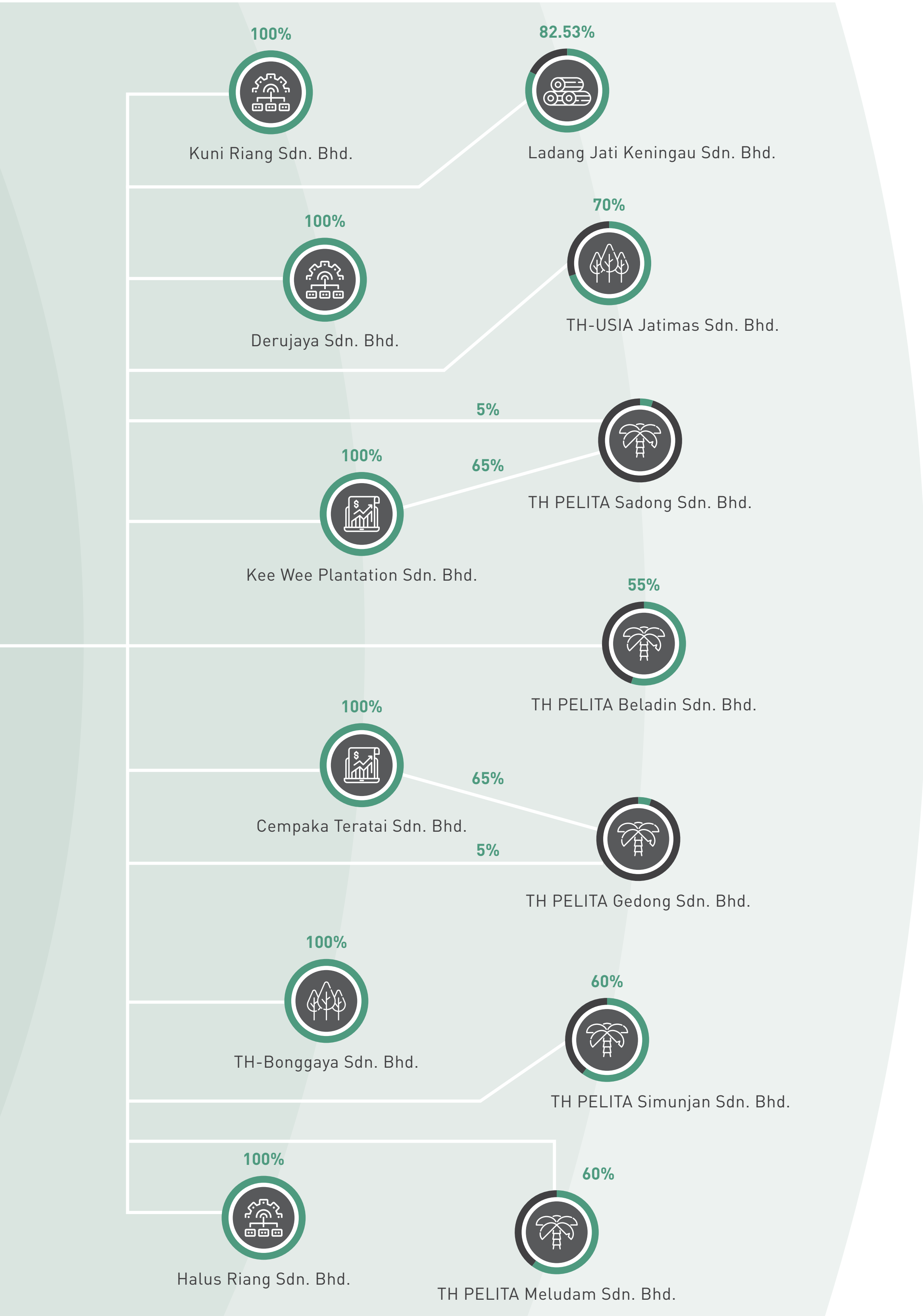
www.thplantations.my

CORPORATE STRUCTURE

As at 1 April 2019



CORPORATE STRUCTURE
As at 1 April 2019



MANAGEMENT DISCUSSION & ANALYSIS

بِسْمِ ٱللَّٰهِ ٱلرَّحْمَٰنِ ٱلرَّحِيمِ
السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ ٱللَّٰهِ وَبَرَكَاتُهُ

In the name of Allah,
the most Gracious, the most Merciful
Assalamualaikum Warahmatullahi Wabarakatuh

Dear Shareholders,

The Board and Management would like to present to you TH Plantations Berhad's ("THP") Annual Report for the financial year ended 31 December 2018. This report outlines the Company's efforts in realising our economic, environmental and social goals as our business and our operations set down the path of sustainable growth now and in the future.

MUZMI BIN MOHAMED
Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

2018 turned out to be one of the most testing times for the palm oil industry. After a brief respite in 2017 in which prices strengthened and production gradually recovered after a couple of years of weather anomalies, the industry was again challenged with low prices and weak demand for palm oil.

THP, in particular, was not spared from the impact of these challenges. In fact, the challenging conditions have pushed THP into such a vicarious state which required us to review our position, strategies and plans moving forward. The Board and Management have put into place an aggressive turnaround plan that, once executed, will see THP come out leaner and in a more stable financial position.

By managing operations efficiently, being focused on our strategies and with a more supportive price environment in 2019, we believe that THP will be able to push through the challenges ahead. Together with our sustainability values and good governance practices, we will be able to unlock the value of THP and secure a brighter future for the Company and our employees.

2018 Industry Landscape

Throughout 2018, the Malaysian palm oil industry suffered from weaker Crude Palm Oil ("CPO") production and prices, as well as lower earnings from palm oil exports.

CPO production declined by 2% due to lower Fresh Fruit Bunch ("FFB") yields and lower FFB processed across the industry. Although total exports of oil palm products increased by almost 4%, the 2018 earnings from exports of palm oil fell sharply by 12% compared to 2017, mostly due to lower prices. The prices of all oil palm products traded lower in 2018. In particular, CPO traded almost 20% lower in 2018, averaging RM2,233 per tonne compared to RM2,783 per tonne in 2017. Looking back, CPO prices remained steady during the first four months of the year partly due to the Government's move to suspend palm oil export duty during that period to bolster sales, with the highest traded price recorded was in February at RM2,488 per tonne. However, demand gradually dampened along with weaker prices of other vegetable oils in the world market, leading to lower prices of oil palm products. Stocks accumulated as production recovered towards the end of the year and surged to 3.22 million tonnes by December 2018. In December too, prices of CPO traded at the lowest point for the year, at RM1,795 per tonne.

Loss of Momentum for THP

The confluence of factors had a significant impact on THP's financial performance. Despite recording a 3% growth in our FFB production and a 4% decrease in operating costs, the lower average CPO price led to THP ending the financial year 2018 with a gross loss of RM109.06 million compared to a gross profit of RM185.83 million in FY2017.

Further to this, the Board and Management have decided to move forward with a planned rationalisation exercise and we have identified several assets which are to be divested in the near future.

RM519.32 million (25%)
Revenue
2017: RM687.98 million

RM484.23 million (4%)
Cost of Sales
2017: RM501.95 million

(RM109.06) million
Gross (Loss)/Profit
2017: RM185.83 million

(RM678.11) million
(Loss)/Profit Before Tax
2017: RM61.00 million

(RM658.38) million
(Loss)/Profit After Tax
2017: RM31.23 million

MANAGEMENT DISCUSSION & ANALYSIS

As part of this plan, THP prudently made the necessary impairments, write-offs and write-downs in FY2018. This exercise further impacted our bottom-line and caused THP to record a Loss Before Tax of RM678.11 million in FY2018, against a Profit Before Tax of RM61.00 million in the previous year. Our Loss After Tax was RM658.38 million compared to a Profit After Tax of RM31.23 million in FY2017.

Turning THP Around

As we make every effort to turn the Company around, the Board and Management believe that the rationalisation plan will give us a stronger footing and strengthen our financial position especially in the current challenging low price/low demand environment.

The Board and Management are now looking at other areas to aid the turnaround of the Company which include streamlining and rebalancing our portfolio of assets. THP is committed to ensuring that our plantations and mills are fully optimised to unlock their full potential and value. We will be striving for the ideal average plantation age and replanting exercises will be carried out to create a balanced age distribution amongst our plantations and hence steady revenue generation going forward.

These efforts will be carried out sustainably across all economic, environmental and social aspects to deliver sustainable value to our stakeholders. Readers may find more information about our Sustainability efforts in pages 11 to 36 of this report.

The Year in Review

THP's Operational Performance (2018 vs 2017)

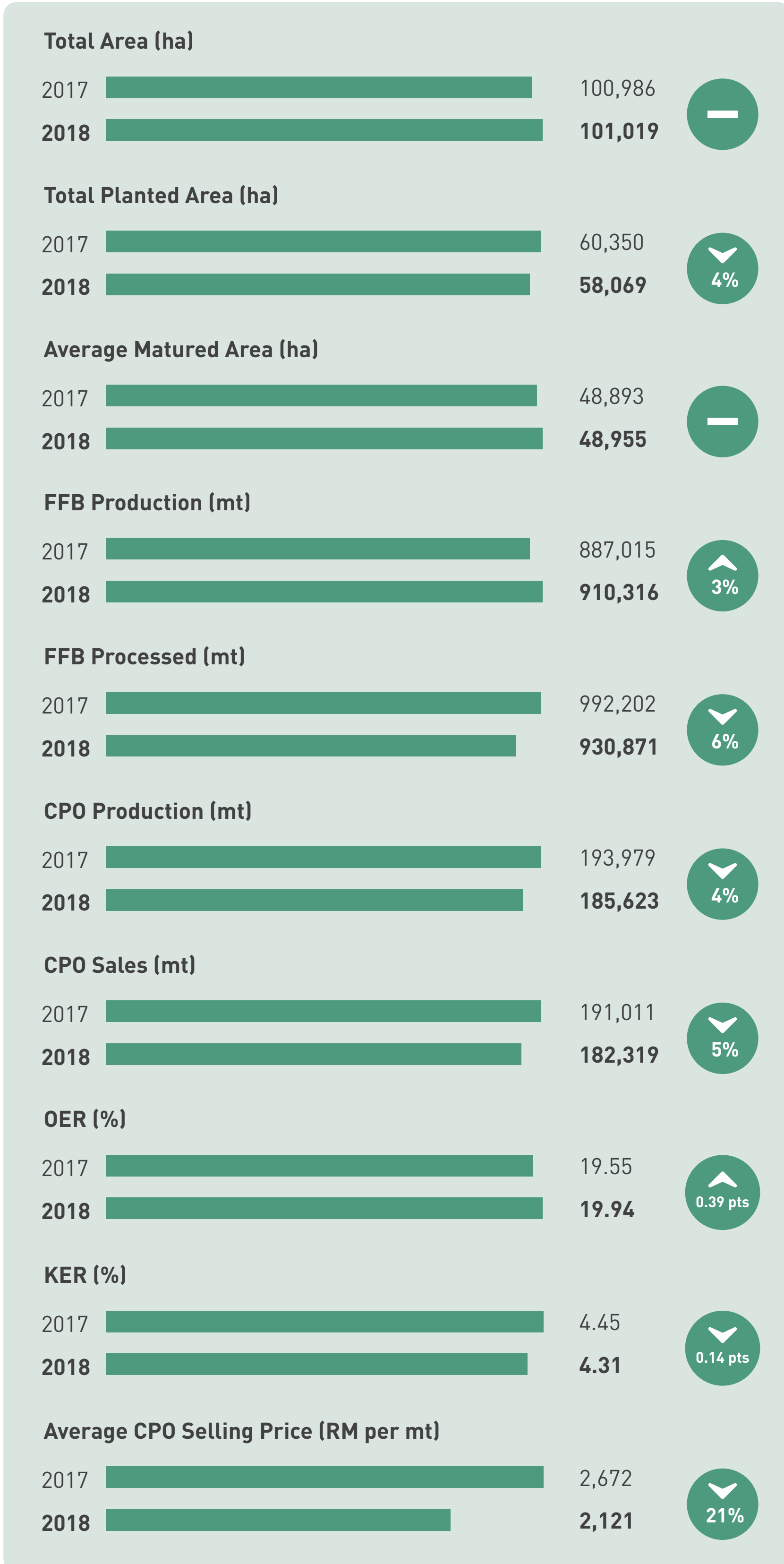
Operationally, we performed reasonably well, increasing our overall FFB production by 3% largely due to a strong recovery in our Sabah estates which saw a 19% increase in its FFB output. However, there was a 3% decline in Peninsular estates and only a 1% increase in our Sarawak estates for FFB production due to biological factors as these regions both delivered strong production numbers in 2017.

In terms of FFB processing, we reduced our purchase of external FFB and increased sales of our own FFB to external parties during mill shutdown periods. This

MANAGEMENT DISCUSSION & ANALYSIS

explains the decline in FFB processing by 6% and CPO output by 4%. The Oil Extraction Rate ("OER") increased slightly to 19.94% in 2018 compared to 19.55% in 2017.

On a group average, THP's mill utilisation rate improved marginally to 73.67% in 2018 compared to 73.61% in 2017 and only 61.37% in 2016. Our mills processed a total of 930,871 tonnes of FFB in 2018 compared to 992,202 in 2017 while total CPO output for the Group decreased by 4% to 185,623 tonnes in 2018 from 193,979 tonnes the previous year.



MANAGEMENT DISCUSSION & ANALYSIS

Managing Our Risks

The Board and Management will need to carefully review risks to our performance moving forward as they can potentially affect the Company's bottom-line. Some of these risks are highlighted below:

Inability to fully realise the potential of THP's land bank and plantation assets

We have not fully developed all the green fields we have acquired. To date, our planted area stands at 58,069 ha for oil palm, and 10,797 ha for rubber. About 9,660 ha are marked as reserves/undeveloped due to various factors, and are not generating any revenues for the Company.

High funding commitments

We have about RM1.2 billion in Sukuk and other financial borrowings, with capital repayments spread over the next 10 years. This attracts a sizeable amount of interest expense annually and these commitments affect the bottom-line of the Company significantly. Proceeds of the planned divestments will be utilised mostly to pare down these debts and lighten the financial burden on THP as well as providing the much needed resources to achieve the full potential of THP's estates and mills.

High operating costs

Almost 50% of our area planted with oil palm are in the immature or young mature stages, which leads to higher upkeep costs per planted hectare. We will strive for greater efficiencies and improvements through the disciplined implementation of our Performance Improvement Programme.

Outlook for 2019

In 2019, the palm oil market is expected to recover from 2018's prices with the price of CPO expected to be in the range of RM2,000 - RM2,400 per tonne compared to RM2,233 per tonne in 2018. Both exports and overall production are forecast to increase in 2019.

Some of the factors for the increase in prices from the low levels of 2018 include the increased use of biodiesel in Malaysia and Indonesia driving demand, India lowering its import duties from January 2019 and recovery of demand from China.

It should be highlighted that oil palm is the most efficient oil crop in terms of land use compared to other vegetable oils. It is also truly versatile, which means its use for food and non-food applications will continue to support demand as the world population grows.

For THP, we will be mindful of the challenges that exist and remain optimistic that the palm oil industry will continue to be sustained by strong demand for food sources, oleochemicals and biofuel.

When there are opportunities to divest non-core or non-generating assets, we will seize them. However, as a pure upstream plantation player, and armed with our turnaround plan, it will be back to basics to reduce costs while we increase yields and revenues. We will further strengthen our governance in all aspects of operations. We will continue THP's journey as a sustainable business with renewed vigour to deliver value over the long-term for our shareholders.

LINKING SUSTAINABILITY TO OUR STRATEGY

Following our inaugural Sustainability Statement in 2017, THP is proud to use this opportunity to report on our progress in the areas of implementation and monitoring of our various sustainability initiatives for the Financial Year 2018.

We made further progress this year moving beyond outlining our initiatives to the development of KPIs and regular monitoring of these initiatives together with regular progress updates to management. In addition to these, the Board of THP has approved and endorsed the Group's Sustainability Policy in February 2019. THP is also in the midst of seeking the MSPO certification for all the estates and mills owned by the Company. To date, all of its estates and mills in Peninsular Malaysia have been certified under MSPO, while its estates and mills in Sabah and Sarawak are in the final stages of the certification process and are expected to be certified within the stipulated deadline.

Guided by our values, we remain committed to our economic, environmental, and social matters. This includes managing our effluents and water discharge, upholding human rights and maintaining a safe and healthy workplace, as well as preserving riparian areas, exercising good agriculture practices, and improving product quality and operational efficiency.

Sustainability is a journey of continuous improvement, where we embrace change and seek to do better for the sake of our future generations. With the progress made in 2018, we acknowledge that more could be done towards sustainable growth. We will continue our efforts in creating a shared environment that not only secures future agricultural growth and quality products, but also addresses the collective needs of our stakeholders as well as the environment.

About the Sustainability Statement

The purpose of this Statement is to communicate to our stakeholders on our commitments and management of sustainability risks across the economic, environmental, and social ("EES") themes.

Our operations consist of three strategic business units, namely oil palm plantations, forestry (harvesting of latex and rubberwood), and management services. The scope of this Statement covers our operations in oil palm plantations in West and East Malaysia, which includes activities of cultivating palm oil, processing Fresh Fruit Bunches ("FFB"), marketing Crude Palm Oil ("CPO") and Palm Kernel ("PK"), unless otherwise stated. Our Indonesian operations have been excluded as the palms here were still immature during the reporting period. As palm oil activities in Malaysia is our core business, contributing almost 100% of our revenue in 2018, emphasis would be placed here.

The reporting period of our Statement is 1 January 2018 to 31 December 2018, unless otherwise stated. The content of our Statement is underlined by our commitment towards achieving full MSPO certification by 2019. We are pleased to note that all nine estates and two mills in Peninsular Malaysia have been fully certified in 2018 and there are 22 estates and four mills in Sabah and Sarawak in the process of certification.

We have referenced Bursa Malaysia's Sustainability Reporting Guide and Toolkits, as well as the internationally-recognised Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") and relevant industry standards and benchmarks, as well as facilitation from external consultants when preparing the Statement.

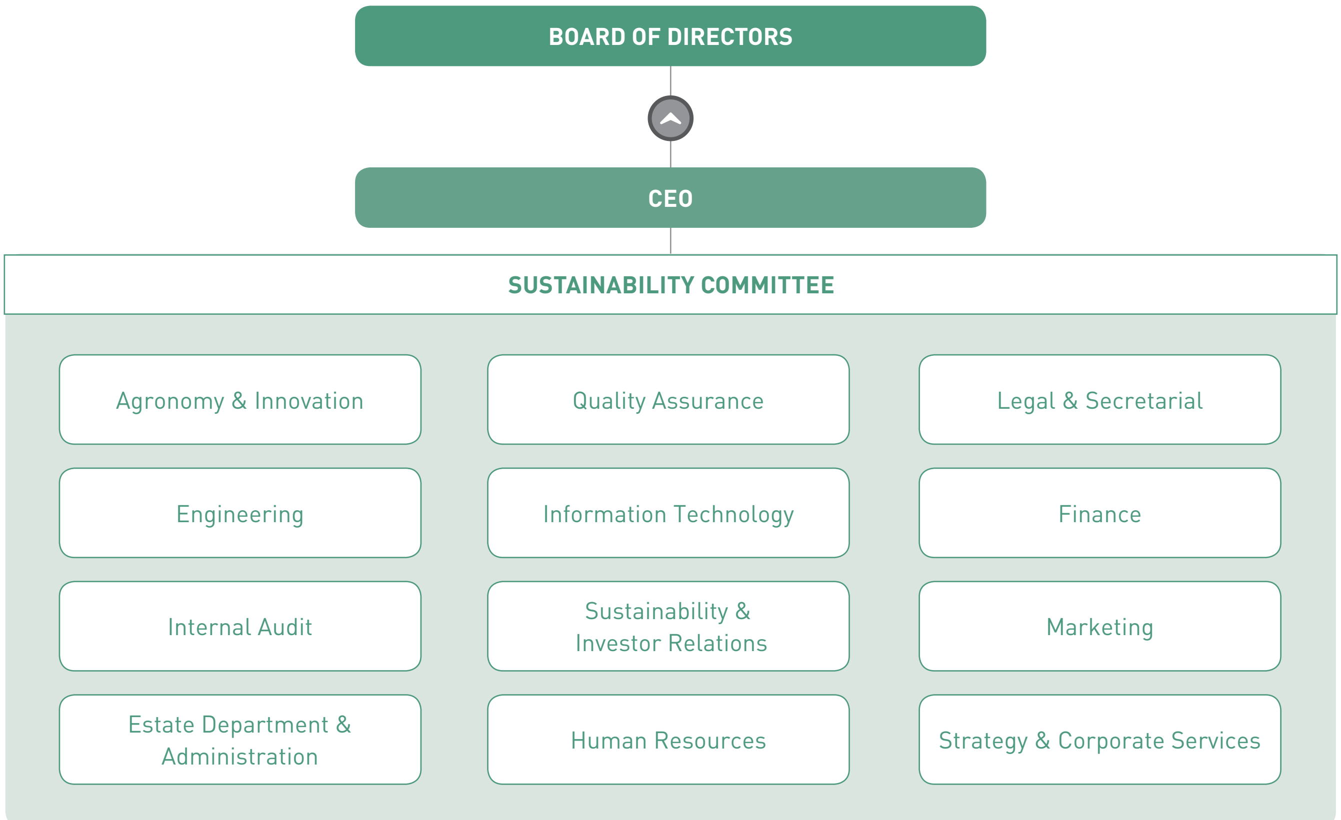
LINKING SUSTAINABILITY TO OUR STRATEGY

Sustainability Governance

Our 'tone at the top' is set by THP's Board of Directors ("the Board"), with whom the ultimate responsibility of setting the Group's sustainability strategic direction rests. The Board is supported by the Chief Executive Officer ("CEO") and the Sustainability Committee ("SC" or "Committee"). Our CEO is tasked with reporting to the Board on the Group's sustainability performance, as well as reviewing updates from the Committee on THP's sustainability management and preparation of the annual Sustainability Statement.

The Committee comprises various heads of departments (as illustrated in the diagram below). The Committee is headed by the Sustainability and Investor Relations department ("SIR") with the Head of SIR reporting to the CEO periodically. The Committee is responsible for monitoring the execution of the Board's strategic sustainability directions and overseeing the preparation of the Sustainability Statement.

The Committee is also responsible for monitoring the implementation of our Sustainability Agenda. Our Sustainability Agenda guides THP towards becoming a sustainable and integrated palm oil player over the long-term, including achieving full MSPO certification by 2019 and preparing a comprehensive Sustainability Statement as a platform to communicate our initiatives. In 2018, the development of the Sustainability Policy was also deliberated and discussed by the Committee, and further refined and improved by the Committee, before it was tabled for approval by the Board of Directors. The Policy formalises our commitment to strengthening our sustainability agenda and guides THP towards adopting a holistic approach to business management. With the full support of the Board, we are confident that the Policy will achieve its aim, as it is implemented in parallel with the full MSPO certification of our mills and estates.



Respective heads of departments manage the risks and opportunities that fall within their jurisdiction and report to the Committee on their achievements. The SIR department manages THP's sustainability reporting processes, ensures the Group complies with relevant sustainability requirements, such as MSPO and serves as the communication platform for our stakeholders.

LINKING SUSTAINABILITY TO OUR STRATEGY

Stakeholder Engagement

We recognise our stakeholders as being key enablers who support our business activities, contribute to our success, and to whom we owe a duty to care and to share value created. Our approach to sustainability takes into consideration the long-term impact resulting from our activities for both the Group and our stakeholders. As such, we have proactively engaged with our stakeholders. Summarised below is our engagement approach towards our stakeholders, highlighting their main concerns as well as THP's response:

Stakeholder Group	Engagement Platforms	Concerns	Management's Response
Shareholders	• Annual General Meetings • Quarterly announcements • Special meetings	• Growth of THP's earnings • Dividend pay-out	• Refer to our Management Discussion & Analysis ("MD&A") on page 6 to 10 and Audited Financial Statements page 81 to 231 • Product Quality and Operational Efficiency on page 17
Directors	• Quarterly and special Board meetings • Quarterly and special Board Committee meetings	• Maintaining THP's financial support and growth • THP's relationship with its stakeholders • Maintaining good governance practices	• Refer to our MD&A page 6 to 10 and Audited Financial Statements on page 81 to 231 • Governance and Ethics on page 19
Management	• Quarterly management meetings and ad-hoc meetings	• Business growth and increased yields • Achieving MSPO certification • Stakeholder relationship management • Mitigation of occupational safety and health risks • Regulatory requirements on discharge management • Preventing human rights violations • Talent retention and supporting employees via welfare and competitive remuneration • Improving operational efficiency, including reducing waste • Product quality and meeting customers' requirements • Regulatory compliance	• Product Quality and Operational Efficiency on page 17 • Traceability and Supply Chain Management on page 19 • Occupational Safety and Health on page 27 • Effluents and Water Discharge Management on page 20 • Waste Management on page 21 • Employee Welfare and Development on page 31 • Human Rights on page 26 • Water Management on page 23

LINKING SUSTAINABILITY TO OUR STRATEGY

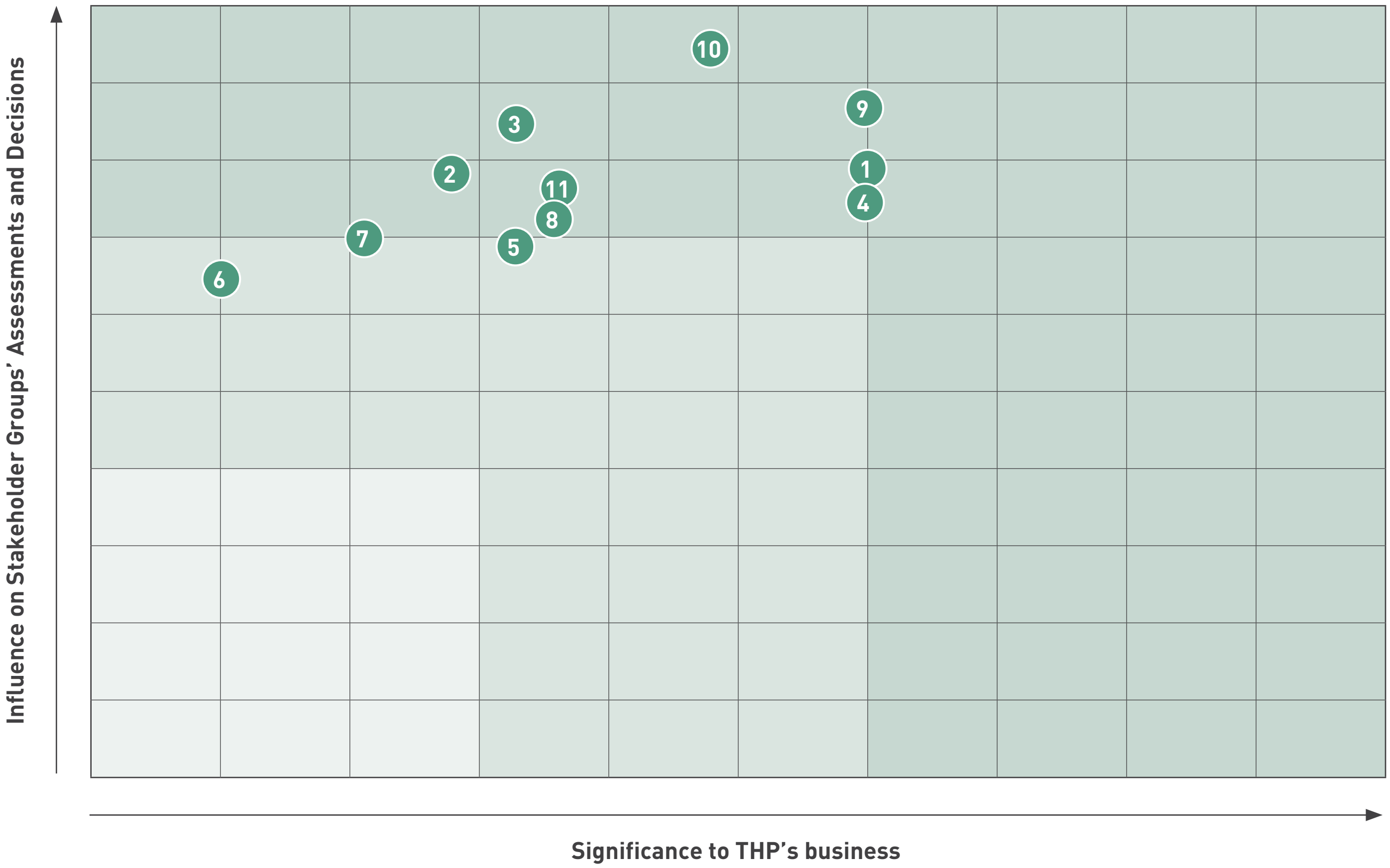
Stakeholder Group	Engagement Platforms	Concerns	Management's Response
Employees	• 'Open-door' policy • Company intranet, special briefings • Trainings	• Prevention of occupational safety and health risks • Seeking a supportive workplace environment with competitive wages and benefits • Good governance and ethical environmental and social management practices	• Occupational Safety and Health on page 27 • Employee Welfare and Development on page 31 • Human Rights on page 26 • Governance and Ethics on page 19
Customers	• Regular email/in-person correspondence to discuss issues raised	• Meeting quality requirements and demand needs • THP's performance and management of EES matters	• Product Quality and Operational Efficiency on page 17 • Traceability and Supply Chain Management on page 19 • Governance and Ethics on page 19 • Biodiversity and Conservation on page 24 • Human Rights on page 26
Local Communities (i.e. towns, villages)	• Informal grievance channels • Donation programmes • Land management schemes	• Management of effluent discharge • Provision of support elements (i.e. donations and medical facilities)	• Local Communities on page 34 • Biodiversity and Conservation on page 24 • Effluents and Water Discharge Management on page 20
Local authorities (i.e. Malaysian Palm Oil Board ("MPOB"), DOSH, DOE, municipal councils, etc.)	• Monthly, annual and special reporting • Forums	• Meeting regulatory requirements (i.e. health and safety statistics, air emissions and effluent and discharge, etc.)	• Governance and Ethics on page 19 • Effluent and Water Discharge Management on page 20 • Human Rights on page 26 • Occupational Safety and Health on page 27 • Waste Management on page 21 • Water Management on page 23

Throughout the process, we recognised the limitations of our current stakeholder engagement scope. Nevertheless, as part of the process for MSPO certification, we have expanded and formalised additional platforms for engagement with our stakeholders, including formal stakeholder meetings at each complex level as well as the provision of grievance channels for our stakeholders to submit their concerns regarding our operations.

LINKING SUSTAINABILITY TO OUR STRATEGY

Materiality Matrix

In 2018, we identified our material matters via Bursa Malaysia's Materiality Assessment Toolkit. We considered the impact of relevant matters to the business and the importance of each matter to the engaged stakeholder groups. Below is our materiality matrix:



All relevant matters identified above are material to our operations, and are managed with prudent planning and execution. We have grouped our matters into the following themes:

Economic

1. Product Quality and Operational Efficiency
2. Traceability and Supply Chain Management
3. Governance and Ethics

Environment

4. Effluent and Water Discharge Management
5. Waste Management
6. Water Management
7. Biodiversity and Conservation

Social

8. Human Rights
9. Occupational Safety and Health
10. Employee Welfare and Development
11. Local Communities

The next section provides details how we manage all of our identified material sustainability matters, including key practices we exercise and performance indicators that we monitor.

LINKING SUSTAINABILITY TO OUR STRATEGY

Managing Matters to Create Shared Value

Governments, organisations and people of all backgrounds are unified in agreement that the United Nations Sustainable Development Goals ("SDGs"), will help attain the future and quality of life we want for our communities, our businesses, and our nations. In Malaysia, the Eleventh Malaysia Plan ("11MP") took effect from 2016, with a review in 2018, which set six strategic directions for the country to achieve greater prosperity by 2020.

Against the backdrop of the abovementioned agendas, we want to communicate how our matters create value on these universally-spoken platforms. Therefore, we have connected the way we manage our matters to the different aspects of the SDGs and 11MP. Our representations are shown below:

Economic

SDGs

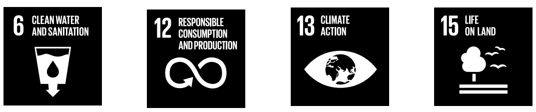
11MP

1 Enhancing inclusiveness towards an equitable society

3 Accelerating human capital development for an advanced nation

Environment

SDGs



11MP

4 Pursuing green growth for sustainability and resilience

Social

SDGs

11MP

1 Enhancing inclusiveness towards an equitable society

3 Accelerating human capital development for an advanced nation

2 Improving wellbeing for all

ECONOMIC

1 Product Quality and Operational Efficiency

As an upstream oil plantation business, we understand the importance of quality to meet our customers' requirements and our internal business targets. In doing so, we focus on an array of areas to manage product quality and uphold a high rate of operational efficiency. In the Management Discussion & Analysis section of our Annual Report, pages 6 to 10, we further discuss our operational performance, efforts and significant achievements during the year.

Customer Satisfaction

Our customers are important stakeholders in the sustainable development of our operations. It is our responsibility to produce quality products that benefit our customers, drive business growth and are responsibly produced and sourced. We regularly engage with our customers to understand their needs and develop collaborative relationships to overcome common industrial challenges.

We strive to maintain the quality of our CPO and PK to meet customer requirements. Each batch is measured and monitored against our internal targets, which have been prepared alongside the Standard Quality Grade of the Malaysian Standards, MS814:2007 and MS236:2007, for CPO and PK respectively. The table below highlights our average performance against the targets.

Average quality indicators	Internal target	Average performance 2016	2017	2018
CPO				
Free Fatty Acid (FFA) (%)	≤5.00	3.67	3.94	**3.98**
Deterioration of Bleachability Index (DOBI)	≥2.30	2.58	2.46	**2.41**
Moisture & Impurities (M&I) (%)	<0.25	0.15	0.16	**0.16**
PK				
Moisture (%)	<7.00	5.25	5.24	**5.51**
Dirt & Shell (%)	<6.00	4.39	4.48	**4.72**

LINKING SUSTAINABILITY TO OUR STRATEGY ECONOMIC

Good Agriculture Practices

Our plantation operations are guided by our Standard Operating Procedure ("SOP") on Good Agriculture Practices ("GAP"). Key focus areas of GAP include managing optimum water levels, implementation of site-specific fertiliser programmes, application of integrated pest management and efforts to minimise production of poor fruit sets.

Research and Development

Research and Development ("R&D") is an integral component of the Agronomy and Innovation Department. The team consists of seven talented professionals who are focused on improving elements of operations such as increasing the quality and quantity of yield. Key areas covered by the team include fertiliser recommendations, geospatial service, and plantation research. There were a number of projects for the year, key highlights of which are:

Key R&D projects in 2018

1. Implementation of precision water management technique for yield improvement on peatland, including establishment of water flow map.
2. Establishment of SOP for pollinating weevil nesting box, in an effort to improve the yield of FFB.
3. Suppressing rat damage through a new baiting system.
4. Collaborative research with a local Malaysian university, to forecast Bagworm outbreaks.
5. Providing technical support service to estate operations in areas of land development, establishment of estate boundary, and replanting.

To support our team, annual budgets are allocated for R&D expenditure. The table below highlights our R&D expenditure over the years:

	2016	2017	2018
Budget for R&D Annual Expenditure (RM million)	2.2	2.4	**2.4**

MSPO Certification

Given our position as a supplier of CPO and PK, it is essential that we improve sustainability along the supply chain of the palm oil industry. We seek to solidify our commitment by obtaining full MSPO certification of our estates and mills by 2019.

Under MSPO standards, we address seven key areas:

1. Management commitment and responsibility
2. Transparency
3. Compliance to legal requirements
4. Social responsibility, safety, and employment conditions
5. Environment, natural resources, biodiversity, and ecosystem services
6. Best practices
7. Development and new plantings

As of end-2018, we have certified all our mills and estates in Peninsular Malaysia. The mills and estates in Sabah and Sarawak are expected to be certified within the stipulated deadline. MSPO certification will strengthen the credibility of our products and traceability measures which aligns us with local and global palm oil market demands.

In line with our goal to be an integrated and sustainable plantations company, we will continue to invest in R&D and maintain our internal quality controls, as we explore new areas of agriculture practice to improve yield and produce high quality products. This will support us in completing our plans of certifying all our mills by 2019.

LINKING SUSTAINABILITY TO OUR STRATEGY ECONOMIC

2 Traceability and Supply Chain Management

The production of sustainable palm oil is guided by responsible practices along the supply chain. We acknowledge our role in providing quality products that are made via ethical and sustainable operations. Hence, we pay close attention to the management of our supply chain to ensure that responsible and transparent end-to-end processes and procedures are practised. Our actions enable traceability, which we define below.

Traceability

As part of our efforts to manage our supply chain, we underline the importance of traceability as part of our internal procurement and supplier management processes. Our efforts are aimed at:

- Ensuring the estates are able to trace FFB produced from various stages, including seedlings, planting, harvesting, and transportation; and
- Ensuring palm oil mills are able to trace the production of CPO and PK – from receipt of FFB, mill processing, transporting, and delivery.

To ensure the FFB produced at estates as well as the CPO and PK produced as part of mill operations are traceable, we have established procedures under the purview of our Estate and Mill Departments. These operations are closely monitored to ensure we manage the sustainable production of our FFB, CPO, and PK.

Fair Procurement Practices

All potential suppliers are treated equally, including potential participants of our Vendor Development Initiative on page 36. Our Procurement Department guides our procurement process by selecting suppliers based on specified criteria, including the extent of vendors' resources and skills, quality and composition of requested resource. Furthermore, our procurement process is governed by internal controls, such as limits of authority and approval from the Tender Committee to ensure fair practices.

3 Governance and Ethics

Good Governance

We are committed to good corporate governance and ethical practices at our workplace. Our governance practices are guided by the recommendations of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and Bursa Malaysia's Listing Requirements.

Further information on our Corporate Governance structure and initiatives during the year can be found in the Corporate Governance Overview Statement from pages 49 to 66.

Anti-Corruption Practices

At THP, we avoid all forms of corruption at the workplace. We have in place mitigation measures such as operational limits of authority and procedures for all directors and employees to declare any conflicts of interest. In addition, our 'open-door' policy promotes open channels of communication at the workplace. To date, we have not had any cases of corrupt practices at our offices.

As we recognise the importance of formalising our values and workplace practices, we will establish our own Code of Ethics to guide our management and employees in a structured manner. Our Whistle-Blowing Policy has been formalised and enforced to further endorse a safe and secure platform to report any incidents.

ENVIRONMENT

Effluent and Water Discharge Management

Palm Oil Mill Effluent is a significant by-product of processing FFB. Without appropriate treatment, the effluent may be detrimental to the environment. We understand the importance of managing our environmental impact by appropriately handling our effluent and water discharge.

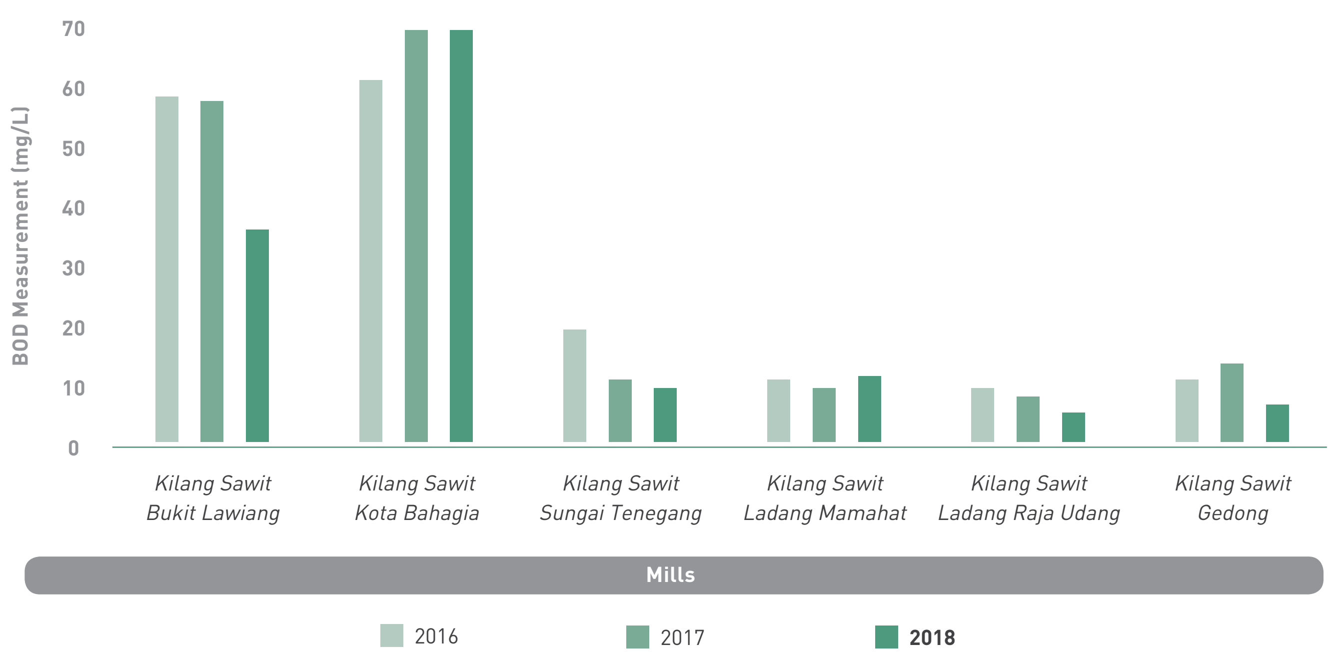
Palm Oil Mill Effluent ("POME") and Biological Oxygen Demand ("BOD") Measurements

Over years of technological evolution, we have improved our POME processing methods to manage the BOD measurements of our effluent and water discharge. The implementation of a tertiary effluent treatment plant at some of our mills has assisted in maintaining the BOD measurement below the regulatory limit, as highlighted below. Meanwhile, our other mills are striving to upgrade effluent treatment plants in anticipation of stricter DOE regulations in time to come.

Furthermore, we have stringent processes and internal controls in place to appropriately treat our effluents and maintain BOD readings within regulatory limits. The primary control is done by testing a sample of the treated effluent prior to discharge. Existing regulations require a BOD measurement not exceeding 100 mg/L, 50 mg/L and 20 mg/L in West Malaysia, Sarawak and Sabah's Kinabatangan Basin respectively. At THP, our target is to maintain our BOD measurements below regulatory requirements.

The table below demonstrates our performance against regulatory requirements. To date, we have consistently remained within DOE limits.

BOD Measurements



LINKING SUSTAINABILITY TO OUR STRATEGY ENVIRONMENT

In particular, our Raja Udang palm oil mill achieved the lowest BOD measurement for the last three years. In terms of its footprint on the Group, our Raja Udang mill processes all the FFB from our estates in Pusa, Sarawak with the production contributing approximately 23% of our Group revenue.

	2016	2017	2018
Total POME generated (metric Tonne)	500,710	630,773	**607,285**

Our total POME generated depends on the amount of FFB processed.

We continuously look at improving discharge treatment at all our mills to reduce the BOD levels of POME generated, as well as upholding rigid internal controls and systems to prevent inappropriate discharge of effluents.

5 Waste Management

The way we manage our waste influences our environmental footprint and our social license to operate. Hence, we observe strict internal controls in waste management to prevent mishandling and to ensure adherence to relevant laws and regulations.

Hazardous and Non-Hazardous Waste Management

We constantly monitor and manage our waste as we focus on disposing our waste appropriately and reducing our waste output. Waste generated on our sites include scheduled (hazardous) and non-hazardous waste which constitutes less than 10mt/month on average. Third-party contractors are hired to assist in disposing our waste. Disposal of our scheduled waste is performed as required by the environmental regulations under the DOE, which includes working with third-party contractors who have been endorsed by the DOE. We monitor our collected scheduled waste via collection records provided by our waste contractors upon completion of waste collection from our sites. These are reported to the DOE every month.

Our newer mills are equipped with increasingly efficient processing plants, which assist us in moving towards reducing our waste output. In terms of our domestic waste, we dispose our domestic waste appropriately through waste collectors. Moving forward, we seek to report performance indicators of the total domestic waste collected.

Biomass Residue

Biomass residue is a by-product of FFB processing, which in turn are excellent sources of natural energy and fertiliser. Highlighted below is our performance data on biomass residue (we utilised 100% of our shells and fibres in 2018):

Type of Biomass residue	2016		2017		2018	
	Produced (mt)	Amount re-utilised (mt)	Produced (mt)	Amount re-utilised (mt)	Produced (mt)	Amount re-utilised (mt)
Empty Fruit Bunches	163,141	85,422	193,984	100,391	**210,956**	**150,180**
Shells	62,965	41,065	75,935	50,781	**57,619**	**57,619**
Fibre	117,700	77,690	139,655	93,691	**126,461**	**126,461**

LINKING SUSTAINABILITY TO OUR STRATEGY ENVIRONMENT

The production of biomass residue is positively correlated with the production of CPO and PK. At present, we are able to measure some of our biomass residue, as shown above. Other forms of biomass residue (trunks and pruned fronds) have been re-used as organic fertiliser, albeit not measured. As we push forward our sustainability agenda, we will focus on filling the gaps in our reporting disclosures, which includes measurement of other forms of biomass residue.

Types of biomass residue

Empty Fruit Bunches

Methods of re-utilisation:
- Natural fertiliser in the plantations in West Malaysia, also known as mulching
- Incineration to create Bunch Ash, which is used to fertilise peatland

Shells

Methods of re-utilisation:
- As a source of fuel for the boiler system
- Sold to other plantations or industries to be re-used as sources of fuel

Fibres

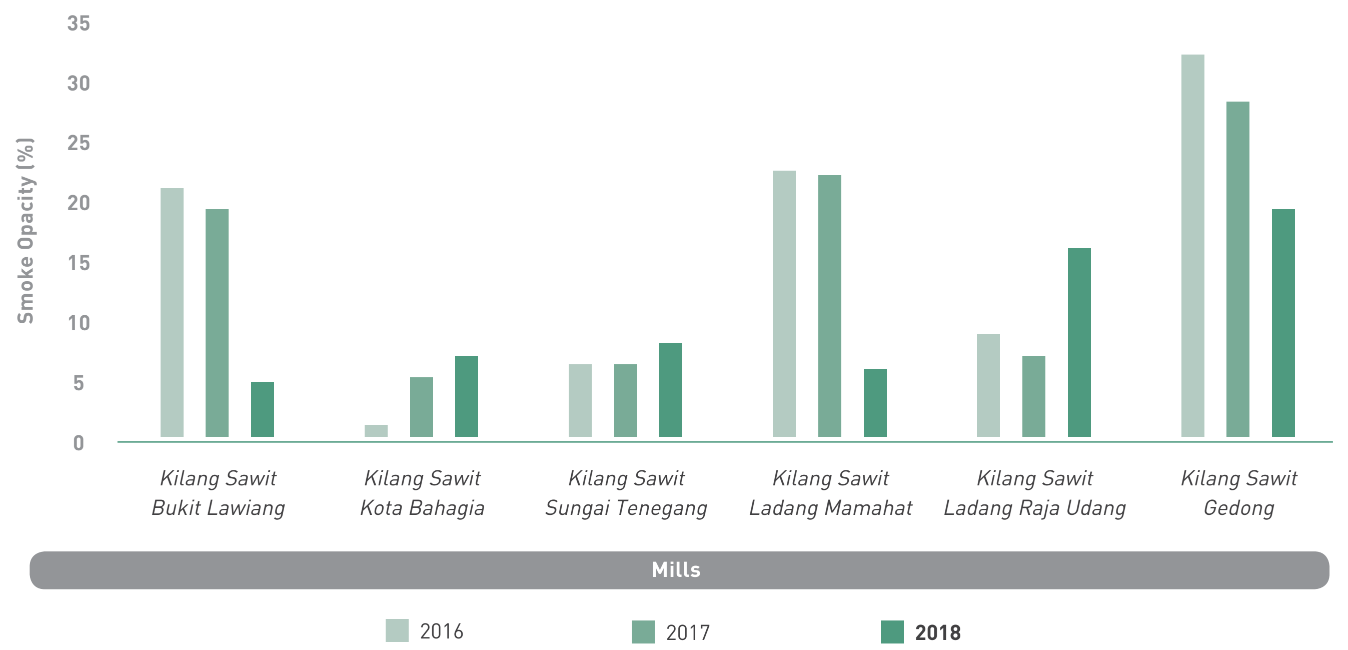
Methods of re-utilisation:
- As a source of fuel for the boiler system

One of the key uses of our biomass residue is the use of shells and fibres to fuel boilers, which are utilised in processing FFB at our mills. We have practised this over the years and it has enabled us to save costs and reduce our environmental footprint.

Emission from the Boilers

We monitor our boiler emissions via the Continuous Emissions Monitoring Systems ("CEMS"), which is implemented as part of local environmental regulations. The system monitors and concurrently updates the DOE on the contents of our emissions. At present, local regulations require us to maintain smoke opacity below 40%. Over the years, we have maintained our smoke opacity in line with regulations, as shown below:

Smoke Opacity Readings



LINKING SUSTAINABILITY TO OUR STRATEGY ENVIRONMENT

In time to come, we believe that DOE regulations would include reporting requirements on emissions of dust particles and Greenhouse Gas ("GHG") emissions. In response to these upcoming requirements, we will implement additional measures to meet increasing regulations. For example, we are installing the Electrostatic Precipitator ("ESP") as a measure to reduce dust particles in our emissions as per DOE requirement.

Capturing and reusing emissions as biofuel would effectively recycle emissions and reduce costs. Therefore, one of our planned measures would be to build a biogas plant at each of our sites. The plant will capture methane and produce biogas as a source of natural fuel at all our mills. These methane-capturing facilities are costly to build and as such, long-term planning and considerations would be necessary prior to its implementation.

Furthermore, we acknowledge current reporting gaps in monitoring domestic waste, other forms of biomass residue, and monitoring GHG emissions. Our mills are in the process of closing these gaps and have begun monitoring and recording the data based on these parameters.

Water Management

Our plantations and mills require a significant amount of water, thus, managing efficiency of our water consumption is a high priority for us. In doing so, we reduce operational cost and exercise good agriculture practice. Furthermore, our estates and mills are surrounded by natural water streams. It is our responsibility to prevent our operations from damaging these waterways.

Water Consumption

At our plantations, we perform rainwater harvesting by digging weirs and pits to collect rainwater to provide the trees with resources over a longer period of time at our plantations. Harvested rainwater is also used to manage water tables at peatland. At the mills, FFB processing requires water of purer quality, hence our utilisation of municipal water. Once treated, the processed water can be reused on site for non-operational purposes such as drip irrigation, washing or gardening around the mills and estates.

At our Raja Udang mill, we use steam traps to reduce our water consumption. Steam traps filter out the condensate which is then reused for dilution. In addition, we reuse water to cool turbines and conduct continuous sterilisation as a method of reducing water consumption. We highlight our annual water consumption below.

	2016	2017	2018
Total water consumed at mill operations (m^3)	1,258,514	1,486,325	**1,602,285**

Water Sampling

Our mills and estates share rivers with local communities, hence it is our responsibility to prevent contamination of the rivers due to effluent and water discharge from our operations. To do so, we conduct water sampling in these rivers. Water sampling is conducted by external laboratories and the results are reported to the DOE. To date, there have been no instances of water contamination in rivers surrounding our operations.

Managing water consumption during FFB processing is an ongoing challenge in our industry. However, we have significantly reduced our water footprint due to efforts such as rainwater harvesting, reusing water in other areas of operations and investing is newer technology which reduces water consumption. In the future, we seek to identify more opportunities to reduce our water consumption.

LINKING SUSTAINABILITY TO OUR STRATEGY ENVIRONMENT

Biodiversity and Conservation

We recognise that our operations are surrounded by local ecosystems and biodiversity. As a member of the agricultural industry, we understand our role and responsibility to respect these habitats and to support the sustainability of surrounding ecosystems. We have therefore implemented practices and controls to minimise our impact on the environment.

Riparian Reserves

Riparian reserves are areas of conservation between land and rivers teeming with life from the habitats of flora and fauna. The importance of identifying these areas for conservation lies in their role of supporting local ecosystems as well as maintaining water and soil quality. As part of our efforts, we have identified and incorporated buffer zones and riparian reserves within our plantations. As of 2018, we have established 335.16 ha of riparian reserves and buffer zones.

To manage and preserve our riparian reserves, we plant Legumes Cover Crops ("LCC") to prevent soil erosion. In addition, LCC helps manage the health of our crops by preventing weed growth and increasing the fertility of soil by supplying organic matter.

Environmental Impact Assessments

Prior to every replanting exercise, we perform extensive Environmental Impact Assessments ("EIA") via third party consultants. EIA is performed with the aim of minimising adverse environmental impact. For this reason, criteria considered in an EIA report includes:

- soil erosion/slope stability and soil conditions
- water and noise pollution
- potential loss of flora and fauna and their habitats
- waste disposal
- impact of replanting and abandonment
- socio-economic and ecological impact
- safety and health
- peat soil subsidence

Results of the EIA are then reported to the DOE. A number of considerations are taken before a replanting exercise is performed. This includes the age of the oil palm (palms above 25 years of age would see its yield fall below 15 mt/ha), height of palm (palms exceeding 45 feet would prove a challenge to harvest), and areas where soil quality has eroded due to flood or palm root diseases.

LINKING SUSTAINABILITY TO OUR STRATEGY ENVIRONMENT

Peatland Management

At THP, we only plant on peat which has been set aside by the Malaysian government for agricultural development. We understand the nature of peatland and over the years, we have managed our peatland via extensive efforts and strict internal processes. This includes maintaining water at optimum levels and draining excess water to prevent peat degradation. Our Agronomy and Innovation team will provide the technical and advisory support for continuous management and care for the peatland. At the end of 2018, THP owned 39,844.17 ha of peatland in Malaysia, of which 10,986.86 ha is unplanted.

Integrated Pest Management

Pest management is an unavoidable practice in cultivating palm oil to ensure healthy yields and to avoid damaging the plantation. As part of our conservation efforts and in reducing our use of chemicals, we adopt the practice of integrated pest management, which encourages the use of bio-pesticides and bio-control agents at our estates based on the most suitable pest management plan. Some of our efforts include:

- Use of *Tyto alba*, commonly referred to as barn owls, to control rat populations;
- Proper shedding of oil palm trees to suppress the breeding of rhinoceros beetles;
- Planting beneficial plants that provide shelter and food for predators and parasitoids of the pest; and
- Use of a local strain Bacillus *thuringiensis* ("Bt."), a soil-dwelling bacterium, against *Tirathaba rufivena larvae* – which damages the fruit bunches on the palm.

Towards Biodiversity Conservation

We have additional efforts in place to conserve areas of natural flora and fauna around us. Our key efforts include:

Canopy cover

We ensure that we do not disrupt the canopies of the jungles. Suitable spacing and density of trees are integral in supporting a range of wildlife, especially arboreal species such as orang utans and gibbons that seldom venture on ground.

Allowing natural decomposition of dead vegetation

Decomposition of dead vegetation feeds the soil with nutrients and supports a natural ecosystem. We do not apply weed killers and pesticides to these areas as it would disrupt the process.

Reducing human-wildlife conflicts

To manage our impact on the environment, we ensure a minimum width of 100 – 400m between habitats and our operations. When larger animals are concerned, we collaborate with experts in the field to develop and maintain green fences.

Zero Burning Policy

We understand the environmental and health risks associated with open burning practices, which is why we observe a strict zero-burning policy across our operations, as stipulated in our SOP and Environmental Policy. When performing land clearing for plantation development or replanting, trees are felled, chipped and stacked. To date, there have not been any cases of open burning at plantations owned and operated by us.

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Human Rights

Our employees and workers are important stakeholders and the cornerstone of our success. The human rights of our workforce are respected and valued as we uphold our obligation towards them. Our practices and internal systems are continuously reviewed and updated to mitigate any negative impact to our stakeholders. We have not faltered in supporting them and ensuring that their rights are protected.

Our Human Rights Commitment

As part of our commitment to becoming an integrated and sustainable plantation company, we see human rights as an essential component of our sustainability mandate. To this effect, we uphold, respect and protect the rights of all individuals as we understand that this forms the foundation of sustainable business growth.

In 2018, we employed 7,304 workers, of which 65.88% are foreign and 34.12% are local. Our commitment to them is to uphold their human rights. Although we have yet to formalise a policy on human rights, we have adhered to our Human Resource ("HR") SOPs that outline the basic principles of human rights, as shown below:

- Fair wages
- No discrimination
- No child labour
- No compulsory or forced labour
- Equal opportunity
- Freedom of association
- Safety and health at work
- Social protection
- Employment security
- Work-life balance

Supporting Our Foreign Workforce

All our workers are treated fairly and equally. For foreign workers, the hiring process is especially different as the workers are required to relocate from their home countries. For that reason, we want to support their transition to the best of our ability. Our hiring process for foreign workers ensures that the workers are not bound by hidden fees or harmful conditions which would violate their rights. All of the foreign workers employed by us are from Indonesia.

The process begins with us obtaining quota approval to hire workers from Labour Department and Home Ministry. Upon our request, our appointed agents will begin the recruitment and immigration process in Indonesia and make flight arrangements for them. Then, our representatives will fetch them once they arrive in Malaysia. All costs involved including levy fees payable to the Malaysian government, visa application and first-time flight ticket, would be borne by us.

Upon arriving at our sites, all foreign workers are provided with safe and secure accommodation close to their work site.

We strictly adhere to the national minimum wage regulations in our areas of operation. For financial year 2018, the minimum wage under the Wage Order 2016 was RM1,000 and RM920 per month for West and East Malaysia, respectively. Effective January 2019, Under the Wage Order 2018, the Malaysian government specifies a minimum wage of RM1,100 per month for the whole Malaysia. The average monthly earnings of our workers in all our estates are highlighted below:

	2016	2017	2018
Average monthly earnings per worker	1,358	1,536	**1,522**

Other benefits provided to all our employees and workers are discussed under Employee Welfare on pages 31 to 36.

Engagement with Workers' Union

Workers have access to union representatives and are free to join worker unions. This allows our workers to engage in open dialogue, discuss and raise issues through available platforms. The most common union is the All Malayan Estates Staff Union ("AMESU") and National Union Plantation Workers ("NUPW").

Union representatives represent the staffs' and workers' interests in discussions with Malayan Agricultural Producers Association ("MAPA") who engage with the union representatives on THP's behalf. Topics discussed include basis of wages and other matters that impact staff and workers.

Moving forward, we remain committed towards respecting and protecting the rights of our workforce as well as encouraging our workers to communicate any issues they are facing to us. We seek to formalise our commitments to our workers in an appropriate policy, which will include the setting up of formal feedback channels.

Occupational Safety and Health

Our employees and workers' safety and health are a top priority for us. Our policies and measures underline the management's strict approach to occupational safety and health. It is our duty to provide the best care to our employees, as a safe, healthy and conducive environment would benefit all stakeholders and ensure the sustainability of our business.

Our Policies

In 2018, we reviewed and updated our Occupational Safety and Health Policy and Occupational Safety and Health for Chemical Substances Policy in line with the OSH Act 1994. Some of the key elements from our policies are highlighted below:

- Provide and maintain and assure safe and healthy working environment
- Ensure information, instruction, training and supervision is given to all employees to carry out their tasks safely and without risking the health of employees, customers and the public
- Identify all accidents, diseases, poisoning and dangerous occurrences and take preventive measures to ensure such incidents do not recur
- Comply with the legal requirements and other requirements regarding health and safety as set out in the OSH Act, 1994 and Factories and Machinery Act 1967
- Ensure all employees have appropriate work equipment as well as personal protective equipment as required for their jobs
- Strive to improve the knowledge and sense of responsibility of each of its employees from time to time towards proper safety and health practices regarding the handling of chemicals

LINKING SUSTAINABILITY TO OUR STRATEGY
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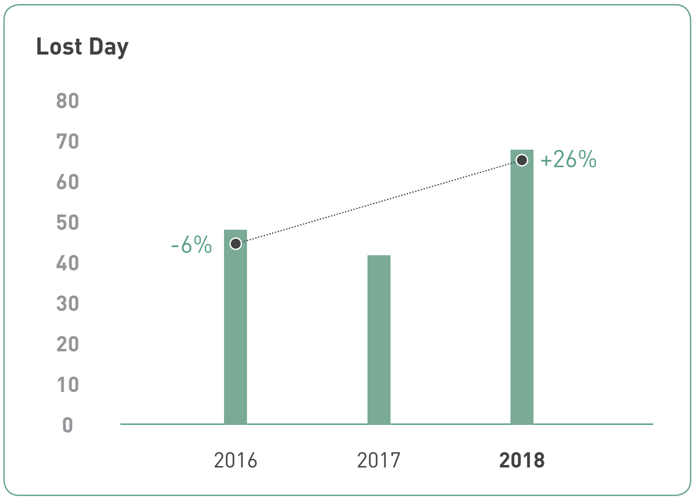
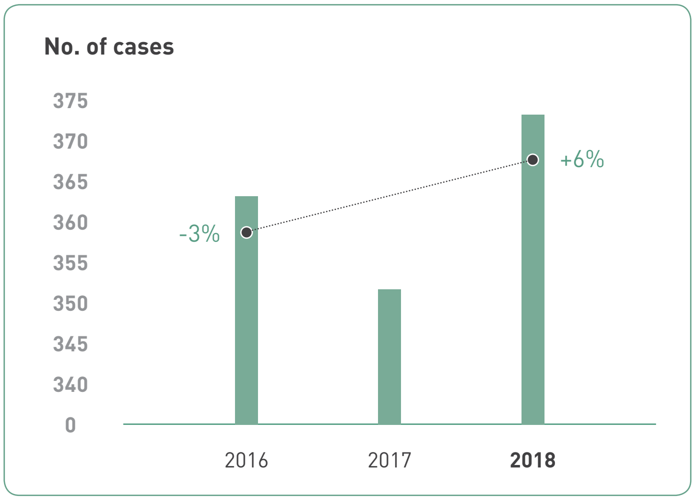
Incident Report

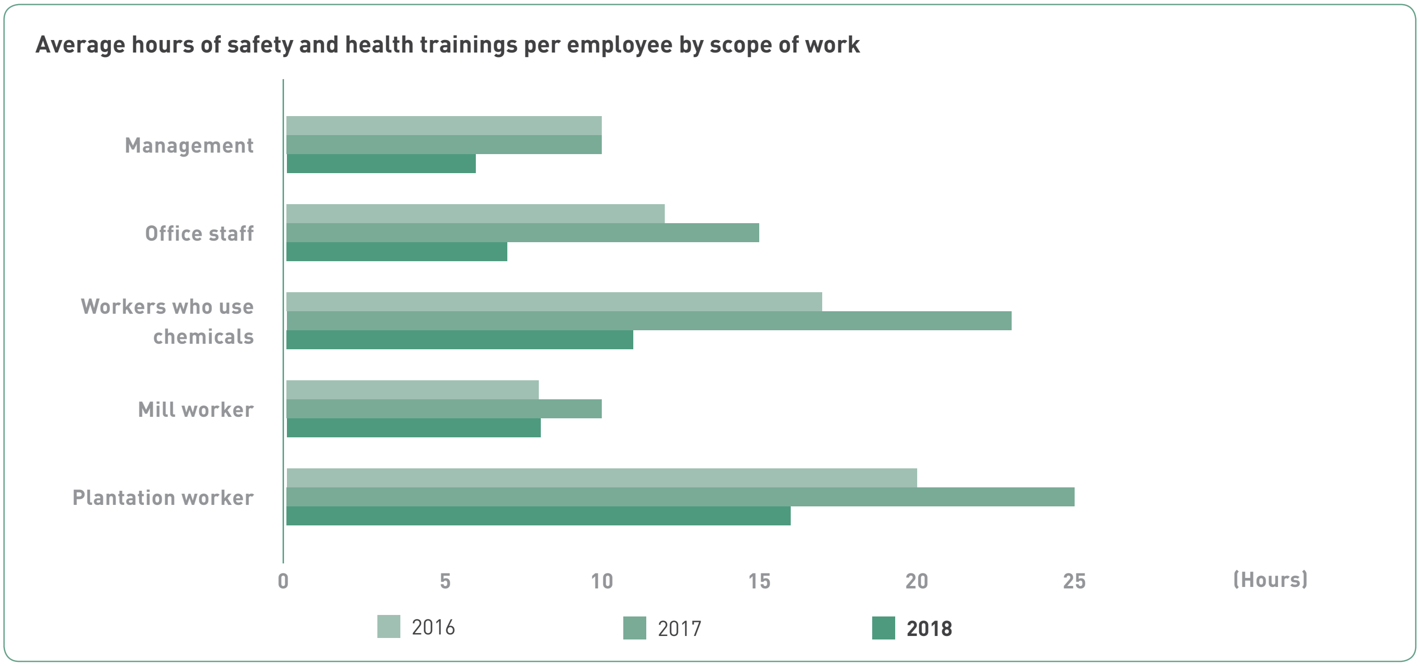




THP has set an annual target of zero fatalities and reducing 5% in no. of incident cases and lost day rate year-on-year. For year 2018, we achieved the target for zero fatalities but the number of cases increased by 6% and the number of lost day rate increased by 26%. The increase in the number of lost days was due to the increase in the severity of injuries.

Safety and Health Training

Training schedules are reviewed by our OSH unit on a regular basis. As previously discussed above, workers and employees are assigned to relevant training schedules and are required to attend them. We monitor the participation rates at our trainings and more than 80% of employees were trained over the total no of employees, as highlighted below:



LINKING SUSTAINABILITY TO OUR STRATEGY
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Our key annual training programmes for the year 2018 are highlighted below:

Name of training	Content of training	Frequency of training	Attended by
Awareness of company policies and objectives (OSH Policy)	Communicated and implemented OSH Policy	Once/year	All management, staff & workers
Emergency Response Action Plan Procedure (Accident, Chemical Spillage, Fire, Flood, Drowning, Animal Attack)	SOP of Emergency Response Plan ("ERP")	Once/year	All management, staff & workers
Basic First Aider	Basic first aider trainings	Once/year	OSH Committee
Fire extinguisher safety & fire drill (inspection & training)	Potential sources of fire and fire management procedures	Once/year	All management, staff & workers
PPE handling and replacement procedure	SOP of PPE	4 times/year	All management, staff & workers
SOP training for estate & milling operation and best practices	Briefing on THP SOP based on task/department	4 times/year	All management, staff & workers
Workplace Inspection	Inspection of safety at work place	4 times/year	OSH Committee

Safety and Health Audits

Internal safety and health audits are conducted annually by our OSH unit. The audits cover all our estates and mills. The aim of our audits are to:

- Determine the level of health and safety of our employees in each business unit;
- Analyse the risk factors that may negatively affect the health and safety of our employees;
- Identify areas of improvement, if any, to be made to the facility to improve levels of health and safety; and
- Give advice to improve the safety and health aspects of the working environment.

LINKING SUSTAINABILITY TO OUR STRATEGY
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The main areas inspected during the audit include:

- Review all records related to OSH;
- Safety Operating Procedure of all work sites;
- Amenities for emergency response;
- Personal Protective Equipment ("PPE") provided by estate and mill;
- Systematic maintenance of equipment and machinery; and
- Availability of amenities and infrastructure at the worksite.

Findings are communicated to respective managers of mills and estates. Their actions are followed-up on in the next audit. Key findings from the latest safety and health audit is shown below:

Key findings from safety and health audit in 2018	Management's response
Inadequate Hazard Identification, Risk Assessment, Risk Control ("HIRARC") covering all activities	Review HIRARC for all activities
Health Surveillance must be conducted by Hospital Assistant ("HA") every 6 months	HA will be assigned to conduct a Health Surveillance every 6 months
Replacement of unclear warning signs	Unclear warning signs will be replaced
Increase training and retraining for workers	Training and retraining will be carried out as planned
Emergency shower and eye wash must be functional every time	Carry out repairs and maintenance when it is not functional

Chemical Health Risk Assessment ("CHRA")

The Group's OSH Unit conducted a CHRA on 18 plantations and one mill in Sabah, Sarawak, and Peninsular Malaysia in May of 2018, following the expiry of the previous assessments. The CHRA is a required assessment in response to the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulation 2000. The CHRA is performed every five years to ensure that the appropriate controls and measures are in place to protect the health of employees who may be exposed to chemicals that are hazardous to health at work. All assessed plantations and mills passed the assessment. Most findings are similar to the OSH audit performed during the same period. Below, we highlight additional key findings from the CHRA audit.

LINKING SUSTAINABILITY TO OUR STRATEGY
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Key findings from CHRA audit 2018	Management action plan/response
Current use of biological controls needs to be continued. It is recommended to evaluate all hazardous chemicals and find opportunities of eliminating and substituting hazardous chemicals to less hazardous ones.	• Maintain the use of less hazardous chemicals • Establish beneficial plants such as Tunera subulata, Antigonan leptopus, Cassia cobanensis.
The use of PPE for chemical exposure protection should become part of the safety culture for the workers. The estates need to establish a structured PPE programme which includes issuance and education and also need to ensure the provision of proper storage for the PPE.	• Establish PPE procedure which includes inspection and maintenance of PPE • List of PPE recommendations based on work unit • PPE issuance record • Training for all workers
It is recommended that medical surveillance is performed only for the workers that use organophosphates.	Perform health surveillance by Occopational Safety & Health Doctor ("OSHD")
It is recommended to continue providing training to the workers to ensure that they are competent when handling emergency situations.	• Provide portable first aid kit to all supervisors mandores • Provide first aid training to OSH Committee and supervisors • Provide Emergency Response Procedure • Communicate the Emergency Response Procedure to all workers

Management of noise levels

We monitor the levels of noise around the mills to ensure that levels are below limits stipulated by local regulations. Below we illustrate the average results of our noise monitoring over the years. Limits during the day is 65 dB(A) and 55 dB(A) at night. Workers are provided with ear plugs to protect their hearing in areas with high noise levels.

	2015	2016	2017	2018
Average noise levels [Day dB(A)]	55.8	61.0	54.3	**58.4**
Average noise levels [Night dB(A)]	48.7	56.1	51.9	**50.6**

Employee Welfare and Development

We care about our people, and are committed to meeting the requirements of our employees and workers in the areas of career development and competitive remuneration and welfare. Without the commitment and drive of our workforce, we would struggle to grow as a business.

LINKING SUSTAINABILITY TO OUR STRATEGY
SOCIAL

Our People

THP's talented and diverse workforce are our strongest resource and has been the bedrock of our success. We are committed to developing a strong workforce which can drive the Group's strategic direction and create a positive impact on our economic, environmental, and social dimensions.

	2018	
Total no. of employees	**Men**	**Women**
Management (Senior Management)	**16**	**3**
Employees (Management, Executives and Non-Executives)	**618**	**184**
Workers (Local)	**850**	**821**
Workers (Foreign)	**3,893**	**919**

Benefits for Employee and Workers

We understand the needs of our employees and workers to adapt to a competitive and changing society. To support our employees, we provide a number of benefits, such as home, car, travel, and medical allowances and free life insurance.

Life insurance is provided to our workers as well as free transport, accessible and free medical services, besides annual leave. Our workers and employees who work at our mills and estates are provided with free lodging, alongside the absorption of foreign workers' annual levy fees. Furthermore, we support working parents amongst our employees, providing them with 60 days of maternity leave and awarding our employees' children who performed well in school. We acknowledge parental leave as an important benefit to support work-life balance amongst our employees.

All permanent employees and workers are entitled to parental leave and all employees who took parental leave, returned to work as shown below:

Turnover rates	2016	2017	2018
Total number of employees who took parental leave			
Men	3	10	**6**
Women	5	7	**5**
Total number of employees who returned to work in the reporting year after parental leave			
Men	3	10	**6**
Women	5	6	**5**

We consider our employees' long-term needs via our contribution to the Employees Provident Fund ("EPF") and Social Security Organisation ("SOCSO") on behalf of our employees. We also established the Retirement Gratuity Scheme, for which all permanent employees are eligible. The scheme provides our retiring employees with an attractive retirement package.

We believe in a fair and equal workplace. We treat our employees equally and provide competitive remuneration based on their individual performance.

LINKING SUSTAINABILITY TO OUR STRATEGY
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Career Development and Training

We want our Group to be a platform for career progression and development for our employees. To realise this, we encourage our employees to broaden their knowledge base, and provide them with various career development programmes, such as job rotation, mobility and training programmes to help them advance in their careers.

A budget is allocated annually for employee training and it is administered by our HR department which monitors and organises appropriate training programmes based on employees' skills and designations. Below, we summarise our efforts towards employee training.

Average hours of training per employee	2016	2017	2018
Management	6	5	**4**
Employees	8	7	**6**
Workers	9	9	**7**

	2016	2017	2018
Total expenditure on trainings (RM)	453,550	459,282	**217,096**

Training for non-technical skills	Frequency of training	Employees who attended the training
EIA	Once/year	Estate Management
Jabatan Tenaga Kerja	3 times/year	Estate/Mill Employees
PERKESO	Once/year	Estate Management

Training for technical skills	Frequency of training	Employees who attended the training
Steam Certification	Twice/year	Mill Assistant Engineer
MIA	3 times/year	Finance & Accounts Staff
Xamarin Training	Twice/year	IT staff

Employee Lifestyle Programmes

Various social and sporting events are organised out of the workplace to build team work and encourage work-life balance of our employees. Numerous activities were organised both at the headquarters and at the estate/mill-level throughout 2018, including the following:

Date	Event
10 February	8th Calix Bowling Tournament KL organised by Sime Darby Seeds & Agricultural Sdn. Bhd.
17 March	Participation in the 'Kan Syok TH' programme
March	Sports Carnival for Labour Day 2018 at Ladang Bukit Gold
27 April	Blood Donation Campaign carried out by Hospital Dutch of Kent (DOK), Sandakan and held at Ladang Sungai Tenegang

LINKING SUSTAINABILITY TO OUR STRATEGY
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Date	Event
29 April	THP Cycling Team participates in 'Fun Ride 20KM' organised by Pejabat Pendidikan Daerah Kunak
27 June	Hari Raya Aidilfitiri celebration at the Sarawak operations office
July	Celebration of Labour Day at Ladang Sungai Tenegang
3 July	THP Hari Raya Aidilfitri celebration for employees & family
August	THP contingent joined the 61st independence anniversary parade
1 October	PRIB replanting ceremony at di Ladang Gunung Sumalayang
November	Celebration of Maulidur Rasul in Sabah (Ladang Bukit Gold) & Sarawak (Ladang Sadong)

Our employees are important to us and we will strive to continuously provide them with competitive wages and welfare in order to meet their expectations and reward them for their commitment. Our future plans include establishing formal employee engagement platforms to structure our relationship with our employees.

Local Communities

Our operations are located in numerous areas amongst diverse communities. With this opportunity, we cultivate significant relationships with surrounding communities and contribute to the national economy in areas of job creation and charitable aid.

Serving the Local Communities

A number of our estates, especially estates located in Sarawak, are part of a land management programme with indigenous communities. We respect the rights of these communities, therefore we establish a collaborative approach towards land management with these communities. To do so, we participate in the Sarawak's Native Customary Rights ("NCR") Land Development Programme, which is managed by the Sarawak Land Custody and Development Authority. Under this programme, we work together with native landowners to develop and manage plantation land in certain areas. In 2018, 27,658 ha of our Sarawak plantations were developed under the NCR, with the participation of 1,155 landowners – a significant increase from 2017 when we engaged only 72 landowners. In exchange for their participation in the programme, indigenous landowners receive income in the form of incentives and leasehold payments. These incentives are paid twice a year, based on the amount of hectares under our management.

	2016	2017	2018
Total amount of incentives paid to local communities, as part of land management (RM)	3,017,585	3,066,416	**3,718,851**

Furthermore, the close proximity of our plantations to local communities allowed us to provide job opportunities to members of these communities.

LINKING SUSTAINABILITY TO OUR STRATEGY SOCIAL

Creating New Opportunities for Graduates

As an employer, we are able to create opportunities for young graduates to develop workplace skills through capacity building programmes. Since 2014, THP has been an active participant of the Skim Latihan 1Malaysia ("SL1M") programme whereby recent graduates undergo training programmes for six months at our offices and sites to develop practical working skills. In 2018, THP had trained 64 new graduates under this program where 6 of them stayed on to become permanent employees at TH Plantations.

	No. of Participation	2018
No. of graduates under the SL1M programme	64	**64**

Enhancing Education Opportunities Through PINTAR

In any community, we recognise that education plays an important role in helping families improve their livelihoods and gain a better future. We do this by participating in the Promoting Intelligence, Nurturing Talent and Advocating Responsibility ("PINTAR") programme, which we have been part of since 2009. Under this programme, organisations adopt Malaysian schools and provide educational support, leadership, and motivational and teambuilding activities to encourage parents and community involvement in the development of children's education.

THP has adopted SK Ladang Kota Bahagia in Keratong, Pahang and has provided aid to the school since 2010. The school is located in close proximity to our plantation in Pahang, and some of the students are children of our employees and workers. We support the students at the school through various programmes, such as "Kempen Jaya UPSR", "Program Kepong UPSR" and the "English Language Campaign". These programmes prepare Standard 6 students for the national exam known as Ujian Penilaian Sekolah Rendah ("UPSR"), via workshops by experienced tutors. The English Language Campaign urges the students to be proactive in language-based activities, such as the Spelling Bee. We also fund studying materials to support the children.

In 2018, we conducted 4 workshops with the students of SK Ladang Ulu Sungai Arip (Bintulu), SK Obah (Beluran), SK Ladang Kota Bahagia (Keratong) and SK Muadzam Jaya (Muadzam). Below are workshop and motivational activities conducted in the year of 2018:

- Workshop to help students with their UPSR 2018 examination was attended by a total of 159 students from these 4 schools. Some of the students that were involved in this programme are children of our employees and workers. Motivational programmes were conducted in conjunction with this programme.
- 'Klinik UPSR BH DIDIK' programme to help students understand the 2018 UPSR question format was attended by 44 students at SK Ladang Kota Bahagia.
- 'Program PINTAR' at SK Ulu Sungai Arip involved 27 students throughout 2018, including motivational programmes and 'Bengkel Kemahiran Menjawab Soalan UPSR'.
- 'KLINIK UPSR BERITA HARIAN' at UMS Kota Kinabalu was attended by 7 students from SK Obah Beluran.
- 'Bengkel Teknik Menjawab Soalan', 'Motivasi Pelajar', and 'Program Pasca UPSR' which involved 81 students at SK Muadzam Jaya.

We also extended financial support to students from the reformative classes of Sekolah Kebangsaan Kota Bahagia and Sekolah Kebangsaan Muadzam Jaya. In 2018, we contributed RM80,500.00 towards the PINTAR programme.

LINKING SUSTAINABILITY TO OUR STRATEGY
SOCIAL

Unlocking Entrepreneurial Capabilities

One of the ways in which we help our communities achieve better future prospects is through the Vendor Development Initiative ("VDI"), which promotes entrepreneurship amongst the locals. Through VDI, we encourage individuals from our local communities to start a business that will allow them to become our business partner. By giving them the opportunity to earn contracts from THP, we are not only promoting an entrepreneurial culture among the locals, but also helping them earn a living. In addition to this, we also encourage the participation of Bumiputera contractors in the VDI programme. In 2018, we signed 894 contracts, worth RM81 million as part of the VDI initiative, of which, 32% were Bumiputera businesses with a total contract value of RM18 million.

	2016	2017	2018
Total no. of contracts signed as part of the VDI	706	801	**894**

We will continue to respect our relationship with our local and indigenous communities and utilise our resources to provide for local development. Additionally, we will play a role in supporting the nation's agenda to assist youths and develop the national economy of countries we operate in.

Conclusion

Since all our estates and mills in Peninsular Malaysia have been completely MSPO certified in year 2018, our sustainability aspirations and efforts are now focused on having all remaining estates and mills (Sabah & Sarawak) MSPO certified within the stipulated deadline. These efforts will guide us in formalising our sustainability commitments and systems that are presently in place to manage our sustainability matters.

Alongside our MSPO plans, we will continue to monitor and manage our material matters and seek to bridge identified reporting gaps. With shifting tides and global trends in the plantation industry, we need to continuously adapt to internal and external changes while closely collaborating with our stakeholders. Led by our values, we will not falter in upholding our sustainability commitments as we move towards becoming a sustainable palm oil player.

CHIEF EXECUTIVE OFFICER

MUZMI BIN MOHAMED
Chief Executive Officer

Gender:
Male

Age:
53 years old

Nationality:
Malaysian

Attendance:
Not Applicable

> I was appointed as the Chief Executive Officer on 11 February 2019.

Muzmi bin Mohamed is a member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants.

He began his career as an accountant in Perbadanan Isi Sawit Felda in 1987 and Food Specialities Berhad in 1989. In 1990, he joined the Malaysian Kuwaiti Investment Company Sdn. Bhd. ("MKIC") as the Financial Controller and had served MKIC for 28 years whereby he had been exposed to various business sectors which included agriculture, property development, finance, insurance, manufacturing, services and energy. During his tenure in MKIC, he held various positions including his last post as the Group's Deputy Chief Executive Officer before joining THP in 11 February 2019.

Muzmi bin Mohamed does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2018.

Interest in Securities of the Company and its Subsidiaries:
Nil

Directorships in Other Public Companies:
Listed:
Nil

Non-Listed:
Nil

OUR BOARD LEADERSHIP

TAN SRI ABU TALIB BIN OTHMAN
Chairman
Non-Independent
Non-Executive Director

Gender:
Male

Age:
80 years old

Nationality:
Malaysian

Attendance:
Not Applicable

I was appointed to the Board as Chairman and Non-Independent Non-Executive Director on 26 March 2019.

Tan Sri Abu Talib bin Othman is a Barrister at Law from Lincoln's Inn. He was a Member of the Judicial and Legal Service of the Government of Malaysia from 1962 to 1993, where he served in various capacities including as the Attorney-General of Malaysia from 1980 to October 1993.

His past appointments included being Non-Executive Chairman of IGB Corporation Berhad and a member of the Competition Appeal Tribunal. Currently, he is a Director of Lembaga Tabung Haji.

Tan Sri Abu Talib bin Othman does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2018.

Committee:
Nil

Interest in Securities of the Company and its Subsidiaries:
Nil

Directorships in Other Public Companies:
Listed:
- CYL Corporation Berhad

Non-Listed:
- KAF Investment Funds Berhad
- MUI Continental Berhad

OUR BOARD LEADERSHIP

DATUK SERI NURMALA BINTI ABD RAHIM
Independent Non-Executive Director

Gender:
Female

Age:
64 years old

Nationality:
Malaysian

Attendance:

100%

Number of Board Meetings attended in the Financial Year: 12/12

I was appointed to the Board as an Independent Non-Executive Director on 10 March 2014.

Datuk Seri Nurmala binti Abd Rahim holds a Master's Degree in Public Administration from Pennsylvania State University, U.S.A., an Honours Degree in Social Science from University of Science Malaysia and a Diploma in Public Administration from the National Institute of Public Administration ("INTAN"). She has vast and in-depth experience in public administration including, inter alia, policy formulations and execution.

She started her career with the Public Service as an Administrative and Diplomatic Officer in 1978 and was first posted to the Ministry of Agriculture as an Assistant Secretary. In 1984, she served as a Senior Project Officer with INTAN for two (2) years before being promoted to Principal Assistant Director in the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) under the Prime Minister's Department. She then served the Ministry of International Trade and Industry in 2002 in various positions such as the Director for ASEAN Division, Minister Counselor at the Embassy of Malaysia in Tokyo, Japan, Senior Director (Strategic Planning Division), Senior Director (Management Services) and later as Deputy Secretary General (Commodities) of the Ministry of Plantation Industries and Commodities ("MPIC") in 2007. Later, she was appointed as the Secretary General of MPIC from 2011 to 2014.

Datuk Seri Nurmala binti Abd Rahim does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. She has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2018.

Committee:

- Chairman of the Nomination & Remuneration Committee
- Member of the Audit Committee
- Member of the Tender Committee A

Interest in Securities of the Company and its Subsidiaries:
Nil

Directorships in Other Public Companies:
Listed:

- Hartalega Berhad
- DPI Holdings Berhad

Non-Listed:
Nil

OUR BOARD LEADERSHIP

MOHD ADZAHAR BIN ABDUL WAHID
Independent Non-Executive Director

Gender:
Male

Age:
54 years old

Nationality:
Malaysian

Attendance:

100%

Number of Board Meetings attended in the Financial Year: 12/12

> I was appointed to the Board as an Independent Non-Executive Director on 24 May 2017.

Mohd Adzahar bin Abdul Wahid is a Chartered Accountant by profession. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, a member of the Malaysian Institute of Accountants, a member of the Financial Planning Association of Malaysia and a member of the Harvard Business School Alumni of Malaysia.

He started his career in accounting and auditing in United Kingdom before joining Bumiputra Merchant Bankers Berhad ("BMB") (now known as Alliance Investment Bank Berhad) from October 1988 to April 1994. He held various positions in BMB including his last post as Corporate Banking Manager before joining Naluri Berhad's Corporate Finance Division from April 1994 until April 1995.

In May 1995 he joined PMCare Sdn. Bhd. ("PMCare") as the General Manager of Finance. A year later he was appointed as the Executive Director of PMCare. Being an Executive Director, he is responsible for the overall management of PMCare which includes strategic planning, business development and operations. Currently, he is the Chief Executive Officer/Executive Director of PMCare.

He was an Independent Director and Audit Committee Chairman of Kencana Petroleum Berhad (now known as Sapura Kencana Petroleum Berhad) and Edra Global Energy Berhad. He was also an Independent Director of Symphony House Berhad.

Mohd Adzahar bin Abdul Wahid does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2018.

Committee:

- Chairman of the Audit Committee
- Member of the Nomination & Remuneration Committee
- Member of the Investment Committee

Interest in Securities of the Company and its Subsidiaries:
Nil

Directorships in Other Public Companies:
Listed:
Nil

Non-Listed:
Nil

OUR BOARD LEADERSHIP

DATO' INDERA DR. MD YUSOP BIN OMAR
Independent Non-Executive Director

Gender:
Male

Age:
66 years old

Nationality:
Malaysian

Attendance:

75%

Number of Board Meetings attended in the Financial Year: 9/12

> I was appointed to the Board as an Independent Non-Executive Director on 1 June 2015.

Dato' Indera Dr. Md Yusop bin Omar graduated from University of Malaya in 1975 with a Bachelor of Arts and obtained his certificate in Public Administration in 1976. He received an Honorary Doctorate in Civil Law from Lincoln University College Malaysia in April 2015.

He served as an Administration and Diplomatic Officer in the Government sector for twenty (20) years.

Dato' Indera Dr. Md Yusop bin Omar does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2018.

Committee:
Nil

Interest in Securities of the Company and its Subsidiaries:
Nil

Directorships in Other Public Companies:
Listed:
- TH Heavy Engineering Berhad

Non-Listed:
Nil

OUR BOARD LEADERSHIP

DATO' SHARI BIN HAJI OSMAN
Independent Non-Executive Director

Gender:
Male

Age:
65 years old

Nationality:
Malaysian

Attendance:

100%

Number of Board Meetings attended in the Financial Year: 12/12

I was appointed to the Board as an Independent Non-Executive Director on 1 June 2015.

Dato' Shari bin Haji Osman holds a Diploma in Planting and Management from Universiti Teknologi MARA, a Master in Business Administration from Phoenix International University and a Post Graduate Diploma in Business Administration from the Society of Business Practitioners United Kingdom.

He has vast experience in the plantation industry. In his past experience, he served in key senior positions in various companies including Barlow Boustead Estates Agency as Assistant Manager from 1977 to 1984, Golden Hope Plantations Berhad as an Estate Manager from 1984 to 1988, Kumpulan Ladang-Ladang Perbadanan Kedah Sdn. Bhd. ("KLPK") as an Estate Manager from 1988 to 1991, Island and Peninsular Berhad as Plantation Advisor from 1991 to 1994 and KLPK as the Managing Director from 1994 to 2008, reporting to the Board of Directors headed by YAB Menteri Besar of Kedah.

Dato' Shari bin Haji Osman does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2018.

Committee:
- Chairman of the Tender Committee A
- Chairman of the Tender Committee B
- Member of the Audit Committee
- Member of the Nomination & Remuneration Committee
- Member of the Investment Committee

Interest in Securities of the Company and its Subsidiaries:
Nil

Directorships in Other Public Companies:
Listed:
Nil

Non-Listed:
Nil

OUR BOARD LEADERSHIP

NIK MOHD HASYUDEEN BIN YUSOFF
Independent Non-Executive Director

Gender:
Male

Age:
53 years old

Nationality:
Malaysian

Attendance:

Number of Board Meetings attended in the Financial Year: 3/5

> I was appointed to the Board as an Independent Non-Executive Director on 20 August 2018.

Nik Mohd Hasyudeen bin Yusoff is a Fellow of CPA Australia and he holds a degree in Business from Curtin University of Technology, Perth. He was involved with the accountancy profession in Malaysia and the region. He was a former President of the Malaysian Institute of Accountants, former Vice President of the ASEAN Federation of Accountants and served on the Executive and Strategy committees of the Confederation of Asian and Pacific Accountants. He was also the Chairman of the Committee to Strengthen the Accountancy Profession which recommended measures to reform the Malaysian accountancy profession.

He was the Executive Director in charge of Market and Corporate Supervision at the Securities Commission Malaysia, the former Executive Chairman of the Audit Oversight Board, a member of Bursa Malaysia Listing Committee and served on the Operational Review Panel of the Malaysian Anti-Corruption Commission.

Currently, he is a board member of Universiti Utara Malaysia and a member of the Corporate Debt Restructuring Committee set up by Bank Negara Malaysia.

He is a Director and the founder of Inovastra Capital Sdn. Bhd., a company providing advisory services in leadership, governance and strategy.

Nik Mohd Hasyudeen bin Yusoff does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2018.

Committee:
- Member of the Audit Committee
- Member of the Nomination & Remuneration Committee

Interest in Securities of the Company and its Subsidiaries:
Nil

Directorships in Other Public Companies:
Listed:
- BIMB Holdings Berhad

Non-Listed:
- BIMB Investment Management Berhad
- Federation of Investment Managers Malaysia
- Malaysian Professional Accountancy Centre
- Cagamas Holdings Berhad
- Bank Islam Malaysia Berhad
- Al-Hijrah Media Corporation

OUR BOARD LEADERSHIP

DZUL EFFENDY BIN AHMAD HAYAN
Non-Independent
Non-Executive Director

Gender:
Male

Age:
38 years old

Nationality:
Malaysian

Attendance:
Not Applicable

I was appointed to the Board as a Non-Independent Non-Executive Director on 27 March 2019.

Dzul Effendy bin Ahmad Hayan is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and has more than fourteen (14) years of experiences in strategic management, corporate finance, investment and audit.

He started his career as a Financial Auditor with Messrs. KPMG Malaysia specialising in the banking and oil and gas industries from 2004 to 2007. In November 2007, he joined Kenanga Investment Bank Berhad ("Kenanga") in the Corporate Finance department until 2010. In Kenanga, he executed various corporate exercises such as initial public offerings particularly in the ACE Market of Bursa Malaysia Securities Berhad, private placements and fund-raising exercises for companies in various industries.

Subsequently, he joined Malaysia Venture Capital Management Bhd in November 2010 until October 2012 as a Manager (Investment), where he was involved in providing direct investments to start-up and high growth companies in the ICT and technology sector.

He later joined BIMB Holdings Berhad ("BHB") Group in 2012 and served the group for more than six (6) years. He has held various positions in the group including his last post as Vice President of the Corporate Strategy and Transformation Management Department of BHB. In BHB Group, he was involved in various corporate exercises such as investment appraisals, restructuring exercises, mergers and acquisitions, capital raising exercises through equity and debt securities as well as formulating strategies for organic and inorganic growth.

He is currently the General Manager of Corporate Finance Division of Lembaga Tabung Haji since September 2018.

Dzul Effendy bin Ahmad Hayan does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2018.

Committee:
Nil

Interest in Securities of the Company and its Subsidiaries:
Nil

Directorships in Other Public Companies:
Listed:
Nil

Non-Listed:
Nil

AN EXPERIENCED MANAGEMENT TEAM

Muzmi Bin Mohamed

Chief Executive Officer
Age 54, Male, Malaysian

Please refer to Muzmi Bin Mohamed profile on Page 37.

Dato' Abd Rashid Sahibjan

Plantation Director
Age 59, Male, Malaysian
Date of Appointment: 1 January 2018

Dato' Rashid holds a Bachelor's degree in Agriculture from UPM. He began his career with the Department of Agriculture as a Soil Surveyor in 1983 before joining United Plantations Berhad in 1988. On 1 January 2010, he joined THP as a Plantation Advisor and was appointed Plantation Controller (Sarawak) in 2013. Dato' Rashid is currently the Plantation Director and he oversees the operations of both oil palm and rubber in Malaysia, as well as holds an advisory role for THP's oil palm operations in Indonesia.

Mohamed Azman Shah Ishak

Chief Financial Officer
Age 52, Male, Malaysian
Date of Appointment: 1 January 2010

Mohamed Azman Shah graduated with a Bachelor's degree in Accountancy from UPM and is a Chartered Accountant registered with the Malaysian Institute of Accountancy. He began his career with Island & Peninsular Berhad as an Audit Executive in 1989 and gained invaluable financial experience in a few other companies before joining THP in 14 October 2002 as the General Manager of Finance. He was appointed the Chief Financial Officer in 2010 and currently oversees all financial and accounting-related activities of the Group.

AN EXPERIENCED MANAGEMENT TEAM

Ghazali Limat

Plantation Controller (Sabah)
Age 58, Male, Malaysian
Date of Appointment: 1 October 2013

Ghazali graduated with an Honours degree in Agriculture from UPM. He began his career as a Junior Assistant Manager at Ladang Kota Bahagia, Pahang on 1 September 1983, under PLLTH. Over the past 35 years he has been with THP, Ghazali has been entrusted to manage and oversee the operations of many oil palm estates owned or managed by THP, including estates located in Riau, Indonesia. In 2013, Ghazali was appointed the Plantation Controller (Sabah), and he currently oversees the operations of both THP's oil palm and rubber estates in Sabah.

Aruludin Raj Azman

Plantation Controller (Sarawak)
Age 58, Male, Malaysian
Date of Appointment: 1 January 2018

Aruludin began his career in Kuala Lumpur Kepong Berhad (KLK) as an Estate Assistant Manager. He spent 24 years in KLK, rising up the ranks to Senior Manager, before joining THP on 15 August 2005 as Senior Manager at Ladang Sungai Merchong, Pahang. He was the Head of Estate and Administration departments as well as the Special Officer to the CEO before he was appointed the Plantation Controller (Sarawak) in 2018. In his current capacity, he oversees the entire plantation operations in Sarawak, where most of THP's land bank is located.

Aliatun Mahmud

Head, Legal & Secretarial and Company Secretary
Age 50, Female, Malaysian
Date of Appointment: 1 January 2014

Aliatun holds a Master in Business Administration (MBA) degree from UiTM, a Diploma in Syariah Law and Practice from the International Islamic University of Malaysia as well as a Bachelor (Honours) of Laws (LLB) from UiTM. She began her career at the Securities Commission of Malaysia in 1994 and went on to gain more experience in Peremba (Malaysia) Sdn. Bhd., Messrs Hafidz & Azra (Advocates & Solicitors) and the Malaysian Resources Corporation Berhad. She joined THP on 1 October 2002 and has been with the Group for more than 16 years. In her current capacity, she manages all legal and secretarial matters of the companies owned as well as managed by THP.

AN EXPERIENCED MANAGEMENT TEAM

Maizura Mohamed

Head, Strategy & Corporate Services
Age 48, Female, Malaysian
Date of Appointment: 1 January 2014

Maizura holds a Bachelor's degree (Honours) in Chemistry from Universiti Malaya. She began her career with Boustead Holdings Berhad in 1995 and subsequently joined Maju Holdings Sdn. Bhd. as Manager of Business Development. She joined THP on 1 October 1999 as Manager, Corporate Planning and has been with the Group for 19 years. She is currently the Head of Strategy and Corporate Services and is responsible in overseeing strategic and corporate matters, business planning as well as managing special projects.

Ir Ramli Mohd Tahar

Chief Engineer
Age 57, Male, Malaysian
Date of Appointment: 1 August 1997

Ir Ramli holds a Bachelor's degree in Engineering (Agricultural) from UPM and also holds a First Grade Steam Engineer certification from the Department of Safety and Health. He was also certified as a Registered Professional Engineer by the Board of Engineers Malaysia in 2000. He began his career with FELDA in 1985 and joined the then PLLTH as a Senior Assistant Manager on 2 January 1991. He has been with the Group for the past 28 years, and has held his current position since 1997. As Chief Engineer, he heads the Engineering department, overseeing the strategy, planning and operations of all the mills under the Group. He also oversees the construction of new mills, whether THP-owned or THP-managed, as well as other engineering projects within the Group.

Othman Somadi

General Manager (Marketing)
Age 55, Male, Malaysian
Date of Appointment: 1 January 2009

Othman graduated with a Bachelor's degree in Business Administration (Marketing) and also holds a Diploma in Planting Industry and Management, both from UiTM. He began his career as an Assistant Agricultural Officer with the Southeast Johore Development Authority in 1984 and thereafter joined Johore Tenggara Oil Palm Berhad in 1993 as a Senior Marketing Executive. He joined TH Ladang (Sabah & Sarawak) Sdn. Bhd. on 5 August 1996 as its Marketing Manager before being appointed THP's Deputy General Manager (Marketing) in 2003. He is currently General Manager (Marketing) and is responsible for the trading and marketing of THP's products.

AN EXPERIENCED MANAGEMENT TEAM

Ahmad Nordzri Razali

Vice-President Director,
PT Persada Kencana Prima
Age 56, Male, Malaysian
Date of Appointment: 1 January 2014

Ahmad Nordzri holds a Diploma in Planting Industry and Management from UiTM and a Bachelor's degree in Business Administration from RMIT University, Melbourne. He began his career as a Credit Officer with Bank Pertanian Malaysia in 1984 before joining United Plantations Berhad in December 1984 as Plantation Assistant Manager. On 15 March 1991, he joined THP as Assistant Manager at Ladang Sungai Mengah, Pahang and went on to assume a number of roles within the Group. He is currently the Vice-President Director at PT Persada Kencana Prima, overseeing the development of THP's maiden investment in oil palm plantation in Kalimantan, Indonesia.

Ahmad Anuar Sairi

General Manager, CEO Office
Age 53, Male, Malaysian
Date of Appointment: 1 March 2019

Ahmad Anuar Sairi graduated with a Bachelor's degree in Agricultural Science and also holds a Diploma in Agriculture, both from UPM. He started his career as an Agronomist in Felda Research in 1990 and subsequently joined Austral Enterprises in 1993. He joined THP in June 1999 as Assistant Agronomist. He was seconded to Trurich Resources Sdn. Bhd. in 2014 and was appointed the Senior General Manager (Operation & Agronomist) and based in Indonesia. He returned to THP in March 2019. He is currently the General Manager of the CEO's office and is responsible in assisting the CEO to manage and supervise all operational matters as well as the overall management of the Company.

Note:

Save as disclosed, the above Chief Executives and Key Senior Management members do not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. None of them have any directorships in public companies (listed and non-listed) and they have not had any conviction for any offence within the past five (5) years and have not been imposed any penalty by regulatory bodies during the financial year 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INSIDE THIS SECTION

Aligning with the Malaysian Code On Corporate Governance

We are narrating this year's report in the following way, based upon the principles set out in the Malaysian Code on Corporate Governance.

LEADERSHIP

The Board has clear lines of responsibility and is collectively responsible for the long-term success of the Group.

EFFECTIVENESS

We evaluate the balance of experience, skills, knowledge and independence of the Board to ensure we are effective.

ACCOUNTABILITY

Here, we present a fair, balanced and understandable assessment of the Group's position and prospects. Our decisions are discussed within the context of the risks involved.

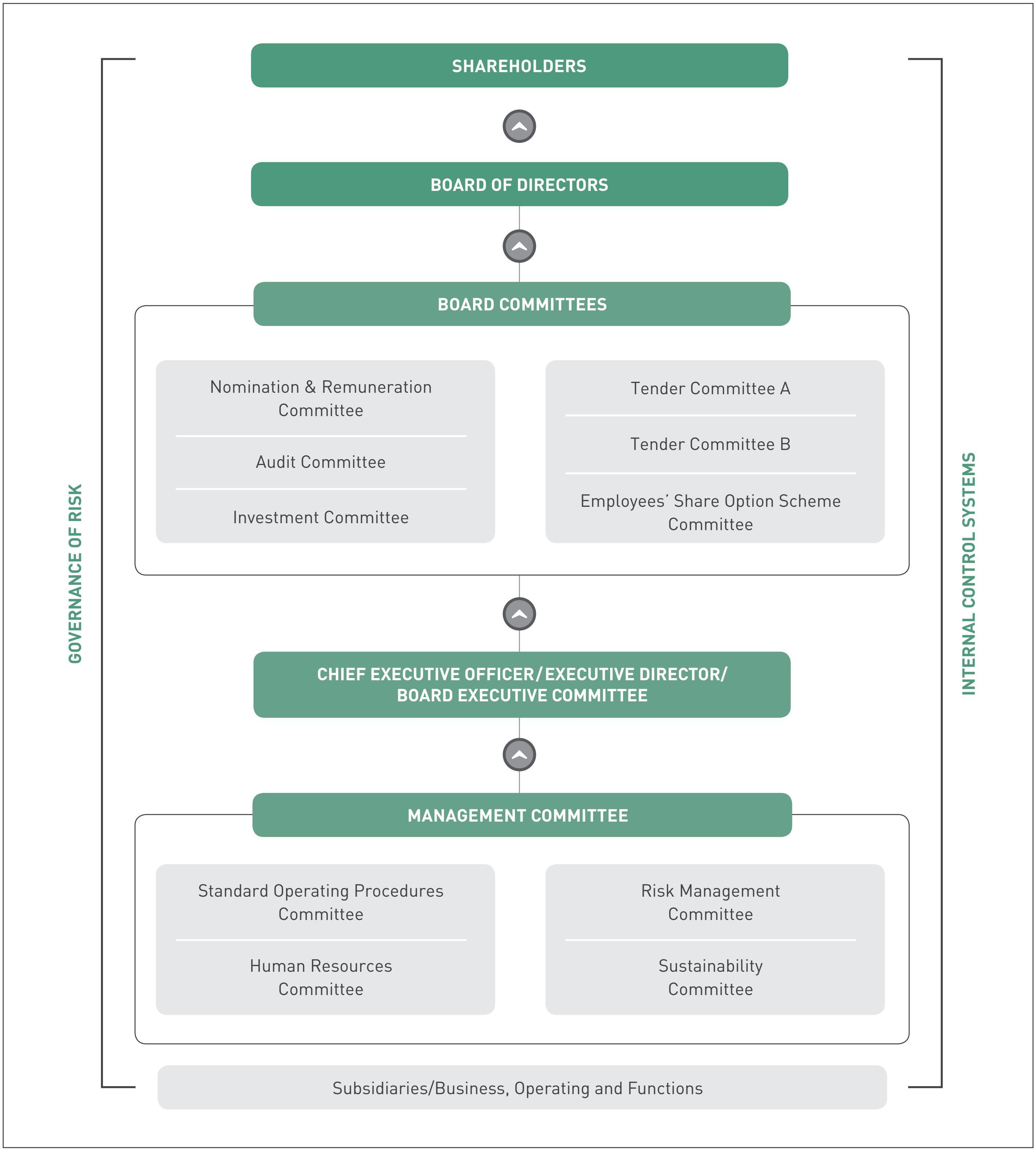
RELATIONS WITH SHAREHOLDERS

The strength of our relationships with our shareholders are crucial for the successful execution of our strategy.

We remain committed in implementing the principles and best practices set out in the Malaysian Code on Corporate Governance ("the Code") and Bursa Malaysia Securities Berhad's main market listing requirements ("Listing Requirements"). This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report which is available online at www.thplantations.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
LEADERSHIP

Our Governance Structure



CORPORATE GOVERNANCE OVERVIEW STATEMENT
LEADERSHIP

Role of the Board

The Board is responsible for the effective leadership of the Group. The Board's governance framework, which is summarised below, establishes a clear division of responsibilities on the Board. The diverse range of skills and leadership experience of the Non-Executive Directors enables them to monitor performance, provide constructive challenge and support the Executive Director. Biographical details of each of the Directors are set out on pages 38 to 44.

CHAIRMAN

The Chairman carries out a leadership role in the conduct of the Board and its relations to shareholders and other stakeholders.

The role of the Chairman are as follows:

i. Provides leadership to the Board
   - Plans Board meetings, agenda;
   - Ensures the Board receives proper information in timely manner;
   - Chairs all Board meetings;
   - Ensures that all Directors contribute and participate at Board meetings; and
   - Drives discussion toward consensus and to achieve closure on such discussions.

ii. Chairs shareholder meetings;

iii. Represents the Board to shareholders and be the spokesperson at the Annual General Meeting ("AGM"), in a way that supports the role of the CEO in reporting operational and public relations matters;

iv. Ensures the integrity and effectiveness of the governance process; and

v. Performs other responsibilities as assigned by the Board from time to time.

NON-EXECUTIVE DIRECTOR

Non-Executive Directors act as a bridge between Management, shareholders and other stakeholders.

They provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. The Companies Act 2016, makes no distinction between Executive and Non-Executive Director in terms of the legal duties that are imposed on Directors. All directors, whether independent or not, are required to act in the best interest of THP and to exercise unfettered and independent judgement. The role of Independent Directors are as follows:

i. Not to be involved in day to day operations of the Company or running of the business; and

ii. Protects the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

CHIEF EXECUTIVE OFFICER/EXECUTIVE DIRECTOR

CEO as an employee, involved in the day-to-day management of the Company and Group. He is invariably a member of the Company's Senior Management team. A CEO may also be an Executive Director.

The role of the CEO/Executive Director are as follows:

i. Develops and implements strategy, reflecting long-term objections and priorities established by the Board;

ii. Assumes full accountability to the Board for all aspects of Company operations and performance;

iii. Puts adequate operational plans and financial control systems in place;

iv. Closely monitors operating and financial results in accordance with plans and budgets; and

v. Represents the Company to major customers, employees, suppliers, and professional associations.

COMPANY SECRETARY

The Company Secretary provides independent advice to the Board, ensures good information flow and advises the Board on relevant matters.

The role of the Company Secretary are as follows:

i. Works closely with the Chairman to raise all material compliance and governance issues;

ii. Attend all Board, Board Committee and Subsidiary Board meetings;

iii. Ensures accurate records of all meetings and that all decisions made are properly minuted; and

iv. Facilitates the communication of key decisions and policies between the Board, Board Committees and Subsidiary Boards.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
LEADERSHIP

The key responsibilities of the members of the Board of Directors are set out below. The Board of Directors has a collective duty to promote the long-term success of the Group for its shareholders. The Board sets the strategic aims of the Group and provides leadership and guidance to Senior Management to ensure that the necessary resources are in place to achieve the agreed strategy. In determining the long-term strategy and objectives of the Group, the Board is mindful of its duties and responsibilities not just to shareholders but also to customers, employees and other stakeholders.

The Board reviews management and financial performance and monitors the delivery of strategy and the achievement of business objectives. At all times, the Board operates within a robust framework of internal controls and risk management. The Board also develops and promotes the collective vision of the Group's purpose, culture, values and behaviours.

Each Director brings different skills, experience and knowledge to the Company, with the Non-Executive Directors bringing additional independent thought and judgement. The roles of the Chairman and Chief Executive Officer are separate, with each having clearly defined duties and responsibilities which are set out in writing and approved by the Board.

Reviewing and adopting strategic plans for the Company, primarily the five (5) year rolling strategic plan for THP Group.

Overseeing the conduct of the Company's business to ensure that it is being properly managed. Key operational matters are discussed during Board meetings, and expert advice or independent advice is sought where necessary.

Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.

MATTERS RESERVED FOR THE BOARD

The Board recognises that in order to ensure the long-term success of the Company, certain matters should be reserved for the consideration and decision of the Board alone. Other matters may be delegated by the Board to its Committees or Senior Management. In accordance with the Code, these decisions are formally recorded in the Board Charter under Matters Reserved to the Board. This Board Charter is reviewed annually to ensure that it remains appropriate and that there is an effective framework in place to support the Board's decision-making process. The Board Charter is available on the Company's website at www.thplantations.my.

Implementing succession planning, including the appointment and recruitment of Senior Management team members.

Developing and implementing an investor relations policy or shareholders' communications policy for the Company.

Reviewing the adequacy and integrity of the Company's internal controls and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

CORPORATE GOVERNANCE OVERVIEW STATEMENT LEADERSHIP

Board Committees

The Board has a number of committees to assist in discharging its responsibilities. The principal committees are the Nomination & Remuneration and Audit Committees. The responsibilities of these committees are set out in the individual Terms of Reference, which are available on the Company's website at www.thplantations.my.

The roles and responsibilities of the Board Committees, along with the activities undertaken during the year, are outlined in each of their respective reports found on pages 58 to 65. The Company Secretary is the Secretary to the Board Committees and ensures that the Committees adhere to the highest standards of Corporate Governance and apply the provisions and principles of the Code.

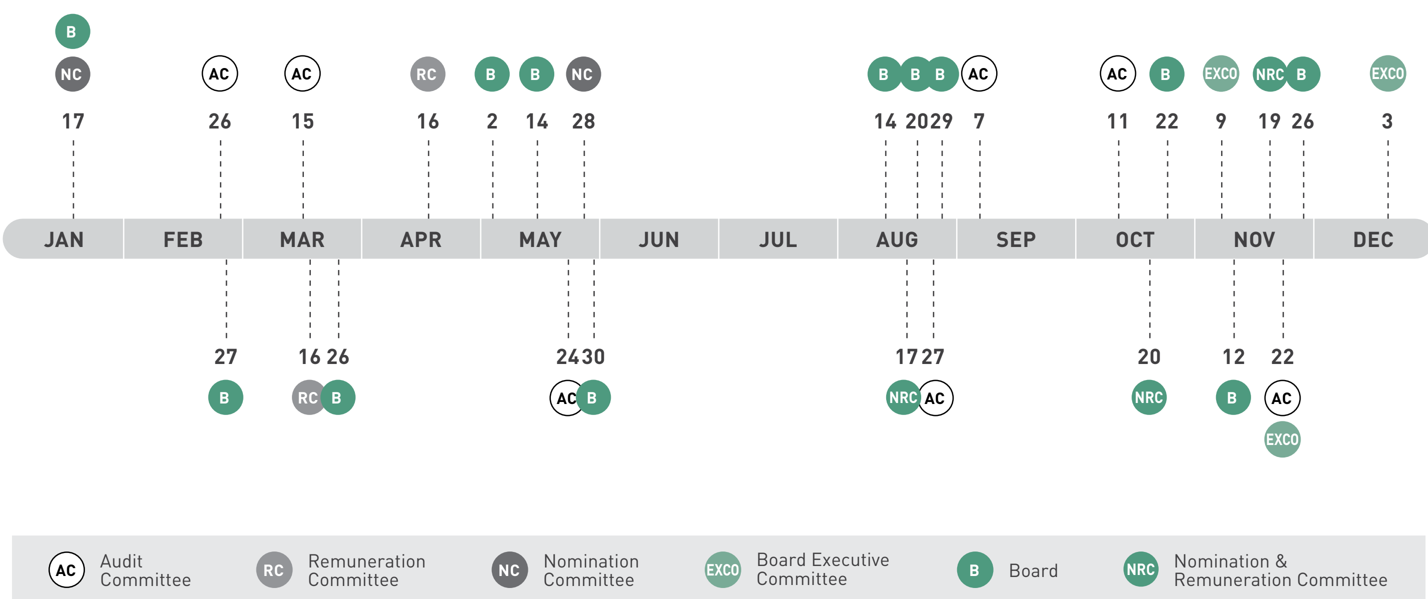
Only Committee members are entitled to attend meetings, however, other Board members may attend at any time if they choose to do so. Professional advisers and members of the senior management team attend Committee meetings when they are invited to do so.

The Board may also set up separate committees to consider specific issues, when the need arises. Following to the resignation of the CEO, during the year, the Board exercised its mandate to set up a special Board Committee, the Board Executive Committee, which assumed the overall responsibilities of the CEO. This ensured the seamless progression of operations and the continued delivery of strategy.

Board Meetings

The Board meets regularly in order to effectively discharge its duties. In 2018, there were 4 scheduled meetings and 8 additional unscheduled Board meetings. In addition to the formal Board meetings, the Board maintains an open dialogue throughout the year and contact by telephone occurs whenever necessary.

The Board's annual timetable is discussed at least 12 months prior to its commencement to allow the Directors to plan their time accordingly. The Board agenda process ensures that the Board has the confidence that all items are scheduled at the most appropriate time of the year and there is sufficient time for discussion by the Board, allowing the Directors to discharge their duties effectively.



CORPORATE GOVERNANCE OVERVIEW STATEMENT
LEADERSHIP

Directors	Number of Meetings Attended	Percentage
Datuk Seri Nurmala binti Abd Rahim Independent Non-Executive Director	12/12	100
Dato' Shari bin Haji Osman Independent Non-Executive Director	12/12	100
Dato' Indera Dr. Md Yusop bin Omar Independent Non-Executive Director	9/12	75
Mohd Adzahar bin Abdul Wahid Independent Non-Executive Director	12/12	100
Nik Mohd Hasyudeen bin Yusoff Independent Non-Executive Director (Appointed w.e.f. 20 August 2018)	3/5	60
Dato' Mohd Shukri bin Hussin Independent Non-Executive Director (Appointed w.e.f. 20 August 2018 and resigned w.e.f. 14 March 2019)	4/5	80
Dato' Sri Zukri bin Samat Chairman, Non Independent Non-Executive (Appointed w.e.f. 13 August 2018 and resigned w.e.f. 31 December 2018)	3/6	50
Tan Sri Dato Sri Ab. Aziz bin Kasim Chairman, Independent Non-Executive (Retired on 14 May 2018)	0/5	0
Tan Sri Dato' Sri Ismee bin Haji Ismail Deputy Chairman, Non-Independent Non-Executive Director (Resigned w.e.f. 26 July 2018)	6/6	100
Datuk Seri Johan bin Abdullah Non-Independent Non-Executive Director (Resigned w.e.f. 26 July 2018)	6/6	100
Dato' Sri Amran bin Mat Nor Independent Non-Executive Director (Resigned w.e.f. 14 May 2018)	4/5	80
Datuk Abdul Shukur bin Haji Idrus Non-Independent Non-Executive Director (Retired on 14 May 2018)	2/4	50
Kolonel Dato' Ab Jabar bin Mohamad Aris Non-Independent Non-Executive Director (Retired on 14 May 2018)	3/4	75
Dato' Sri Zainal Azwar bin Zainal Aminuddin Chief Executive Officer/Executive Director (Resigned w.e.f. 20 August 2018)	7/7	100

CORPORATE GOVERNANCE OVERVIEW STATEMENT
LEADERSHIP

Key Board Discussion and Activities

A summary of the Board's key discussions and activities during the year is set out in the following table:

Financial

i. Financial Statements for the financial year 2017
ii. Quarterly Report on Consolidated results
iii. Final Dividend for the financial year 2017
iv. Re-appointment of external auditors for the financial year 2018
v. Audit fee for THP and Group for the financial year 2018
vi. Updates on changes in accounting standards and/or policies
vii. Proposed financing facility for THP Group
viii. THP Group's annual budget, cashflow projections
ix. THP Group's Business Plan 2019 - 2020

Governance

i. Material litigation cases updates within the Group
ii. Board Charter, Whistleblowing Policy, Remuneration Policy for Directors and Senior Management
iii. Malaysian Code of Corporate Governance, amendments to the Main Market Listing Requirements
iv. Establishment of Board Executive Committee of THP

Risk, Strategy, Sustainability

i. MSPO certification
ii. Updates on THP Group's estates performance
iii. Business growth and improving yields
iv. Improving operational efficiency
v. Updates on Risk Management
vi. Updates on Sustainability matters
vii. Updates on Rubber plantations and moving forward

Succession Planning, Appointment, Resignation, Remuneration

i. Board Evaluation Assessment
ii. Re-election of Directors
iii. Change of directorship in THP and Group
iv. Change of committee members in THP
v. Change in key Senior Management
vi. Directors' & Officers' Indemnity Insurance policy
vii. Performance bonus of the CEO/ED of THP
viii. Extension of contract of service of the CEO/ED of THP
ix. Performance bonus and annual salary increment for employees of THP
x. Appointment of the new CEO of THP
xi. Proposed remuneration package of the new CEO of THP

Divestment

i. Proposal to Appoint Transaction Agent for the Proposed Divestment of THP's subsidiaries
ii. Proposal to Appoint Valuers to Conduct Valuation Exercise on THP's subsidiaries
iii. Proposal to Appoint Solicitors for the Proposed Divestment of THP's subsidiaries

Others

i. Garden Leave of CEO/ED of THP
ii. Proposal to appoint consultants to review the acquisition exercises undertaken by THP
iii. Chief Executive Officer's Bumiputera Empowerment Agenda Key Performance Indicators

CORPORATE GOVERNANCE OVERVIEW STATEMENT
EFFECTIVENESS

Board Induction, Effectiveness and Training

The Board Effectiveness Review operates on an internal evaluation process carried out using a survey and questionnaire format. The process is detailed in the table below.

2018 Board Performance Evaluation

The evaluation focused on a number of key areas:

- The skills and experience of the Board
- The Board's management of risk
- Meetings and Board administration
- The Board's engagement with key stakeholders, including shareholders and employees
- The effectiveness of the Board's decision-making
- The operation of the Board's committees
- The Board's role with respect to the Group's strategy

This Process was divided into 3 Stages

STAGE 1 — Completion of questionnaire

A comprehensive questionnaire was sent to each Board member. Board members completed and returned the questionnaire to the Company Secretary.

STAGE 2 — Evaluation of responses/reporting

The Company Secretary compiled a report to be tabled to the NRC based on the feedback provided by Board members, addressing the performance of the Board and each of its committees.

STAGE 3 — Discussions with the Board

The NRC discussed the draft conclusions. Subsequently, these conclusions and a draft action plan were recommended to the Board.

When a new Director is appointed to the Board, they will undergo specific briefings on the THP Group with the objectives of providing an overview of the Company's vision and mission, nature of business, current issues and the long term targets of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT EFFECTIVENESS

Directors are also encouraged to continue to update their skills and knowledge and to ensure that they are aware of developments in market practice. During 2018, the Directors have attended the following training programmes:

Training Program Title	Organiser	Event Date
World Capital Market Forum	Securities Commission	6 and 7 February 2018
Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide	Bursa Malaysia	28 February 2018
Navigating the VUCA World – Prof Tan Sri Lee See-Yan	FIDE	1 March 2018
Capital Market Directors Programme Module 1, 2 & 3	SIDC	12 and 13 March 2018
How Innovation is Changing Leadership	SIDC	26 March 2018
PIDM-FIDE Annual Dialogue	FIDE	10 July 2018
Tricks of The Trade – The (Mis) Behaviour of Financial Markets	FIDE	18 July 2018
Emerging Risks, the Future Board and Return on Compliance	FIDE	19 July 2018
ACI Breakfast Roundtable 2018	KPMG	3 August 2018
Cyber Defensive Live Kuala Lumpur	FireEye	15 August 2018
Mandatory Accreditation Programme	ICLIF	3 and 4 September 2018
IT Security Talk by Cyber Security Malaysia	Bank Islam	21 September 2018
Global Islamic Finance Forum	AIBIM	3 and 4 October 2018
MIA International Forum	MIA	9 and 10 October 2018
Capital Market Directors Programme Module	SIDC	12 October 2018
Brunei Darussalam Islamic Capital Market Forum 2018	Centre of Islamic Banking, Finance and Management, Brunei	22 and 23 October 2018
Directors as Coach: An Executive Dialogue With Marshall Goldsmith	FIDE	30 October 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT
EFFECTIVENESS

NRC NOMINATION & REMUNERATION COMMITTEE REPORT

The Board agreed to merge the Nomination Committee and the Remuneration Committee into one committee to effect greater synergies and efficiency. The new Nomination & Remuneration Committee came into effect from 30 May 2018.

The new Nomination & Remuneration Committee consists of at least three (3) members and that is appointed by the Board from among the Directors of the Company, comprising exclusively Non-Executive Directors with a majority of independent directors.

Members and Attendance

Nomination & Remuneration Committee
(From 30 May 2018)

Datuk Seri Nurmala binti Abd Rahim
Chairman, Independent Non-Executive Director
3/3

Mohd Adzahar bin Abdul Wahid
Member, Independent Non-Executive Director
3/3

Dato' Shari bin Haji Osman
Member, Independent Non-Executive Director
(Appointed w.e.f. 30 May 2018)
3/3

Nik Mohd Hasyudeen bin Yusoff
Member, Independent Non-Executive Director
(Appointed w.e.f. 22 October 2018)
1/1

Nomination Committee
(1 January 2018 to 29 May 2018)

Datuk Seri Nurmala binti Abd Rahim
Chairman, Independent Non-Executive Director
2/2

Datuk Seri Johan bin Abdullah
Member, Non-Independent Non-Executive Director
2/2

Mohd Adzahar bin Abdul Wahid
Member, Independent Non-Executive Director
2/2

Remuneration Committee
(1 January 2018 to 29 May 2018)

Tan Sri Ab. Aziz bin Kasim
Chairman, Independent Non-Executive Director
(Retired on 14 May 2018)
0/2

Tan Sri Dato' Sri Ismee bin Ismail
Member, Non-Independent Non-Executive Director
2/2

Dato' Shari bin Haji Osman
Member, Independent Non-Executive Director
2/2

Number of Meetings Attended

The Committee meets at least once a year or at any other time deemed necessary by the Chairman of the Committee. A quorum for a meeting of the Committee is two (2) members.

Summary of Activities

Nomination & Remuneration Committee
(From 30 May 2018)

1. Assessing and recommending to the Board on the appointment of new directors of THP.
2. Recommending to the Board on the appointment of an additional member to the Nomination & Remuneration Committee.
3. Assessing and recommending to the Board on the appointment of the new CEO of THP.
4. Considering and recommending to the Board on the proposed remuneration package of the new CEO of THP.

Nomination Committee
(1 January 2018 to 29 May 2018)

1. Assessing and recommending to the Board, the continuation of service of the Directors who are seeking re-election at the AGM.
2. Reviewing and assessing the annual performance and effectiveness of the Board.
3. Assessing and recommending to the Board on the change of directorship in THP Group.
4. Assessing and considering the appointment of the Deputy Chief Executive Officer of THP.
5. Proposal to merge the Nomination Committee and Remuneration Committee of THP.

Remuneration Committee
(1 January 2018 to 29 May 2018)

1. Reviewing, considering and recommending to the Board the performance bonus for CEO/ED of THP.
2. Reviewing, considering and recommending to the Board the performance bonus and annual salary increment for employees of THP.
3. Proposed Remuneration Policy & Procedures for Directors and Senior Management.
4. Recommending to the Board on the revision of the director's remuneration of THP Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT EFFECTIVENESS

The Committee's role and responsibilities are set out in the terms of reference which are available on the Company's website at: www.thplantations.my

Structure and Procedure of the Nomination & Remuneration Committee

The actual decision as to who shall be appointed to the Board shall be the responsibility of the Board after considering the recommendations made by the Committee.

The Chief Executive Officer/Executive Director does not participate in discussions pertaining to his own remuneration.

The determination of remuneration packages of Non-Executive Directors, including the Non-Executive Chairman shall be a matter to be considered by the Board as a whole and thereafter to be put forth to the shareholders for approval.

The level of remuneration should be sufficient to attract and retain the Directors needed to steer the Company successfully. The level of remuneration should reflect the experience and responsibilities undertaken by the Non-Executive Directors concerned.

Re-election of Directors

The re-election of Directors ensures that shareholders have a regular opportunity to re-assess the composition and the efficacy of the Board.

In accordance with the Company's Constitution, at least one third (1/3) of the Directors shall retire from office every year provided always that all Directors shall retire from office at least once in every three (3) years and shall be eligible for re-election in the Annual General Meeting ("AGM").

At this forthcoming AGM, Dato' Indera Dr. Md Yusop bin Omar is subject to retirement by rotation under the Company's Constitution, and being eligible, has offered himself for re-election.

The Company's Constitution also provide that newly-appointed directors shall hold office until the next AGM and shall then be eligible for re-election. The following Directors, who have been appointed during the year and prior to the cut off date of this Annual Report shall retire in accordance with Article 89 of the Constitution of the Company and being eligible, have offered themselves for re-election:

i. Nik Mohd Hasyudeen bin Yusoff
ii. Tan Sri Abu Talib bin Othman
iii. Dzul Effendy bin Ahmad Hayan

Assessment of Independence of Independent Directors

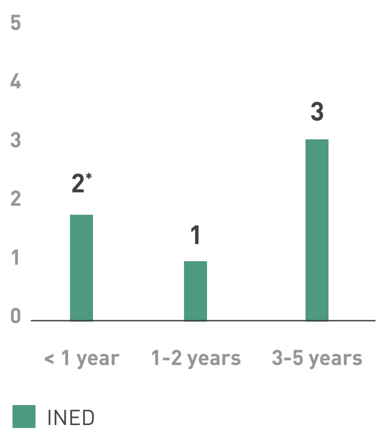
The presence of five (5) Independent Non-Executive Directors, who neither engage in the day-to-day management of the Company, nor participate in any business dealings, or are involved in any other form of relationship with the Company, ensures that they remain free from any conflict of interest situation and facilitates the effective discharge of their roles and responsibilities as Independent Directors. They have fulfilled the criteria of independence as defined in the Listing Requirements.

Although all Directors shoulder equal responsibilities for THP Group's operations, the roles of these Independent Non-Executive Directors have proven to be particularly important in ensuring that all business strategies proposed by the Management are fully discussed and scrutinised, taking into account the long-term interests, not only of THP's shareholders, but also of its employees, customers, suppliers and other THP Group stakeholders.

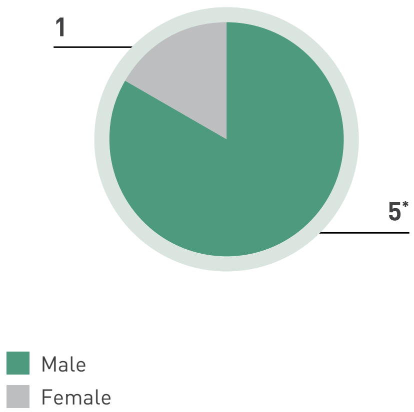
The Board and the Nomination & Remuneration Committee assessed the independence of the five (5) Independent Non-Executive Directors based on the criteria prescribed under the Listing Requirements in which an Independent Director should be independent and free from any business or other relationship which could interfere with the exercise of independent judgement, or the ability to act in the best interest of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
EFFECTIVENESS

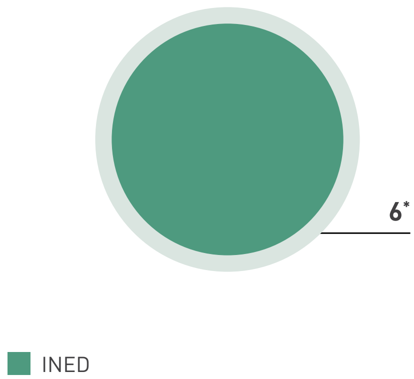
Board Tenure



Board Balance



Board Composition



* Inclusive of Dato' Mohd Shukri bin Hussin who was appointed w.e.f. 20 August 2018 and had resigned w.e.f. 14 March 2019

Directors' Remuneration

The Board believes that the level of remuneration offered by THP Group is sufficient to attract and retain Directors of calibre and with sufficient experience and talent to contribute to the performance of the Company. Comparisons with similar positions within the industry and other major public listed companies are made in order to arrive at a fair remuneration rate. The aim of the remuneration policy and philosophy is to:

i. Align with THP's strategic thrust and value drivers;

ii. Attract and retain Directors of such calibre who are able to provide the necessary skills and experience, commensurating with the responsibilities for the effective management of THP Group; and

iii. Support the philosophy of value-based management.

The policy and framework for the overall remuneration of the Directors are reviewed against market practices by the Committee, following which recommendation are submitted to the Board for approval.

The remuneration of the Executive Director includes salary and emoluments, bonus and benefits-in-kind.

In the case of Non-Executive Directors, the remuneration structure reflects the level of responsibilities undertaken and contributions made by them. Currently, the Non-Executive Directors are paid Directors' fees and attendance allowance for each Board/Committee meeting that they attend. In addition, the Non-Executive Directors are entitled to certain benefits-in-kind such as, medical coverage in Malaysia and personal accident insurance coverage. The Chairman of the Board, who is a Non-Executive Director, is entitled to a company car.

CORPORATE GOVERNANCE OVERVIEW STATEMENT EFFECTIVENESS

Details of remuneration (including benefits-in-kind) for each Director for the year ended 31 December 2018 are as follows:

	RM							
	*Fees		Salary	Bonus	Meeting Allowances	Other Emoluments	Benefits-in-kind	Total
	Company	Group						
Non-Executive Directors								
Datuk Seri Nurmala binti Abd Rahim	96,000	64,500	-	-	25,000	-	-	**185,500**
Dato' Shari bin Haji Osman	96,000	11,500	-	-	26,000	-	-	**133,500**
Dato' Indera Dr. Md Yusop bin Omar	84,000	-	-	-	10,000	-	-	**94,000**
Mohd Adzahar bin Abdul Wahid	108,000	75,500	-	-	28,000	-	-	**211,500**
Nik Mohd Hasyudeen bin Yusoff (Appointed w.e.f. 20 August 2018)	32,000	-	-	-	11,000	-	-	**43,000**
Dato' Mohd Shukri bin Hussin (Appointed w.e.f. 20 August 2018 and resigned w.e.f. 14 March 2019)	-	-	-	-	11,000	-	-	**11,000**
Dato' Sri Zukri bin Samat (Appointed w.e.f. 13 August 2018 and resigned w.e.f. 31 December 2018)	56,000	-	-	-	3,000	-	-	**59,000**
Tan Sri Dato' Sri Ab. Aziz bin Kasim (Retired on 14 May 2018)	56,000	-	-	-	-	-	190,782	**246,782**
Tan Sri Dato' Sri Ismee bin Haji Ismail (Resigned w.e.f. 26 July 2018)	77,000	107,500	-	-	10,000	-	63,000	**257,500**
Datuk Seri Johan bin Abdullah (Resigned w.e.f. 26 July 2018)	49,000	-	-	-	9,000	-	-	**58,000**
Dato' Sri Amran bin Mat Nor (Resigned w.e.f. 14 May 2018)	32,000	4,000	-	-	7,000	-	-	**43,000**
Datuk Abdul Shukur bin Haji Idrus (Retired on 14 May 2018)	28,000	-	-	-	3,000	-	-	**31,000**
Kolonel Dato' Ab Jabar bin Mohamad Aris (Retired on 14 May 2018)	28,000	-	-	-	4,000	-	-	**32,000**
Executive Director								
Dato' Sri Zainal Azwar bin Zainal Aminuddin (Resigned w.e.f. 20 August 2018)	56,000	125,000	725,527	316,800	8,000	174,992	4,800	**1,411,119**
TOTAL	**798,000**	**388,000**	**725,527**	**316,800**	**155,000**	**174,992**	**258,582**	**2,816,901**

Note: * Fees include those disbursed for being a member of Board Committees.

Number of Directors whose remuneration falls within the following bands:

Ranges of Remuneration	Number of Directors	
	Executive Director	Non-Executive Directors
Less than RM50,000	-	5
RM50,001 to RM100,000	-	3
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	-	1
RM200,001 to RM250,000	-	2
RM250,001 to RM300,000	-	1
RM1,400,000 to RM1,450,000	1	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT
ACCOUNTABILITY

Financial Reporting

The Board aims to present to shareholders, investors and regulatory authorities, a clear, balanced and comprehensive assessment of THP Group's financial performance and prospects. This assessment is primarily provided in quarterly financial reports, audited financial statements, annual reports as well as through material disclosures made in accordance with the Listing Requirements.

The Audit Committee assists the Board in scrutinising the information for disclosure to ensure accuracy, adequacy, transparency and compliance with the appropriate accounting standards and the financial statements give true and fair view of THP Group's financial position.

Relationship with the External Auditors

The Company has always maintained a professional and transparent relationship with the External Auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The Audit Committee met the External Auditors twice without the presence of Management to discuss issues arising out of audit and any matters that the External Auditors may wish to discuss.

The External Auditors are consistently reviewed by the Audit Committee. The review process covers the assessment of the independence of the External Auditors and the evaluation of their performance, quality of work, non-audit services provided and timeliness of services deliverables.

The External Auditors can also be engaged to perform non-audit services provided such services do not impair either in fact or appearance, the auditors objectivity or independence.

The role of the Audit Committee in relation to the External Auditors is described in the Audit Committee Report from pages 64 to 65 of this Annual Report.

Internal Controls

In recognising the importance of risk management and internal controls, the Board has through the Risk Management Committee, established a risk management framework which is designed to provide consistency in the management of risks across THP Group.

Details of the Company's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control from pages 67 to 71 of this Annual Report.

Internal Audit Function

The Internal Audit Department ("IAD") carries out the internal audit function which is currently led by Head of Internal Audit of THP Group.

The IAD function is to provide the Board, through the Audit Committee, with independent assurance with regards to the effectiveness of the risk management, internal control and governance processes of the Group.

Details of the IAD are set out in the Audit Committee Report from pages 64 to 65 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
ACCOUNTABILITY

EXCO BOARD EXECUTIVE COMMITTEE REPORT

On 1 November 2018, the Board approved the establishment of a temporary Board committee to be named as the Board Executive Committee of THP ("EXCO") for the purpose of performing the duties, responsibilities and functions of the CEO of THP until a new CEO is appointed. The EXCO had ceased on 22 February 2019.

Members and Attendance

Member	Number of Meetings Attended
Dato' Mohd Shukri bin Hussin Chairman, Independent Non-Executive Director	3/3
Mohd Adzahar bin Abd Wahid Member, Independent Non-Executive Director	3/3
Nik Mohd Hasyudeen bin Yusoff Member, Independent Non-Executive Director	3/3

Number of Meetings Attended

Summary of Activities

1. Reviewing and recommending to the Board the Terms of Reference of the Board Executive Committee of THP
2. Reviewing and recommending to the Board the Business Plan of THP Group
3. Reviewing and recommending to the Board the CEO's Bumiputera Empowerment Agenda Key Performance Indicators
4. Reviewing and recommending to the Board the Proposed Budget 2019 of THP Group
5. Reviewing and recommending to the Board the Valuation Exercise of THP's Subsidiaries for Rationalisation Plan
6. Assessing and recommending to the Board the Proposal to Appoint the Transaction Agent for the Rationalisation Plan of THP Group
7. Reviewing and recommending to the Board on the renewal of Policy Insurance: Directors & Officers Liability for year 2019
8. Assessing and approving the proposals and/or contract works within the authority limit of the CEO of THP

CORPORATE GOVERNANCE OVERVIEW STATEMENT
ACCOUNTABILITY

AC AUDIT COMMITTEE REPORT

Members and Attendance

Member	Number of Meetings Attended
Mohd Adzahar bin Abdul Wahid Chairman, Independent Non-Executive Director	**7/7**
Datuk Seri Nurmala binti Abd Rahim Member, Independent Non-Executive Director	**6/7**
Dato' Shari bin Haji Osman Member, Independent Non-Executive Director	**7/7**
Dato' Mohd Shukri bin Hussin Member, Independent Non-Executive Director (Appointed w.e.f. 20 August 2018 and resigned w.e.f. 14 March 2019)	**4/4**
Nik Mohd Hasyudeen bin Yusoff Member, Independent Non-Executive Director (Appointed w.e.f. 20 August 2018)	**4/4**
Dato' Sri Amran bin Mat Nor Member, Independent Non-Executive Director (Resigned w.e.f. 14 May 2018)	**2/2**

Number of Meetings Attended

The Committee's roles and responsibilities are set out in the terms of reference which are available on the Company's website at www.thplantations.my.

Meetings

Management is invited to brief the Committee on the Group's financial performance and relevant corporate matters as well as to address any enquiries raised by the Committee. The IAD attended all Committee meetings and presented the internal audit findings to the Committee and also presented the internal audit plan and activities. The external auditors were also invited to attend the Committee meetings to present their reports on the audited financial statement.

All issues discussed and deliberated during the Committee meetings were minuted by the Company Secretary. Any matters of significant concern raised by the internal and external auditors were duly conveyed by the Committee to the Board.

Summary of Activities

(a) Reviewed quarterly financial and operational reports, interim financial results, interim financial report to Bursa Securities and the annual audited financial statements prior to submission to the Board for approval;

(b) Reviewed the Risk Management Report 2018 as presented by the Chairman of the Management's Risk Management Committee ("RMC");

(c) Reviewed and evaluated the proposals from external consultants in relation to the review of the acquisition exercises undertaken by THP, prior to the recommendation to the Board for approval;

(d) Reviewed and evaluated the performance of the subsidiaries of THP, including the non-performing, as presented by the Management;

(e) Reviewed and approved the external auditors' scope of work and audit plan;

(f) Reviewed with the external auditors, on the compliance of the Company's and THP Group's annual financial statements to the Listing Requirements and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board;

(g) Reviewed with the external auditors, on the results of their audit;

(h) Reviewed the conduct, and considered the remuneration and re-appointment of the external auditors;

(i) Held independent meetings (without the presence of the Management) with the external auditors on significant findings during the course of their audit;

(j) Reviewed and approved the internal audit scope of work and audit plan;

(k) Reviewed the internal audit findings and reported to the Board on relevant matters deliberated in the Committee meetings;

CORPORATE GOVERNANCE OVERVIEW STATEMENT ACCOUNTABILITY

(l) Held independent meetings (without the presence of the Management) with the internal auditors on significant findings during the course of their audit;

(m) Performed periodic review on the system of internal controls that is in place and being observed; and

(n) Reviewed the transactions of related party entered by the Company and THP Group to ensure that such transactions are undertaken on an arm's length basis on normal commercial terms which are not detrimental to the interests of the minority shareholders of the Company, and to ensure that the related internal control procedures are both sufficient and effective.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

The internal audit function of THP Group is performed in-house and is independent from the main activities and operations of THP Group's operating units. The IAD reports directly to the Committee and its primary function is to assist in discharging the Committee's duties and responsibilities. It is the role of the IAD to provide the Committee with periodic, independent and objective reports on the state of risks management and internal controls of THP Group's operations and the extent of compliance to the established policies, procedures and relevant statutory requirements.

During the financial year under review, the IAD has:

A. Conducted 41 audits and 1 follow-up on various operating units based on the annually approved internal audit plan and management request

B. Reviewed and evaluated the adequacy and application of financial and operational controls and continuously promoted the importance of effective internal controls throughout THP Group

C. Reviewed and evaluated the operating units' compliance to the established policies, procedures and relevant statutory requirements

D. Presented the findings and recommendations in the form of audit report for Management's actions and to the Committee for further deliberation

E. Performed follow-ups on the status of the findings and recommendations applied as carried out by the Management

F. Collaborated with the external auditors to ensure sufficient coverage in the audit scope and avoid duplication wherever possible

G. Undertaken special assignments as and when requested by the Committee and/or Management and reported the results to the Committee and/or Management

The cost incurred for the internal audit function for the financial year under review was approximately RM1.56 million.

This Audit Committee Report was approved by the Board of Directors of THP on 9 April 2019.

Corporate Disclosure

The Company observes the Corporate Disclosure Guide issued by Bursa Securities as well as the disclosure requirements of the Listing Requirements. The Company also acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public.

Meetings and briefings are held periodically with investors, research analysts, bankers and the media to explain THP Group's latest performance results, current developments and future direction. While these forms of communications are important, the Company takes full cognisance of its responsibility not to disclose price-sensitive information.

Leveraging on Information Technology for Effective Dissemination of Information

The Company maintains a corporate website at www.thplantations.my which provides all other public corporate and financial information, such as THP Group's quarterly announcements of its financial results, announcements and disclosures made pursuant to disclosures required by the Listing Requirements and other corporate information on THP Group. Shareholders and the public can also direct their queries through the email contacts provided in the corporate website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT ACCOUNTABILITY

Encouraging Shareholder Participation At General Meetings

The Annual General Meeting is a useful forum for shareholders to engage directly with the Board.

The Board encourages shareholders' participation at THP's Annual General Meeting. During the Annual General Meeting, shareholders are at liberty to raise questions or seek clarification from the Board and Senior Management, on the items listed on the agenda of the general meeting.

A comprehensive and concise review of THP Group's performance as well as the value created for shareholders is also presented by the Chief Executive Officer/Executive Director of THP during the Annual General Meeting. The presentation is supported by visual and graphical presentation of key financial figures and key operational highlights to facilitate shareholders' understanding and analyses of the Company's performance.

Poll Voting at General Meetings

The Company conducts its Annual General Meetings by poll instead of voting by show of hands as practised previously pursuant to the Listing Requirements. The Board will consider using the most feasible voting method for polling to facilitate shareholders' voting process by taking into account its practicability, efficiency and reliability.

Investor Relation

The Board adopts an Investor Relation Policy ("IR Policy") to enable appropriate communication with all stakeholders. In the said IR Policy, the authorised spokespersons will guide and steer communications to be made by THP's Senior Management and employees. This is to avoid contradictions and differing views on certain issues and ensure that only clear and precise information is given to the media and the market.

Directors' Responsibility Statement in the Preparation of Audited Financial Statements

The Board of Directors is required under Paragraph 15.26(a) of the Listing Requirements to issue a statement explaining its responsibilities in the preparation of the audited financial statements. The Directors are required by the Companies Act, 2016 to prepare audited financial statements for each financial year which provide a true and fair view of the state of affairs of THP Group at the end of the financial year and of the profit and loss of the Company and the Group for the financial year under review. In preparing these audited financial statements, the Directors have:

Used appropriate accounting policies and consistently applied them

Made judgments and estimates that are reasonable and prudent

Stated whether applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the audited financial statements

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of THP Group and to enable them to ensure that the financial statements comply with the Companies Act, 2016 alongside applicable approved accounting standards in Malaysia.

The Directors are also responsible for taking such steps that are necessary to safeguard the assets of THP Group and to prevent fraud and other irregularities.

This Statement on Corporate Governance is made in accordance with the Resolution of the Board of Directors dated 9 April 2019.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

Introduction

The Statement on Risk Management and Internal Control ("the Statement") is made pursuant to the Listing Requirements and is guided by the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers. The Statement outlines the nature of risk management and internal control within the Group for the financial year under review.

Responsibility and Accountability

Pursuant to the Code, the Board of a listed company is required to acknowledge their overall responsibility in the establishment and overseeing a sound risk management framework and internal control system.

There are two (2) Committees at Board level that support the Board in its risk management and internal control responsibilities:

- Investment Committee which is tasked with overseeing the Group's investments and its evaluation processes;
- Audit Committee which is tasked with overseeing the financial reporting aspects of the Group, internal control environment and risk management, with the support from Management's Risk Management Committee ("RMC"), internal and external audit.

These committees are empowered by clearly established and approved term of reference in the above mentioned responsibilities. Accordingly, the Board is committed to the development and maintenance of an effective risk management framework and internal control system to safeguard the shareholders' investments and the Group's assets.

However, due to the limitations that are inherent in risk management framework and internal control system, the Board recognises that such systems are designed to manage, rather than eliminate, the risks identified to an acceptable level of risk appetite set and approved by the Board. The system by its nature can only provide reasonable but not an absolute assurance against financial misstatements, operational failures, fraud or loss. The concept of reasonable assurance recognises that the cost of control procedures should not exceed the expected benefits.

Management Responsibility

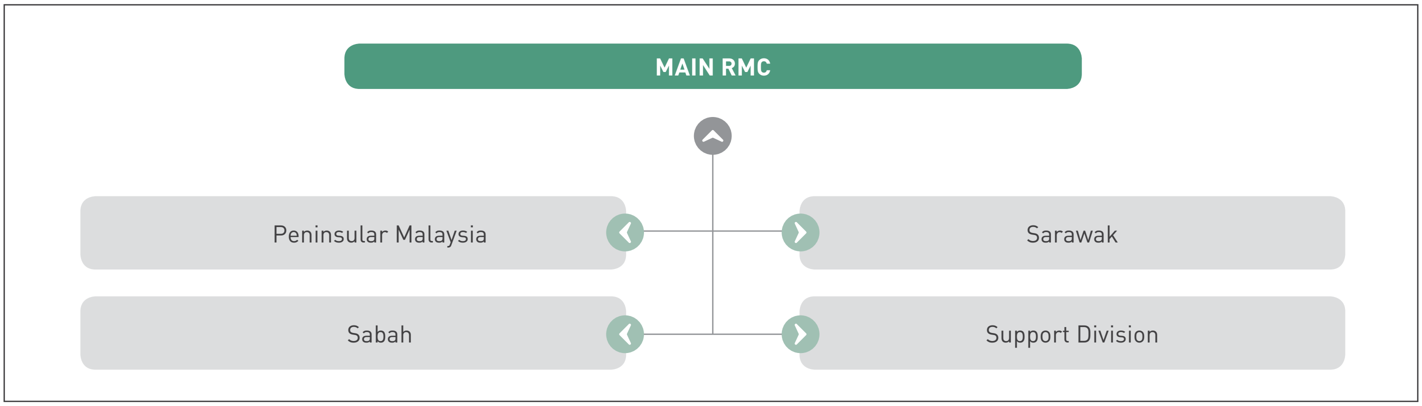
The existence of the RMC within the management level is to oversee the risk management activities and internal control system within the Group by reviewing and monitoring the vital enterprise risks. The RMC has a broad mandate to ensure effective implementation of the objectives outlined in the Risk Management Policy ("RMP") and compliance with them throughout the Group. The RMC shall report to the Audit Committee on higher risk exposures and closely monitor those risks that are identified, if any.

The followings are the main roles and responsibilities of the RMC:

- Assist the Board in implementing the objectives outlined in the RMP;
- Organise the required risk management resources and actively monitor the risk management initiative;
- Determine a process that enables the identification, evaluation, monitoring and mitigation of risks faced by the respective business units and the Group;
- Identify and evaluate new strategic risks and key operational risks including corporate matters;
- Assist the Board in reviewing and updating the existing risk profile and risk mapping in line with the needs of the current business environment, if any;
- Assist the Board in reviewing and reporting on the status of completion of action plans; and
- Report to the Audit Committee on any major changes to the risk profile requiring immediate attention or notification, if any.

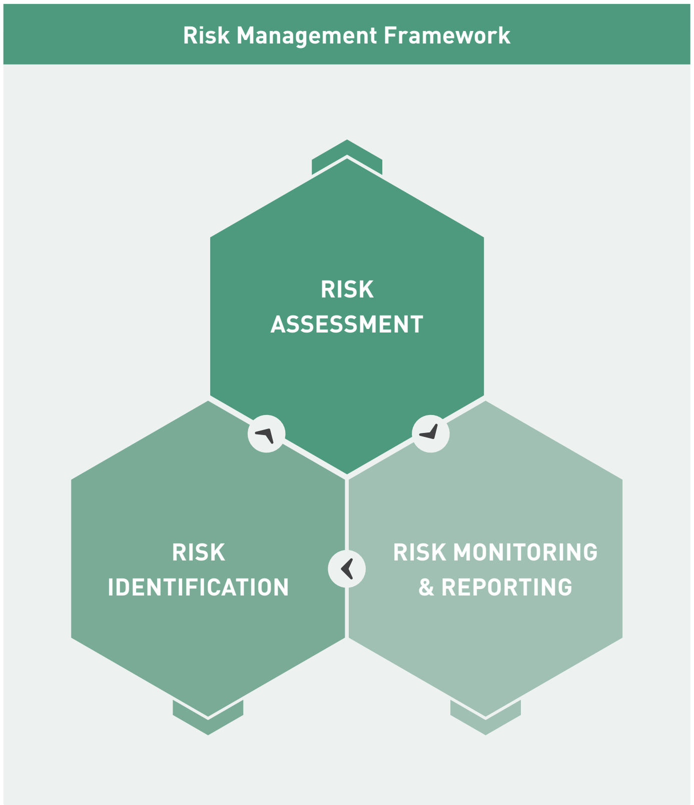
STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

The Group's Main RMC is chaired by the Plantation Director and supported by four (4) regional-based sub-RMCs where the members are selected among the key Senior Management of various departments and regions:



Risk Management Framework

The monitoring and review process in Risk Management Framework ("RMF") involves the following key processes:

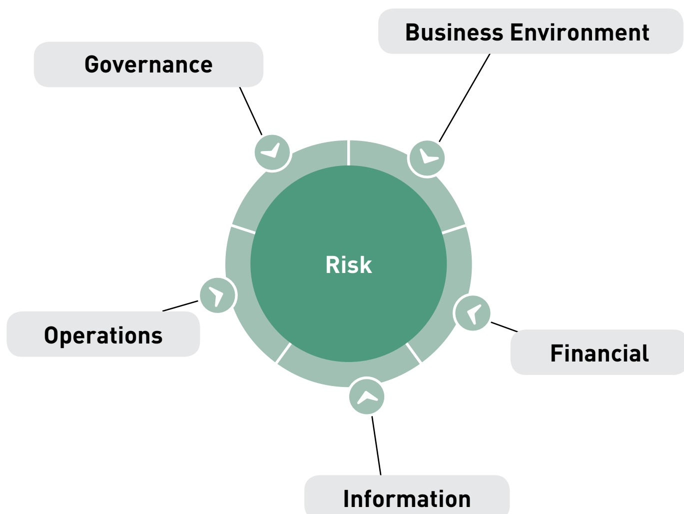


These processes tracks the current status of the risk profile, identify changes in the risk context and ensures that the controls are adequate in both design and operations.

Risk Identification

Risk identification is a line management responsibility, whereby an employee shall recognise and identify the risk that arises to the Risk Owner who is an individual accountable for all aspects of the risk including assessment, monitoring and reporting. It is the RMC's decision to assign the risk accountability to the suitable Risk Owner based on individual's competence, authority, responsibility and available resources.

Risk that has been identified and assessed is categorised under one of the following categories:



The maximum risk exposure and tolerance by the Group are deliberated and decided in line with the long term profitability and survival of the business.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

Risk Assessment

Risk assessment is an exercise of evaluating risk by considering estimates of both likelihood and impact in order to ascertain its relevance to the business and efficacy of current treatments. The Risk Owner is responsible for the assessment of risk exposure within the business operations which involves identifying the range of options for treating risk including accepting, mitigating, spreading, transferring, avoiding or monitoring the risk. Appropriate risk treatment plans are then prepared after assessing each option followed by implementation of those plans. Control plans are in place to ensure accountabilities and meeting the required expectation and deadline.

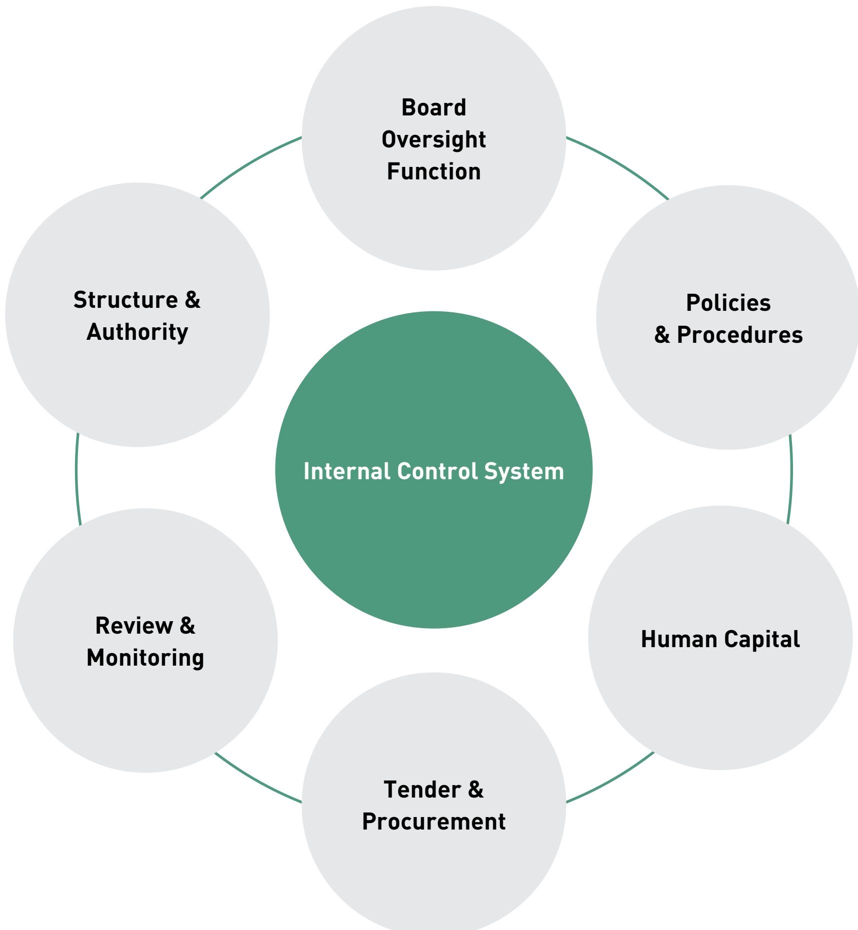
Risk Monitoring and Reporting

The process serves as a monitoring and reporting tool for the Management. Any material issues regarding risk management are to be reported and discussed at either Management level or Board level or both, depending on the significance of the risk. The monitoring of the implementation and review of the risk management strategies and action plans are done as and when required by the Management and the Board.

Internal Control System

The Group has in place an integrated structure of internal control system that allow the management to operate the business in an effective and efficient manner in order to achieve Group's business objectives and goals.

The key elements of our internal control system that are embedded in the operations are as follows:



STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

Board's Oversight Function

The Audit Committee supports the Board's oversight function in evaluating the business performance of the Group and effectiveness and compliance of the Group's internal control system through operation and financial reports from the Management and audit reports from the Internal Audit Department and External Auditors. Any findings are brought to the attention and deliberation of the Audit Committee which, in turn, will report these matters to the Board.

Structure and Authority

The Group maintains a formal organisational structure which organises the business operations into functional and support units. The structure provides clear lines of reporting with well-defined roles and responsibilities, accountability and ownership with proper segregation of duties. The structure is designed to ensure an effective internal control system and good corporate governance practices within the Group.

Formal authorisation policy and procedures are in place to define lines of accountabilities and delegation of authority for planning, executing, controlling and monitoring business operations and risks.

The organisational structure and authorisation policy and procedures are periodically reviewed and enhanced to incorporate any emerging business and operational needs.

Policies and Procedures

The Board and the Management acknowledge the importance of documented policies and Standard Operating Procedures ("SOP") in managing the operations of the Group. This is to ensure that proper internal control system is designed, implemented and adhered accordingly to manage the operational and financial risks and the risk of fraud and material misstatements, which may affect the goals and objectives of the Group.

The established policies and SOP are periodically reviewed and updated by the Management, as and when required, to reflect any changes in business environment and needs to ensure its relevance and effectiveness.

Performance Review and Monitoring

In the Management and Board meetings, operation and financial performance are reviewed and assessed based on actual results against operational forecast and prior year achievement. Any significant variances are identified, analysed and discussed by the Management and Board, and where appropriate corrective actions are taken.

The performance of the estates and mills are directly monitored by the Plantation Director, Regional Plantation Controllers (Sabah and Sarawak) and Head Engineer (for mills) which include field visits to the estate and mills on regular basis. The monthly Progress Report prepared by Managers of estates and mills are reviewed by Senior Management as part of a process of reporting and monitoring the operation's performance.

The Key Performance Indicators ("KPI") of the estates and mills are clearly defined and set accordingly based on productivity, profitability, efficiency and cost control.

Human Capital Management

The Group acknowledged human capital as an important element of a successful business. As such, Human Resources Department ("HRD") has a plan on human capital management, especially in the training and development programmes, to ensure employees are kept up to date with necessary competencies and knowledge in order to perform their responsibilities toward achieving the Group's goals and objectives.

The performance of the individual employees is also evaluated annually through reviews of KPI by respective Heads of Department ("HOD"). This review will allow HRD to identify future talent among employees and utilise this process to formulate a succession plan for key position in the Group.

Tender and Procurement

The Group has Tender Committee A and B represented by at least one Board member who are responsible for reviewing, deliberating and approving tender award of major contracts and ensuring that the procurement processes are complied with its procurement ethics, policies and requirements.

The Tender Committee A consists of at least three (3) Board members of the company and comprising exclusively Non-Executive Directors, majority of whom are Independent, while the Tender Committee B consists of at least one (1) Board member of the company whom is Non-Executive and Independent Director. Tender Committee A approves tender award that has a value of above RM 1 million on a single contract, while Tender Committee B approves tender award with value between RM 250,000 up to RM 1 million.

For any contract within Management's authorisation limit, a clearly defined policies and procedures on procurement of goods and services are in place to effectively control the process of awarding contract or procuring goods and services by main office, estates and mills. The tender committee comprises member of Senior Management which encourages transparency in awarding the contract.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

Comprehensive internal control measures are implemented and monitored throughout all tender awards and procurement processes to safeguard the interests of the Group financially and operationally.

Internal Audit Function

The IAD function is to provide the Audit Committee, and indirectly the Board, with independent assurance in regard to the effectiveness of risk management, internal control and governance processes of the Group.

The IAD assists in discharging the Audit Committee's duties and responsibilities by implementing a systematic and disciplined approach to review the business processes using a risk-based methodology in performing the audit assignments. A comprehensive Audit Report is produced to highlight audit findings and provide recommendations to Management for comments and actions. A follow-up audit would be carried out to monitor status of completion and compliance to the agreed action plans.

Significant audit findings are also presented and deliberated by the Audit Committee on a periodic basis as appropriate.

Review of Effectiveness

The processes adopted to review and monitor the effectiveness of the Risk Management and Internal Control system are:

- Reporting of higher risk exposures to the Board, via Management, if any;
- Reviewing the financial and operational information received regularly by the Management from various reports with respect to risk management and internal control related issues; and
- Reviewing the financial and operational activities, risk management and internal control system by the IAD based on the annual audit plan as approved by the Audit Committee during the financial year under review.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Conclusion

Based on the observations and reports provided to the Board for the financial year under review, the Board is of the opinion that the risk management and internal control system that is in place is adequate and effective to safeguard the interests of the Group's stakeholders, their investments and the Group's assets.

There was no material losses incurred during the financial year under review as a result of weaknesses in the internal control. The Management has taken the necessary measures to improve the risks management and internal control system by continuously reviewing, monitoring and considering all risks faced by the Group to ensure that the risks are within acceptable levels within the Group's business objectives.

The Board have received assurance from the Chief Financial Officer and the Chairman of the RMC that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

ADDITIONAL COMPLIANCE INFORMATION

a. Utilisation of Proceeds from Corporate Proposals

No proceeds were raised by the Company from any corporate proposals during the financial year ended 31 December 2018.

b. Audit and Non-Audit Fees

The amount of audit fees and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's auditors, or a firm or corporation affiliated to the Auditor's firm amounted to RM985,000 and RM317,000 respectively.

c. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interest which were still subsisting at the end of the financial year ended 31 December 2018 or which were entered into since the end of the previous financial period.

d. Recurrent Related Party Transactions

The aggregate value of the Recurrent Related Party Transactions of a revenue or trading nature conducted in pursuant to the shareholders' mandate during the financial year ended 31 December 2018 between the THP and/or its subsidiary companies with related parties are set out below:

THP and/or Subsidiaries Transacting with Related Parties	Related Parties	Relationship with THP	Type of Transaction	Aggregate Value of Transaction RM'000
THP	Lembaga Tabung Haji	Holding Corporation	Lease of land	2,928
	Lembaga Tabung Haji	Holding Corporation	Rental of office	4,722
	TH Travel Services Sdn. Bhd.	Related Company	Purchase of flight tickets	795
	Syarikat Takaful Malaysia Berhad	Related Company	Purchase of insurance	4,101
THP Agro Management Sdn. Bhd.	Deru Semangat	Related Company	Provision of management services	287
	TH Estates (Holdings) Sdn. Bhd.	Related Company	Provision of management services	1,237

PERFORMANCE STATISTICS

Group 5-Year Plantation Statistics

FFB Production (MT)

2014	788,090
2015	797,600
2016	731,509
2017	887,015
2018	**910,316**

FFB Processed (MT)

2014	838,674
2015	895,818
2016	861,680
2017	992,202
2018	**930,871**

CPO Production (MT)

2014	169,333
2015	176,045
2016	173,258
2017	193,979
2018	**185,623**

PK Production (MT)

2014	37,444
2015	39,587
2016	37,643
2017	44,193
2018	**40,078**

PERFORMANCE STATISTICS

Group 5-Year Plantation Statistics

	2018	2017	2016	2015	2014
Production (MT)					
FFB produced - total	**910,316**	887,015	731,509	797,600	788,090
FFB processed - total	**930,871**	992,202	861,680	895,818	838,674
FFB Purchased	**180,852**	235,745	207,294	178,365	147,323
Yield and Extraction Rates					
FFB yield (tonnes per mature hectare)	**18.59**	18.14	15.36	18.17	20.52
OER (%)	**19.94%**	19.55%	20.11%	19.65%	20.19%
KER (%)	**4.31%**	4.45%	4.37%	4.42%	4.46%
Average Selling prices (RM per tonne)					
Crude palm oil	**2,121**	2,672	2,463	2,081	2,277
Palm Kernel	**1,709**	2,444	2,365	1,545	1,651
FFB	**408**	539	516	379	414
Area Statement (hectares)					
Oil Palm					
- mature	**48,955**	48,893	47,630	43,903	38,415
- immature	**9,114**	11,457	13,474	15,443	22,002
Planted Area	**58,069**	60,350	61,104	59,346	60,417
Other crops					
- mature	**-**	-	-	-	-
- immature	**10,797**	8,873	9,028	8,990	8,110
Planted Area	**10,797**	8,873	9,028	8,990	8,110
Total Planted Area	**68,866**	69,223	70,132	68,336	68,527
In Course of Planting	**5,128**	4,753	4,147	6,690	7,397
Reserve land, building sites etc	**27,025**	27,010	30,492	29,486	30,385
Titled Area	**101,019**	100,986	104,771	104,512	106,309

PERFORMANCE STATISTICS

Group 5-Year Key Financial Indicators

Revenue (RM'000)	
2014	488,917
2015	455,304
2016	562,310
2017	687,982
2018	**519,324**

(Loss)/Profit Before Tax (RM'000)	
2014	58,211
2015	18,714
2016	127,296
2017	60,999
2018	**(678,111)**

(Loss)/Profit After Tax (RM'000)	
2014	59,580
2015	23,929
2016	150,469
2017	31,230
2018	**(658,382)**

Basic Earnings per Share (sen)	
2014	5.47
2015	7.03
2016	16.64
2017	2.54
2018	**(67.27)**

Net Assets per Share (RM)	
2014	1.37
2015	1.44
2016	1.57
2017	1.51
2018	**0.90**

Net Debt to Equity Ratio (times)	
2014	0.46
2015	0.71
2016	0.61
2017	0.64
2018	**1.09**

PERFORMANCE STATISTICS

Group 5-Year Key Financial Indicators

	2018	2017	2016	2015	2014
Profitability and returns					
Gross (loss)/profit margin	**-21.00%**	27.01%	14.00%	8.37%	18.35%
(Loss)/Profit before tax margin	**-130.58%**	8.87%	22.64%	4.11%	11.91%
(Loss)/Profit after tax and minority interest margin	**-114.50%**	3.26%	26.15%	13.65%	9.88%
Return on average shareholders' Equity	**-54.03%**	1.56%	10.77%	5.01%	4.02%
Return on capital employed	**-29.84%**	6.07%	11.26%	2.25%	6.96%
Net assets per share (RM)	**0.90**	1.51	1.57	1.44	1.37
Solvency and liquidity					
Debt to equity ratio (times)	**1.09**	0.64	0.61	0.71	0.46
Interest cover (times)	**(9.14)**	1.88	3.44	1.60	3.04
Current ratio (times)	**2.94**	1.26	1.22	0.57	0.87
Financial Market					
EPS (sen)					
- basic	**(67.27)**	2.54	16.64	7.03	5.47
- diluted	**(67.27)**	2.54	16.64	7.03	5.45
Gross dividend paid per share (sen)	**-**	3.60	6.00	-	2.00
Gross dividend paid rate (%)	**0.00%**	3.69%	12.00%	0.00%	4.00%
Gross dividend yield (%)	**0.00%**	3.13%	5.45%	0.00%	1.18%
Net dividend payout rate (%)	**0.00%**	3.69%	12.00%	0.00%	4.00%
Price-to-earnings ratio (times)	**(0.70)**	45.28	6.61	16.50	31.10
Price-to-book ratio (times)	**0.38**	0.57	0.53	0.63	0.93

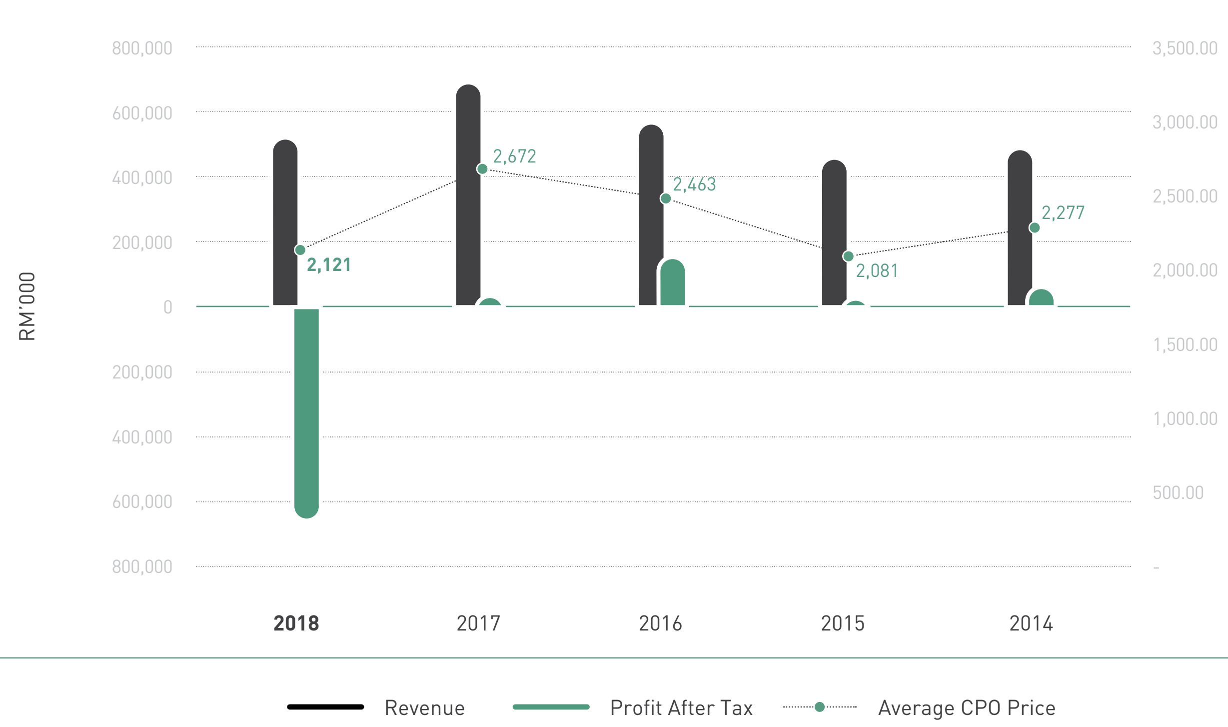
PERFORMANCE STATISTICS

Group 5-Year Key Financial Statistics

Statement of Income Statement Highlights (RM'000)

	2018	2017	2016	2015	2014
Revenue	**519,324**	687,982	562,310	455,304	488,917
Results from operating activities	**(612,106)**	121,656	175,954	35,995	81,913
Profit margin income from short term investments and receivables	**1,001**	3,884	2,538	5,251	3,260
Finance cost	**(67,006)**	(64,541)	(51,196)	(22,532)	(26,962)
(Loss)/Profit before tax	**(678,111)**	60,999	127,296	18,714	58,211
Tax credit/(expense)	**19,729**	(29,769)	23,173	5,215	1,369
Net (loss)/profit for the year	**(658,382)**	31,230	150,469	23,929	59,580
Attributable to:					
Owners of the Company	**(594,608)**	22,409	147,070	62,133	48,319
Non-controlling interests	**(63,774)**	8,821	3,399	(38,204)	11,261
Net (loss)/profit for the year	**(658,382)**	31,230	150,469	23,929	59,580

GROUP 5-YEAR PROFIT VS AVERAGE CPO SELLING PRICE



PERFORMANCE STATISTICS

Group 5-Year Key Financial Statistics

Statement of Financial Position Highlights (RM'000)

	2018	2017	2016	2015	2014
Assets					
Other non-current assets	**1,955,841**	3,229,147	3,216,643	3,185,369	3,084,677
Intangible asset	**-**	73,265	73,265	73,265	73,265
Total non-current assets	**1,955,841**	3,302,412	3,289,908	3,258,634	3,157,942
Other current assets	**861,901**	160,834	226,489	115,720	113,861
Cash and cash equivalents	**50,561**	99,175	163,771	75,590	364,295
Total current assets	**912,462**	260,009	390,260	191,310	478,156
Total assets	**2,868,303**	3,562,421	3,680,168	3,449,944	3,636,098
Equity					
Share capital	**862,752**	862,752	441,925	441,925	441,925
Share premium	**-**	-	420,827	420,827	420,827
Other reserves	**(80,958)**	(80,786)	(82,557)	(82,557)	(82,557)
Share option reserve	**-**	-	2,213	2,228	2,275
Translation reserve	**(11,790)**	(8,012)	-	(405)	(64)
Retained earnings	**22,355**	634,639	679,403	487,416	427,528
Total equity attributable to owners of the Company	**792,359**	1,408,593	1,461,811	1,269,434	1,209,934
Non-controlling interests	**302,736**	367,647	364,807	354,439	403,771
Total equity	**1,095,095**	1,776,240	1,826,618	1,623,873	1,613,705
Liabilities					
Long term borrowings	**1,199,510**	1,196,183	1,175,374	1,128,637	1,089,082
Other long term liabilities	**263,472**	384,061	357,371	361,049	382,445
Total non-current liabilities	**1,462,982**	1,580,244	1,532,745	1,489,686	1,471,527
Other current liabilities	**268,682**	158,080	207,654	229,892	540,866
Loans and borrowings	**41,544**	47,857	113,151	106,493	10,000
Total current liabilities	**310,226**	205,937	320,805	336,385	550,866
Total liabilities	**1,773,208**	1,786,181	1,853,550	1,826,071	2,022,393
Total equity and liabilities	**2,868,303**	3,562,421	3,680,168	3,449,944	3,636,098

PERFORMANCE STATISTICS

Group 5-Year Key Financial Statistics

Statement of Cash Flow Highlights (RM'000)

	2018	2017	2016	2015	2014
(Loss)/Profit before tax	**(678,111)**	60,999	127,296	18,714	58,211
Adjustment for non-cash items	**764,283**	146,098	42,072	86,944	95,112
Changes in working capital	**52,371**	46,472	(59,490)	18,644	76,799
Cash generated from operations	**138,543**	253,569	109,878	124,302	230,122
Profit margin income from short term investments and receivables	**1,001**	3,884	2,538	4,953	1,758
Profit margin expenses on payables, borrowing cost, tax and zakat paid	**(97,275)**	(97,354)	(96,315)	(80,689)	(64,503)
Net cash generated from operating activities	**42,269**	160,099	16,101	48,566	167,377
Acquisition of property, plant and equipment	**(17,816)**	(39,533)	(35,706)	(28,290)	(63,044)
Plantation development expenditure	**(54,068)**	(63,286)	(62,585)	(124,904)	(195,213)
Forestry	**(25,290)**	(12,740)	(23,348)	(23,568)	
Acquisition of assets and liabilities, net of cash and cash equivalents acquired	**-**	-	-	-	(12,410)
Proceeds from disposal of estate	**-**	-	-	-	11,000
Proceeds from disposal of subsidiary	**-**	-	153,065	16,250	-
Increase in other investment	**1,400**	232	607	16,678	(20,805)
Other investing activities	**116**	6	603	2,634	2,818
Net cash (used in)/generated from investing activities	**(95,658)**	(115,321)	32,636	(141,200)	(277,654)
Proceeds from drawdown of loans and borrowings	**175,369**	375,931	248,548	1,198,415	125,095
Proceeds from issue of new ordinary share capital	**-**	-	-	1,000	4,444
Repayments of loans and borrowings	**(161,360)**	(409,617)	(192,219)	(1,057,678)	(11,387)
Dividends paid to owners of the Company	**(18,155)**	(90,039)	(11,223)	(17,622)	(31,959)
Dividends paid to non-controlling interests	**-**	(4,792)	(6,694)	(6,880)	(1,644)
(Decrease)/Increase in amount due to holding corporation	**(965)**	7,355	4,971	(582)	46
Increase/(Decrease) in amount due to related companies	**10,231**	11,851	(3,906)	(297,802)	270,213
Dividends paid by a subsidiary in relation to pre-acquisition dividend payables	**-**	-	-	(12,999)	(23,500)
Net cash generated from/(used in) financing activities	**5,120**	(109,311)	39,477	(194,148)	331,308
Net (decrease)/increase in cash and cash equivalents	**(48,269)**	(64,533)	88,214	(286,782)	221,031

PERFORMANCE STATISTICS

Group Quarterly Performance

Financial Performance (RM'000)

2018

	Q4	Q3	Q2	Q1
Revenue	**118,622**	**140,909**	**138,558**	**121,235**
Results from operating activities	**(643,547)**	**(8,264)**	**17,512**	**22,193**
Profit margin income from short-term investments and receivables	**243**	**162**	**173**	**423**
Finance cost	**(20,741)**	**(15,568)**	**(15,446)**	**(15,251)**
(Loss)/Profit before tax	**(664,045)**	**(23,670)**	**2,239**	**7,365**
Taxation	**20,068**	**1,148**	**1,782**	**(3,269)**
Net (loss)/profit for the year	**(643,977)**	**(22,522)**	**4,021**	**4,096**
Attributable to :				
Owners of the Company	**(578,237)**	**(19,803)**	**200**	**3,232**
Non-controlling interests	**(65,740)**	**(2,719)**	**3,821**	**864**
Net (loss)/profit for the year	**(643,977)**	**(22,522)**	**4,021**	**4,096**
Earnings per share (sen)				
- basic	**(65.42)**	**(2.24)**	**0.02**	**0.37**
- diluted	**(65.42)**	**(2.24)**	**0.02**	**0.37**

2017

	Q4	Q3	Q2	Q1
Revenue	177,708	189,312	155,128	165,834
Results from operating activities	(2,467)	41,610	52,445	30,068
Profit margin income from short-term investments and receivables	814	532	1,086	1,452
Finance cost	(15,959)	(16,725)	(16,103)	(15,754)
(Loss)/Profit before tax	(17,612)	25,417	37,428	15,766
Taxation	(13,296)	(7,518)	(6,116)	(2,839)
Net (loss)/profit for the year	(30,908)	17,899	31,312	12,927
Attributable to :				
Owners of the Company	(28,272)	15,003	25,758	9,920
Non-controlling interests	(2,636)	2,896	5,554	3,007
Net (loss)/profit for the year	(30,908)	17,899	31,312	12,927
Earnings per share (sen)				
- basic	(3.20)	1.70	2.91	1.13
- diluted	(3.20)	1.70	2.91	1.13

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS' REPORT

For the year ended 31 December 2018

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The Company is principally engaged in investment holding, cultivation of oil palm, processing of fresh fruit bunches ("FFB"), marketing of crude palm oil ("CPO"), palm kernel ("PK") and FFB. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The Company is a subsidiary of Lembaga Tabung Haji, a statutory body established under the Tabung Haji Act 1995 (Act 535) of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding corporation, during the financial year and until the date of this report.

Subsidiaries

The details of the Company's subsidiaries are disclosed in note 7 to the financial statements.

Results

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Owners of the Company	594,608	409,537
Non-controlling interests	63,774	-
	658,382	409,537

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review other than as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a final ordinary dividend of 2.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM17.676 million in respect of the financial year ended 31 December 2017 on 4 June 2018.

The Directors do not recommend any dividend in respect of the financial year ended 31 December 2018.

DIRECTORS' REPORT

For the year ended 31 December 2018

Directors of the Company

Directors who served during the financial year until the date of this report are:

Dato' Mohd Shukri bin Hussin (appointed on 20 August 2018 and resigned on 14 March 2019)
Datuk Seri Nurmala binti Abd Rahim
Nik Mohd Hasyudeen bin Yusoff (appointed on 20 August 2018)
Dato' Dr. Md Yusop bin Omar
Dato' Shari bin Haji Osman
Mohd Adzahar bin Abdul Wahid
Tan Sri Dato' Sri Ismee bin Haji Ismail (resigned on 26 July 2018)
Datuk Seri Johan bin Abdullah (resigned on 26 July 2018)
Dato' Sri Amran bin Mat Nor (resigned on 14 May 2018)
Dato' Sri Zainal Azwar bin Zainal Aminuddin (resigned on 20 August 2018)
Tan Sri Dato' Sri Ab. Aziz bin Kasim (retired on 14 May 2018)
Datuk Abdul Shukur bin Haji Idrus (retired on 14 May 2018)
Kolonel Dato' Ab Jabar bin Mohamad Aris (retired on 14 May 2018)
Tan Sri Abu Talib bin Othman (appointed on 26 March 2019)
Dzul Effendy bin Ahmad Hayan (appointed on 27 March 2019)
Dato' Sri Zukri bin Samat (appointed on 13 August 2018 and resigned on 31 December 2018)

Directors of the subsidiaries

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report:

Shafaruddin bin Hanafiah
Irwan bin Ayub
Mohammed Hayssam bin Musa
Hazem Mubarak bin Musa
Datuk Syed Hood bin Syed Edros
Mohamed Azman Shah bin Ishak
Abang Dato' Dr Haji Ariffin bin Abang Haji Borhan
Datuk Bolhassan bin Di @ Ahmad bin Di
Dato' Abdul Majit bin Ahmad Khan
Dato' Asha'ari bin Idris (resigned on 7 January 2019)
Badrul Hisham bin Mohd Salleh (resigned on 1 June 2018)
Japar bin Mustapa (resigned on 8 March 2019)
Dato' Sulaiman bin Mohd Yusof
Datu Sajeli bin Kipli
Razali bin Zainudin (resigned on 1 June 2018)
Aruludin Raj bin Azman Arasu
Aliatun binti Mahmud
Ghazali Limat (appointed on 1 June 2018)
Kamri bin Ramlee
Datu Jumastapha bin Lamat
Maizura binti Mohamed
George Lentton Anak Indang

DIRECTORS' REPORT
For the year ended 31 December 2018

Directors of the subsidiaries (continued)

Dato' Dr. Darus Hj. Ahmad
Datuk Seri Panglima Haji Ampong bin Puyon (resigned on 1 January 2019)
Datuk Hj. Abd. Latif bin Kandok @ Jikuat (resigned on 1 January 2019)
Datuk Hamzah bin Datuk Haji Mohd Zakaria
Yeo Kian Kok
Mohammad bin Kassim (resigned on 7 January 2019)
Ishamudin bin Hashim
Dato' Abd Rashid bin Sahibjan
Abdul Raof bin Mohamed (appointed on 7 January 2019)
Mohd Badaruddin bin Ismail (appointed on 7 January 2019)
Dato' Posa bin Majais (appointed on 8 March 2019)
Abdul Rashid bin Abdul Kassim (appointed on 1 October 2018)
Datuk Haji Sapin @ Sairin bin Karan (appointed on 1 January 2019)
Datuk Haji Mohammad Yusof bin Hj Apdal (appointed on 1 January 2019)
Dato' Radin Rosli bin Radin Suhadi

Directors' interests in shares

The interests and deemed interests in the ordinary shares and of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2018	Bought	(Sold)	At 31.12.2018
Interest in the Company:				
Dato' Radin Rosli bin Radin Suhadi				
- own	**88,800**	-	-	**88,800**
Dato' Abd Rashid bin Sahibjan				
- own	**220,800**	-	-	**220,800**
Aliatun binti Mahmud				
- own	**88,000**	-	-	**88,000**
Aruludin Raj bin Azman Arasu				
- own	**74,400**	-	-	**74,400**
Maizura binti Mohamed				
- own	**124,800**	-	-	**124,800**
Dato' Sulaiman bin Mohd Yusof				
- own	**36,000**	-	-	**36,000**
Ghazali Limat				
- own	**3,100**	-	-	**3,100**

None of the other Directors holding office at 31 December 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT
For the year ended 31 December 2018

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statement or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares

There were no other changes in the issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

There were no indemnity given to or insurance effected by any Director, officer or auditor of the Company during the year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts have been written off and adequate provision made for doubtful debts, and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT
For the year ended 31 December 2018

Other statutory information (continued)

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for those disclosed in the financial statement, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, KPMG Desa Megat PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in note 26 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Mohd Adzahar bin Abdul Wahid
Director

....

Nik Mohd Hasyudeen bin Yusoff
Director

Kuala Lumpur,

Date: 1 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Assets							
Property, plant and equipment	3	**1,765,183**	2,610,337	2,614,875	**82,247**	84,225	55,928
Plantation development expenditure	4	**84,842**	318,423	326,445	**33,710**	24,971	44,869
Forestry	5	**49,825**	187,956	162,470	**-**	-	-
Intangible asset	6	**-**	73,265	73,265	**-**	-	-
Investment in subsidiaries	7	**-**	-	-	**816,242**	1,204,031	1,129,384
Other investments	8	**1,825**	1,825	1,825	**1,825**	1,825	1,825
Deferred tax assets	9	**54,166**	110,606	111,028	**-**	-	-
Trade and other receivables	10	**-**	-	-	**13,752**	14,740	-
Total non-current assets		**1,955,841**	3,302,412	3,289,908	**947,776**	1,329,792	1,232,006
Inventories	11	**19,634**	20,124	17,045	**4,054**	687	1,821
Biological asset	12	**35,658**	52,105	77,794	**4,255**	4,654	5,184
Current tax assets		**15,166**	8,603	5,366	**4,262**	2,348	2,960
Other investments	8	**1,888**	3,288	3,520	**517**	-	-
Trade and other receivables	10	**36,899**	41,952	118,475	**300,372**	324,269	251,380
Prepayments and other assets		**7,745**	4,620	4,289	**1,298**	1,329	1,310
Cash and cash equivalents	13	**50,561**	99,175	163,771	**40,490**	90,320	160,216
		167,551	229,867	390,260	**355,248**	423,607	422,871
Assets classified as held for sale	14	**744,911**	30,142	-	**72,500**	-	-
Total current assets		**912,462**	260,009	390,260	**427,748**	423,607	422,871
Total assets		**2,868,303**	3,562,421	3,680,168	**1,375,524**	1,753,399	1,654,877

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2018

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Equity							
Capital and reserve	15	**770,004**	773,954	782,408	**762,623**	762,623	763,037
Retained earnings		**22,355**	634,639	679,403	**114,732**	541,945	577,927
Equity attributable to owners of the Company		**792,359**	1,408,593	1,461,811	**877,355**	1,304,568	1,340,964
Non-controlling interests		**302,736**	367,647	364,807	**-**	-	-
Total equity		**1,095,095**	1,776,240	1,826,618	**877,355**	1,304,568	1,340,964
Liabilities							
Loans and borrowings	16	**1,199,510**	1,196,183	1,175,374	**-**	-	-
Employee benefits	17	**542**	269	-	**-**	-	-
Deferred tax liabilities	9	**252,542**	335,474	343,715	**16,662**	17,481	12,768
Trade and other payables	19	**10,388**	48,318	13,656	**9,000**	47,028	12,457
Total non-current liabilities		**1,462,982**	1,580,244	1,532,745	**25,662**	64,509	25,225
Loans and borrowings	16	**41,544**	47,857	113,151	**-**	-	-
Trade and other payables	19	**202,701**	138,138	205,446	**472,507**	384,322	288,688
Current tax liabilities		**1**	4,005	2,208	**-**	-	-
		244,246	190,000	320,805	**472,507**	384,322	288,688
Liabilities classified as held for sale	14	**65,980**	15,937	-	**-**	-	-
Total current liabilities		**310,226**	205,937	320,805	**472,507**	384,322	288,688
Total liabilities		**1,773,208**	1,786,181	1,853,550	**498,169**	448,831	313,913
Total equity and liabilities		**2,868,303**	3,562,421	3,680,168	**1,375,524**	1,753,399	1,654,877

The notes on pages 97 to 223 form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	20	**519,324**	687,982	**125,394**	187,405
Fair value changes on biological asset	12	**(9,856)**	(25,689)	**(399)**	(530)
Fair value changes on forestry	5	**(134,300)**	25,486	**-**	-
Cost of sales	21	**(484,229)**	(501,949)	**(86,072)**	(125,054)
Gross (loss)/profit		**(109,061)**	185,830	**38,923**	61,821
Other income		**8,308**	16,331	**9,062**	8,125
Administrative expenses		**(48,084)**	(60,327)	**(14,047)**	(15,494)
Other expenses	22	**(463,269)**	(20,178)	**(436,877)**	(9,048)
Results from operating activities		**(612,106)**	121,656	**(402,939)**	45,404
Profit margin income from short-term investments and receivables	23	**1,001**	3,884	**9,931**	9,191
Finance cost	24	**(67,006)**	(64,541)	**(17,582)**	(15,752)
Net finance cost		**(66,005)**	(60,657)	**(7,651)**	(6,561)
(Loss)/Profit before tax		**(678,111)**	60,999	**(410,590)**	38,843
Tax credit/(expense)	25	**19,729**	(29,769)	**1,053**	(7,652)
(Loss)/Profit for the year	26	**(658,382)**	31,230	**(409,537)**	31,191
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit and loss, net of tax					
Foreign currency translation differences for foreign operations	27	**(4,062)**	(8,614)	**-**	-
Remeasurement on defined benefit liability	27	**(185)**	(30)	**-**	-
Total other comprehensive expense, net of tax		**(4,247)**	(8,644)	**-**	-
Total comprehensive (expense)/income for the year		**(662,629)**	22,586	**(409,537)**	31,191

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/Profit attributable to:					
Owners of the Company		**(594,608)**	22,409	**(409,537)**	31,191
Non-controlling interests		**(63,774)**	8,821	**-**	-
(Loss)/Profit for the year		**(658,382)**	31,230	**(409,537)**	31,191
Total comprehensive (expense)/income attributable to:					
Owners of the Company		**(598,558)**	14,369	**(409,537)**	31,191
Non-controlling interests		**(64,071)**	8,217	**-**	-
Total comprehensive (expense)/income for the year		**(662,629)**	22,586	**(409,537)**	31,191
Basic earnings per ordinary share (sen)	28	**(67.27)**	2.54	**-**	-
Diluted earnings per ordinary share (sen)	28	**(67.27)**	2.54	**-**	-

The notes on pages 97 to 223 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		/------Attributable to owners of the Company------/									
		/------Non-distributable------/						Distributable			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Other reserve RM'000**	**Share Option reserve RM'000**	**Exchange reserve RM'000**	**Total capital reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
At 1 January 2017		441,925	420,827	(82,557)	2,213	-	782,408	679,403	1,461,811	364,807	1,826,618
Foreign currency translation differences for foreign operations		-	-	-	-	(8,012)	(8,012)	-	(8,012)	(602)	(8,614)
Remeasurement loss on defined benefit liability		-	-	(28)	-	-	(28)	-	(28)	(2)	(30)
Total other comprehensive income for the year		-	-	(28)	-	(8,012)	(8,040)	-	(8,040)	(604)	(8,644)
Profit for the year		-	-	-	-	-	-	22,409	22,409	8,821	31,230
Total comprehensive income for the year		-	-	(28)	-	(8,012)	(8,040)	22,409	14,369	8,217	22,586
Contribution by and distribution to owners of the Group											
Adjustment of fair value of ESOS	17	-	-	-	(2,213)	-	(2,213)	-	(2,213)	-	(2,213)
Fair value adjustment on initial recognition of financial liabilities		-	-	1,799	-	-	1,799	-	1,799	-	1,799
Dividends to owners of the Company	29	-	-	-	-	-	-	(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)
Transfer in accordance with Section 618(2) of the Companies Act 2016	15	420,827	(420,827)	-	-	-	-	-	-	-	-
At 31 December 2017		862,752	-	(80,786)	-	(8,012)	773,954	634,639	1,408,593	367,647	1,776,240

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2018

		/---Attributable to owners of the Company---/									
		/---Non-distributable---/					Distributable				
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Other reserve RM'000**	**Share Option reserve RM'000**	**Exchange reserve RM'000**	**Total capital reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
At 1 January 2018		862,752	-	(80,786)	-	(8,012)	773,954	634,639	1,408,593	367,647	1,776,240
Foreign currency translation differences for foreign operations		-	-	-	-	(3,778)	(3,778)	-	(3,778)	(284)	(4,062)
Remeasurement loss on defined benefit liability		-	-	(172)	-	-	(172)	-	(172)	(13)	(185)
Total other comprehensive expense for the year		-	-	(172)	-	(3,778)	(3,950)	-	(3,950)	(297)	(4,247)
Loss for the year		-	-	-	-	-	-	(594,608)	(594,608)	(63,774)	(658,382)
Total comprehensive income for the year		-	-	(172)	-	(3,778)	(3,950)	(594,608)	(598,558)	(64,071)	(662,629)
Contribution by and distribution to owners of the Group											
Dividends to owners of the Company	29	-	-	-	-	-	-	(17,676)	(17,676)	-	(17,676)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	(840)	(840)
Total transactions with owners of the Group		-	-	-	-	-	-	(17,676)	(17,676)	(840)	(18,516)
At 31 December 2018		862,752	-	(80,958)	-	(11,790)	770,004	22,355	792,359	302,736	1,095,095

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		/-------------Attributable to owners of the Company-------------/						
		/------------------Non-distributable------------------/					Distributable	
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Other reserve RM'000**	**Share Option reserve RM'000**	**Total capital reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2017		441,925	420,827	(101,928)	2,213	763,037	577,927	1,340,964
Profit for the year		-	-	-	-	-	31,191	31,191
Total comprehensive income for the year		-	-	-	-	-	31,191	31,191
Contribution by and distribution to owners of the Company								
Adjustment of fair value of ESOS	17	-	-	-	(2,213)	(2,213)	-	(2,213)
Fair value adjustment on initial recognition of financial liabilities		-	-	1,799	-	1,799	-	1,799
Dividends to owners of the Company	29	-	-	-	-	-	(67,173)	(67,173)
Total transactions with owners of the Company		-	-	1,799	(2,213)	(414)	(67,173)	(67,587)
Transfer in accordance with Section 618(2) of the Companies Act 2016	15	420,827	(420,827)	-	-	-	-	-
At 31 December 2017/1 January 2018		862,752	-	(100,129)	-	762,623	541,945	1,304,568
Loss for the year		-	-	-	-	-	(409,537)	(409,537)
Total comprehensive income for the year		-	-	-	-	-	(409,537)	(409,537)
Contribution by and distribution to owners of the Company								
Dividends to owners of the Company	29	-	-	-	-	-	(17,676)	(17,676)
Total transactions with owners of the Company		-	-	-	-	-	(17,676)	(17,676)
At 31 December 2018		862,752	-	(100,129)	-	762,623	114,732	877,355

The notes on pages 97 to 223 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		**(678,111)**	60,999	**(410,590)**	38,843
Adjustments for:					
Change in fair value on biological asset	12	**9,856**	25,689	**399**	530
Depreciation of property, plant and equipment	3	**100,341**	86,319	**3,132**	2,711
Dividend income	20	**(146)**	-	**(20,349)**	(35,203)
Profit margin income	23	**(1,001)**	(3,884)	**(9,931)**	(9,191)
Finance cost	24	**67,006**	64,541	**17,582**	15,752
Change in fair value of forestry	5	**134,300**	(25,486)	**-**	-
Loss on disposal of property, plant and equipment		**4**	-	**-**	-
Plantation development expenditure written off	4	**12,028**	1,193	**-**	-
Property, plant and equipment written off	26	**33,768**	319	**5**	10
Impairment loss on other receivables	26	**114**	11,120	**114**	6,336
Impairment loss on property, plant and equipment	22	**258,971**	-	**-**	-
Impairment loss on investment in subsidiaries	7	**-**	-	**315,289**	2,500
Inventories written off	26	**-**	72	**-**	-
Nurseries written off	5	**3,116**	-	**-**	-
Expenses related to retirement benefit plan	17	**104**	257	**-**	-
Impairment loss on plantation development expenditure	22	**83,193**	929	**-**	-
Impairment loss on intangible asset	22	**63,504**	-	**-**	-
Impairment loss on amount due from subsidiaries	26	**-**	-	**116,116**	-
Impairment loss on amount due from related companies	26	**4,317**	-	**4,317**	-
Fair value of ESOS granted	17	**-**	(2,213)	**-**	(2,213)
Fair value on government grant	18	**(5,192)**	(12,758)	**-**	-
Operating profit before changes in working capital		**86,172**	207,097	**16,084**	20,075
Change in inventories		**1,206**	(3,152)	**(3,367)**	1,134
Change in trade and other payables		**56,666**	8,971	**2,183**	(2,117)
Change in trade and other receivables, prepayments and other assets		**(5,228)**	40,665	**(95,631)**	(95,351)
Change in employee benefits		**(273)**	(12)	**-**	-
Cash generated from/(used in) operations		**138,543**	253,569	**(80,731)**	(76,259)

STATEMENTS OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash generated from/(used in) operations (continued)		**138,543**	253,569	**(80,731)**	(76,259)
Profit margin income from short-term investments and other receivables		**1,001**	3,884	**9,931**	9,191
Finance cost		**(72,795)**	(73,571)	**(18,945)**	(15,752)
Tax paid		**(26,844)**	(24,281)	**(1,680)**	(2,894)
Zakat paid		**-**	(109)	**-**	-
Tax refund		**2,364**	607	**-**	-
Net cash generated/(used) from operating activities		**42,269**	160,099	**(91,425)**	(85,714)
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	**(17,816)**	(39,533)	**(1,325)**	(1,400)
Dividends received		**-**	-	**20,349**	35,203
Decrease/(increase) in other investment		**1,400**	232	**(517)**	-
Increase in investments in subsidiaries		**-**	-	**-**	(74,647)
Forestry	(i)	**(25,290)**	(12,740)	**-**	-
Plantation development expenditure	(ii)	**(54,068)**	(63,286)	**(7,210)**	(8,487)
Proceeds from disposal of property, plant and equipment		**116**	6	**-**	-
Net cash (used in)/from investing activities		**(95,658)**	(115,321)	**11,297**	(49,331)
Cash flows from financing activities					
Dividends paid to owners of the Company		**(18,155)**	(90,039)	**(18,155)**	(66,539)
Dividends paid to non-controlling interests		**-**	(4,792)	**-**	-
(Decrease)/Increase in amount due to holding corporation	19	**(965)**	7,355	**(965)**	7,355
Increase in amount due to related companies	19	**10,231**	11,851	**10,133**	11,760
Increase in amount due to subsidiaries	19	**-**	-	**39,285**	112,573
Proceeds from drawdown of loans and borrowings	16	**175,369**	375,931	**-**	-
Loan repayment	16	**(161,360)**	(409,617)	**-**	-
Net cash from/(used in) financing activities		**5,120**	(109,311)	**30,298**	65,149
Net decrease in cash and cash equivalents		**(48,269)**	(64,533)	**(49,830)**	(69,896)
Cash and cash equivalents at 1 January	(iii)	**99,238**	163,771	**90,320**	160,216
Cash and cash equivalents at 31 December	(iii)	**50,969**	99,238	**40,490**	90,320

STATEMENTS OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2018

(i) Forestry

	Note	Group 2018 RM'000	Group 2017 RM'000
Additions of forestry plantation	5	**(26,005)**	(11,903)
Transfer from nurseries		**2,393**	-
Addition of nurseries	5	**(1,678)**	(837)
		(25,290)	(12,740)

(ii) Plantation development expenditure

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Addition of plantation development expenditure	4	**(64,374)**	(75,419)	**(8,739)**	(9,835)
Additions of nurseries	4	**(3,223)**	(5,151)	**-**	-
Finance cost	4	**12,278**	15,681	**1,363**	1,233
Depreciation of property, plant and equipment	4	**1,251**	1,603	**166**	115
		(54,068)	(63,286)	**(7,210)**	(8,487)

(iii) Cash and cash equivalents

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits		**38,132**	79,349	**35,517**	75,518
Less: Other investments	8	**(1,888)**	(3,288)	**(517)**	-
	13	**36,244**	76,061	**35,000**	75,518
Cash and bank balances	13	**14,725**	23,177	**5,490**	14,802
		50,969	99,238	**40,490**	90,320
Transfer to assets held for sale	14	**(408)**	(63)	**-**	-
		50,561	99,175	**40,490**	90,320

The notes on pages 97 to 223 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TH Plantations Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Principal place of business/Registered office
Level 35, Menara TH Platinum
No. 9 Persiaran KLCC
50088 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2018 does not include other entities.

The Company is principally engaged in investment holding, cultivation of oil palm, processing of fresh fruit bunches, marketing of crude palm oil, palm kernel and fresh fruit bunches, whilst the principal activities of the subsidiaries are as stated in note 7.

The holding corporation during the financial year were Lembaga Tabung Haji, a statutory body established under the Tabung Haji Act 1995 (Act 535).

These financial statements were authorised for issue by the Board of Directors on 1 April 2019.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia. These are the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRS"). The financial impacts on transition to MFRSs are disclosed in note 36.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019 except for MFRS 11, *Joint Arrangements* and Amendments to MFRS 128, *Investments in Associates and Joint Ventures* which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2020 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2020.

The Group and Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and Company except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and Company are currently assessing the financial impact that may arise from adoption of MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 the following notes:

(i) Depreciation of estate

The rate used to depreciate the estate is based on the expected Fresh Fruit Bunches ("FFB") production of the estate. Estimating the production trend involves significant judgement, selection of variety of methods and assumption that are normally based on past yield trend of the estates and comparable estates in the area. The actual yield however, may be different from expected.

(ii) Recoverable amount of bearer plant

Management reviews its bearer plant for objective evidence of impairment annually. In determining this, management makes judgment as to whether there is observable data indicating that there has been a significant change in the performance of the bearer plant or whether there have been significant changes with adverse effect in the market environment in which the bearer plant operates in.

When there is an indication of impairment, management measured the recoverable amounts based on value in use or fair value less cost of disposal of the bearer plant. Significant assumptions used to derive value in use or fair value less cost of disposal are as shown in note 3.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(iii) Recoverable amount of plantation development expenditure ("PDE")

Management reviews its PDE for objective evidence of impairment annually. Significant delay in maturity is considered as an indication of impairment. In determining this, management makes judgment 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.

When there is an indication of impairment, management measured the recoverable amounts based on value in use or fair value less cost of disposal of the PDE. Significant assumptions used to derive value in use or fair value less cost of disposal are as shown in note 4.

(iv) Assets held for sales

The fair value less cost to sell of assets held for sales is determined using valuation prepared by independent valuers. The valuation involved making assumptions about discount rate, future price of fresh fruits bunches, yield of fresh fruits bunches, future upkeep and cultivation cost and harvesting cost. As such, these estimated fair values are subject to significant uncertainty. Significant assumption used to derive fair values are as shown in note 14.

(v) Intangible assets – goodwill

Measurement of recoverable amounts of cash generating units is derived based on value in use of the cash generating unit. Significant assumptions used to derive value in use is as shown in note 6.

(vi) Forestry

The fair value of Forestry is determined using valuation prepared by an independent valuer. The valuation involved making assumptions about discount rate, future price of latex and log, yield of latex, volume of log, future upkeep and cultivation cost and harvesting cost. As such, this estimated fair value is subject to significant uncertainty. Significant assumptions used to derive fair value are as shown in note 5.

(vii) 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.

(viii) 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. The actual utilisation of tax benefit may be different from expected.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in the financial statement and in preparing the opening MFRS statements of financial position of the Group and the Company at 1 January 2017 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted in MFRS 9, *Financial Instruments*, the Group and the Company has elected not to restate the comparatives.

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financial component is initially measured at the transaction price.

An embedded derivatives is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivatives is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivatives is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Previous financial year

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss are subject to impairment assessment (see note 2(k)(i)).

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under FRS 139, *Financial Instruments: Recognition and Measurement* as follow:

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprised financial assets that were held for trading.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Loans and receivables

Loans and receivables category comprises debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, were subject to impairment assessment (see note 2(k)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follow:

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and Company were subsequently measured at amortised cost.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

Bearer plants are living plants that are used in the production of agriculture produce for more than one period. The bearer plants that are available for use are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting. The bearer plants are depreciated over its remaining useful lives based on the estimated individual estate annual production yield table.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date they are ready for its intended purpose, except for bearer plant which is depreciated over thirty (30) years from the date they are ready for commercial harvesting, based on estimated individual estate annual production yield table. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• leasehold land	30-999 years
• bearer plant	30 years
• building	5-30 years
• plant, machinery and equipment	10-15 years
• motor vehicles	5-10 years
• computer equipment	3-5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

(ii) Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Plantation development expenditure

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to the point of commercial harvesting. The cost also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

All expenditure relating to development of oil palm estate (immature estate) will be capitalised under plantation development expenditure. An estate is declared mature when they are ready for commercial harvesting. This cost will be depreciated over useful life when the expenditure is transferred to property, plant and equipment when the estate matures.

Estate overhead expenditure is apportioned to revenue and plantation development expenditure on the basis of the proportion of mature to immature areas.

Nurseries are stated at cost. This cost relates to nursery maintenance costs.

2. Significant accounting policies (continued)

(h) Forestry

Forestry and nurseries are measured on initial recognition and at subsequent reporting dates at fair value, with any changes in fair value of forestry during a year recognised in profit or loss.

The fair value of forestry and nurseries are determined independently by professional valuers.

(i) Inventories

The cost of finished goods is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of stores is consists of the invoiced value from suppliers and is calculated using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss that are determined to have low credit risk at the reporting date except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Previous financial year (continued)

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset and forestry) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill which has indefinite useful lives, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(o) Revenue and other income

(i) Goods sold

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when or as the customer obtains control of the asset.

The Company transfers control of a good or service at a point in time unless one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Company performs;

(b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

(ii) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

Grants compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iv) Management fees

Management fees income is recognised in profit or loss upon services rendered.

(v) Profit margin income

Profit margin income is recognised as it accrues, using the effective interest method.

(p) Biological assets

Biological assets comprise of agricultural produce that grows on oil palm plantations.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is incurred, borrowing costs are incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. Significant accounting policies (continued)

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where assets are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the asset is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(u) Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Non-current assets held for sale or distribution to owners

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale or distribution.

2. Significant accounting policies (continued)

(w) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment

Group	Note	Leasehold land RM'000	Bearer plant RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2017		1,163,503	1,491,165	197,162	196,460	15,105	52,622	39,211	3,155,228
Additions		392	-	3,443	2,398	488	3,412	29,400	39,533
Transfer from plantation development expenditure	4	-	77,152	-	-	-	-	-	77,152
Adjustment		(2,667)	-	-	-	-	-	-	(2,667)
Written off		-	(655)	(2,916)	(1,955)	(980)	(903)	(28)	(7,437)
Disposals		-	-	(5)	-	(3)	(132)	-	(140)
Transfer to assets held for sale	14	(32,462)	-	(166)	(2)	-	(96)	-	(32,726)
Transfers		-	-	40,795	5,075	-	98	(45,968)	-
Effect of movement in exchange rate		(127)	-	(64)	(50)	(21)	(31)	(1)	(294)
At 31 December 2017/ 1 January 2018		**1,128,639**	**1,567,662**	**238,249**	**201,926**	**14,589**	**54,970**	**22,614**	**3,228,649**
Transfer from asset held for sale	14	**32,462**	**-**	**166**	**2**	**-**	**96**	**-**	**32,726**
Additions		**-**	**-**	**2,381**	**2,303**	**308**	**6,883**	**5,941**	**17,816**
Transfer from plantation development expenditure	4	**-**	**68,238**	**-**	**-**	**-**	**-**	**-**	**68,238**
Written off	3.4	**-**	**(45,065)**	**(537)**	**(344)**	**(33)**	**(2,261)**	**-**	**(48,240)**
Disposals		**-**	**-**	**-**	**-**	**(4)**	**(789)**	**-**	**(793)**
Transfer to assets held for sale	14	**(395,521)**	**(452,470)**	**(61,904)**	**(12,427)**	**(303)**	**(15,062)**	**(717)**	**(938,404)**
Transfers		**-**	**-**	**22,379**	**1,906**	**18**	**-**	**(24,303)**	**-**
Effect of movement in exchange rate		**(75)**	**-**	**(32)**	**(21)**	**(9)**	**(13)**	**-**	**(150)**
At 31 December 2018		**765,505**	**1,138,365**	**200,702**	**193,345**	**14,566**	**43,824**	**3,535**	**2,359,842**

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment (continued)

Group	Note	Leasehold land RM'000	Bearer plant RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment loss									
At 1 January 2017									
Accumulated depreciation		105,201	223,157	61,385	93,570	13,962	43,078	-	540,353
Accumulated impairment loss		-	-	-	-	-	-	-	-
		105,201	223,157	61,385	93,570	13,962	43,078	-	540,353
Depreciation for the year	3.1	20,731	51,511	6,028	8,360	527	765	-	87,922
Written off		-	(655)	(2,815)	(1,768)	(977)	(903)	-	(7,118)
Disposals		-	-	(1)	-	(1)	(132)	-	(134)
Transfer to assets held for sales	14	(2,483)	-	(69)	(2)	-	(96)	-	(2,650)
Effect of movement in exchange rate		-	-	(4)	(22)	(19)	(16)	-	(61)
At 31 December 2017/ 1 January 2018									
Accumulated depreciation		**123,449**	**274,013**	**64,524**	**100,138**	**13,492**	**42,696**	**-**	**618,312**
Accumulated impairment loss		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		123,449	**274,013**	**64,524**	**100,138**	**13,492**	**42,696**	**-**	**618,312**
Transfer from asset held for sale		**2,483**	**-**	**69**	**2**	**-**	**96**	**-**	**2,650**
Depreciation for the year	3.1	**20,620**	**61,253**	**8,018**	**8,761**	**280**	**2,660**	**-**	**101,592**
Written off	3.4	**-**	**(11,531)**	**(327)**	**(329)**	**(33)**	**(2,252)**	**-**	**(14,472)**
Disposals		**-**	**-**	**-**	**-**	**(1)**	**(672)**	**-**	**(673)**
Impairment loss	3.5	**163,839**	**95,132**	**-**	**-**	**-**	**-**	**-**	**258,971**
Accumulated depreciation transfer to asset held for sale	14	**(39,704)**	**(48,387)**	**(10,326)**	**(5,690)**	**(264)**	**(10,788)**	**-**	**(115,159)**
Accumulated impairment loss transfer to asset held for sale	14	**(163,839)**	**(92,736)**	**-**	**-**	**-**	**-**	**-**	**(256,575)**
Effect of movement in exchange rate		**-**	**-**	**40**	**(11)**	**(9)**	**(7)**	**-**	**13**
At 31 December 2018									
Accumulated depreciation		**106,848**	**275,348**	**61,998**	**102,871**	**13,465**	**31,733**	**-**	**592,263**
Accumulated impairment loss		**-**	**2,396**	**-**	**-**	**-**	**-**	**-**	**2,396**
		106,848	**277,744**	**61,998**	**102,871**	**13,465**	**31,733**	**-**	**594,659**

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment (continued)

Group	Note	Leasehold land RM'000	Bearer plant RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Carrying amounts									
At 1 January 2017		1,058,302	1,268,008	135,777	102,890	1,143	9,544	39,211	2,614,875
At 31 December 2017/ 1 January 2018		**1,005,190**	**1,293,649**	**173,725**	**101,788**	**1,097**	**12,274**	**22,614**	**2,610,337**
At 31 December 2018		**658,657**	**860,621**	**138,704**	**90,474**	**1,101**	**12,091**	**3,535**	**1,765,183**

Company	Note	Leasehold land RM'000	Bearer plant RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2017		9,411	39,287	18,256	19,244	243	5,130	269	91,840
Additions		-	-	110	607	14	251	418	1,400
Transfer from plantation development expenditure	4	-	29,733	-	-	-	-	-	29,733
Transfers		-	-	687	-	-	-	(687)	-
Written off		-	(655)	(195)	(7)	(4)	-	-	(861)
At 31 December 2017/ 1 January 2018		**9,411**	**68,365**	**18,858**	**19,844**	**253**	**5,381**	**-**	**122,112**
Additions		**-**	**-**	**505**	**200**	**7**	**613**	**-**	**1,325**
Written off		**-**	**-**	**(85)**	**-**	**(6)**	**(320)**	**-**	**(411)**
At 31 December 2018		**9,411**	**68,365**	**19,278**	**20,044**	**254**	**5,674**	**-**	**123,026**
Accumulated depreciation									
At 1 January 2017		1,954	3,102	12,056	14,142	181	4,477	-	35,912
Depreciation for the year	3.1	95	1,834	285	468	21	123	-	2,826
Written off		-	(655)	(185)	(7)	(4)	-	-	(851)
At 31 December 2017/ 1 January 2018		**2,049**	**4,281**	**12,156**	**14,603**	**198**	**4,600**	**-**	**37,887**
Depreciation for the year	3.1	**95**	**2,206**	**298**	**488**	**24**	**187**	**-**	**3,298**
Written off		**-**	**-**	**(81)**	**-**	**(6)**	**(319)**	**-**	**(406)**
At 31 December 2018		**2,144**	**6,487**	**12,373**	**15,091**	**216**	**4,468**	**-**	**40,779**
Carrying amounts									
At 1 January 2017		7,457	36,185	6,200	5,102	62	653	269	55,928
At 31 December 2017/ 1 January 2018		**7,362**	**64,084**	**6,702**	**5,241**	**55**	**781**	**-**	**84,225**
At 31 December 2018		**7,267**	**61,878**	**6,905**	**4,953**	**38**	**1,206**	**-**	**82,247**

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment (continued)

3.1 Breakdown of depreciation charge for the year, are as follows:

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Recognised in profit or loss		**100,341**	86,319	**3,132**	2,711
Capitalised in plantation development expenditure	4	**1,251**	1,603	**166**	115
		101,592	87,922	**3,298**	2,826

3.2 Change in estimate

Bearer plant

During the financial year ended 31 December 2018, the Company revised the annual production yield table to reflect the potential yield of each individual bearer plant of the Group and Company.

The yield per hectare is determined by internal planting advisors, who have appropriate recognised professional qualifications and experience in the field.

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

Group	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Increase in amortisation expense	7,135	7,886	10,184	10,249	9,034

Company	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Increase in amortisation expense	148	327	421	451	551

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment (continued)

3.3 The Group depreciated bearer plant based on yield estimates which is estimated based on the past trend yield per hectare which in turn is dependent on the age of the trees. The yield per hectare is determined by internal planting advisors, who have appropriate recognised professional qualifications and experience in the field. The estimate of the potential yield requires significant judgement and is dependent on past trend production of the Group. The actual yield however, may be different from expected.

3.4 Bearer plant written off

Included in bearer plant written off, are the followings:

(i) THP Saribas Sdn. Bhd.

In April 2011, Sarawak State Government had gazetted an area of 1,025.81 Ha (Ladang Merbok) as Native Communal Reserve ("NCR"). Out of that, 783.48 Ha has been planted.

From 2011, the company had entered into several Land Lease agreement with native customary rights (NCR) Land Owner to lease the NCR land measuring 428 Ha out of 783.48 Ha to mitigate the exposure.

During the financial year, the Board had decided not to pursue further on the lease arrangement with the remaining 355.48 Ha NCR land owners. As a result, a total of RM13,786,000 has been written off and recognised in profit or loss for the year ended 31 December 2018.

(ii) Bumi Suria Ventures Sdn. Bhd.

During the financial year, based on Unmanned Aerial Vehicle ("UAV") assessment done in 2018, there was a reduction in planted area, in which no future income is expected to be generated from these areas.

Subsequent to this, the subsidiary had written off RM19,611,000 in relation to planted mature estates and recognised in the profit or loss for the year ended 31 December 2018.

3.5 Impairment on property, plant and equipment

During the financial year, the Board of Director approved a plan to dispose the Group's interest in several subsidiaries. The Group has engaged two (2) valuers to perform a valuation on leasehold land and bearer plant of the subsidiaries. Based on the valuation performed by the valuers, the Group recognised an impairment loss of RM256,575,000 as the carrying amount of the assets are higher than the fair value less cost to sell as per valuation report.

The fair value less cost of disposal is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost of disposal is a Level 3 fair value measurement. See note 22 for further details of the impairment loss.

3.6 Security

Certain leasehold land of the Group amounting to RM18,603,000 (31.12.2017: RM23,233,000, 1.1.2017: RM23,731,000) are pledged as securities for borrowings as disclosed in note 16.

NOTES TO THE FINANCIAL STATEMENTS

4. Plantation development expenditure

Group	Note	Oil palm 31.12.2018 RM'000	Oil palm 31.12.2017 RM'000	Oil palm 1.1.2017 RM'000
At 1 January		**318,423**	326,445	405,595
Additions during the year		**64,374**	75,419	83,272
Addition of nurseries		**3,223**	5,151	5,401
Transfer to property, plant and equipment	3	**(68,238)**	(77,152)	(168,055)
Written off	4.2	**(12,028)**	(1,193)	(1,625)
Impairment of plantation development expenditure	4.3	**(83,193)**	(929)	-
Disposal of a subsidiary		**-**	-	(3,382)
Transfer to assets held for sales	14	**(133,718)**	-	-
Effect of movement in exchange rate		**(4,001)**	(9,318)	5,239
At 31 December		**84,842**	318,423	326,445
Company				
At 1 January		**24,971**	44,869	43,040
Additions	4.1	**8,739**	9,835	11,399
Transfer to property, plant and equipment	3	**-**	(29,733)	(9,570)
At 31 December		**33,710**	24,971	44,869

4.1 Included in additions during the year are as follows:

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
Depreciation of property, plant and equipment	3	**1,251**	1,603	3,285	**166**	115	369
Personnel expenses:							
- Wages, salaries and others		**21,070**	20,316	24,127	**4,785**	2,980	4,434
- Contribution to Employees Provident Fund		**1,022**	952	1,322	**287**	146	248
Finance cost*	24	**12,278**	15,681	22,803	**1,363**	1,233	2,546
Management fees capitalised		**-**	-	-	**312**	394	2,271

* Finance cost is capitalised at profit margin ranges from 5.61% to 6.67% (31.12.2017: 4.55% to 8.65%; 1.1.2017: 4.55% to 8.65%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

4. Plantation development expenditure (continued)

4.2 Plantation development expenditure written off

During the financial year, based on Unmanned Aerial Vehicle ("UAV") assessment done in 2018, there was a reduction in planted area, in which no future income is expected to be generated from these areas. Consequently the affected areas have been written off.

4.3 Impairment testing for Plantation Development Expenditure ("PDE")

The Group has engaged two (2) valuers to perform a valuation on PDE of certain subsidiaries that are held for the purpose of disposal or as the subsidiary has not been performing up to the Group's expectation. Based on the valuation performed by the valuers, the Group recognised an impairment loss of RM83,193,000 as the carrying amount of the assets are higher than the fair value less cost to sell as per valuation report.

Fair value less cost of disposal is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost of disposal is a Level 3 fair value measurement. See note 22 for further details of the impairment loss.

5. Forestry

		Group		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At 1 January		**187,956**	162,470	145,905
Addition during the year	5.1	**26,005**	11,903	15,158
Transfer from nurseries		**(2,393)**	-	-
Addition of nurseries		**1,678**	837	16,740
Additions charged to profit or loss		**(26,005)**	(12,740)	-
Nurseries written off		**(3,116)**	-	-
Change in fair value recognised to profit or loss		**(134,300)**	25,486	(15,333)
At 31 December		**49,825**	187,956	162,470

NOTES TO THE FINANCIAL STATEMENTS

5. Forestry (continued)

5.1 Included in additions during the year are as follows:

	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Depreciation on property, plant and equipment	3	**-**	-	806
Finance cost		**-**	-	7,744
Personnel expenses:				
- Wages, salaries and others		**1,709**	1,636	1,694
- Contribution to Employees Provident Fund		**261**	201	194

5.2 Fair value information

Fair value of forestry are categorised as follows:

	Level 3 RM'000	Total RM'000
31.12.2018		
Forestry	49,825	49,825
31.12.2017		
Forestry	187,956	187,956
1.1.2017		
Forestry	150,307	150,307
Nurseries*	12,229	12,229
	162,536	162,536

* Nurseries fair value are deemed at cost.

NOTES TO THE FINANCIAL STATEMENTS

5. Forestry (continued)

5.2 Fair value information (continued)

Highest and best use

During the financial year, the valuation was based on the highest and best use of the forestry which is the felling of timber. In prior years, the valuation was based on highest and best use of the forestry which is the combination of tapping latex and felling of timber. The Group is of the opinion that as the result of the decrease in latex price in recent years, it is not cost effective to extract latex from the rubber trees, thus, the valuation for the current financial year does not account for tapping of latex.

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.

31.12.2018

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from forestry, taking into account expected timber volume, timber sales price and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected timber volume (181tonne/ha - 470tonne/ha) • Timber price (RM180/tonne) • Log extraction cost (RM81/tonne) • General charges (RM70/ha - RM90/ha) • Upkeep and maintenance cost (RM50/ha - RM560/ha) • Pre-tax discount rate (10%)	The estimated fair value would increase/(decrease) if: • Expected timber volume were higher/(lower); • Timber price were higher/(lower); • Log extraction cost were lower/(higher); • General charges were lower/(higher); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher).

The above estimates are particularly sensitive in the following cases:

- A reduction of timber volume by 10% would have resulted in a fair value loss of RM8,266,000.
- A reduction in price of timber by 10% would have resulted in a fair value loss of RM8,266,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in a fair value loss of RM1,070,000.
- An increase of 1% in the discount rate would have resulted in a fair value loss of RM7,645,000.

NOTES TO THE FINANCIAL STATEMENTS

5. Forestry (continued)

5.2 Fair value information (continued)

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.

31.12.2017 and 1.1.2017

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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 and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected latex yield (31.12.2017: 400kg/ha/yr -1,980kg/ha/yr; 1.1.2017: 455kg/ha/yr - 1,980kg/ha/yr) • Expected timber volume (31.12.2017: 308m^3/ha - 450m^3/ha; 1.1.2017: 308m^3/ha - 450m^3/ha) • Latex price (31.12.2017: RM6.50/kg; 1.1.2017: RM6/kg) • Log price (31.12.2017: RM144/m^3 - RM145/m^3 (equivalent to RM259/tonne - RM261/tonne); 1.1.2017: RM144/m^3 - RM145/m^3 (equivalent to RM259/tonne - RM261/tonne)) • Upkeep and maintenance cost (31.12.2017: RM913/ha - RM2,373/ha; 1.1.2017: RM913/ha - RM2,373/ha) • Pre-tax discount rate (31.12.2017: 10%; 1.1.2017: 10%)	The estimated fair value would increase/(decrease) if: • Expected projected latex yield were higher/(lower); • Expected timber volume were higher/(lower); • Latex sales price were higher/(lower); • Log price were higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher).

The above estimates are particularly sensitive in the following cases:

- A reduction of latex yield by 10% would have resulted in a fair value loss of RM19,185,000 (1.1.2017: RM19,542,000).
- A reduction of timber volume by 10% would have resulted in a fair value loss of RM12,944,000 (1.1.2017: RM12,215,000).
- A reduction in price of latex and timber by 10% would have resulted in a fair value loss of RM36,000,000 (1.1.2017: RM32,592,000).
- An increase of 10% in the upkeep and maintenance cost would have resulted in a fair value loss of RM6,915,000 (1.1.2017: RM9,191,000).
- An increase of 1% in the discount rate would have resulted in a fair value loss of RM16,187,000 (1.1.2017: RM18,833,000).

NOTES TO THE FINANCIAL STATEMENTS

5. Forestry (continued)

5.2 Fair value information (continued)

Valuation processes applied by the Company for Level 3 fair value

The fair value of forestry is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of forestry being valued. The independent professional valuer provides the fair value of the Group's forestry annually. Changes in Level 3 fair values are analysed by the management annually.

The values assigned to the key assumptions represent management's assessment of current trends in forestry in Malaysia and are based on both external and internal sources (historical data). Any changes in the market conditions or to subsequent decisions may have material impact on the asset values as the future cash flow may differ from these estimates.

6. Intangible asset - goodwill

		Group		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Cost				
Goodwill		**73,265**	73,265	73,265
Impairment loss	22	**(63,504)**	-	-
Transfer to assets held for sales	14	**(9,761)**	-	-
		-	73,265	73,265

During the financial year, the Group has engaged a valuer to perform a valuation on cash-generating units containing goodwill for the purpose of disposal. Based on the valuation performed by the valuers, the Group recognised an impairment loss of RM63,504,000 as the carrying amount of the intangibles assets are higher than the fair value less cost to sell as per valuation report.

Fair value less cost of disposal is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost of disposal is a Level 3 fair value measurement. See note 22 for further details of the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

6. Intangible asset - goodwill (continued)

Impairment testing for cash-generating units containing goodwill in prior years

For the purpose of impairment testing, goodwill was allocated to the subsidiaries which represent the cash-generating unit ("CGU") within the Group at which the goodwill was monitored for internal management purposes. The cash-generating unit was related to oil palm segment. The Group has exercised significant judgment in assessing the CGU recoverable amount using fair value less cost of disposal.

The aggregate carrying amount of goodwill allocated to each unit was as follows:

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Oil Palm Plantations Segment			
Hydroflow Sdn. Bhd.	-	13,855	13,855
Bumi Suria Ventures Sdn. Bhd.	-	27,789	27,789
Maju Warisanmas Sdn. Bhd.	-	31,621	31,621
	-	73,265	73,265

Fair value less cost of disposal of CGU was determined by fair valuing the underlying assets, of which were mainly the plantation. Fair value of the plantation was based on management estimates having regard to estimated resale value which was determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and plantations being valued. Fair value less cost of disposal was a Level 3 fair value measurement.

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

NOTES TO THE FINANCIAL STATEMENTS

6. Intangible asset - goodwill (continued)

Impairment testing for cash-generating units containing goodwill in prior years (continued)

31.12.2017 and 1.1.2017

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (31.12.2017: 13.2mt/ha -30mt/ha; 1.1.2017: 13mt/ha - 30mt/ha) • FFB sales price (31.12.2017: RM500/mt; 1.1.2017: RM350/mt - RM500/mt) • Upkeep and maintenance cost (31.12.2017: RM1,525/ha - RM3,725/ha; 1.1.2017: RM1,525/ha - RM3,860/ha) • Pre-tax discount rate in relation to bearer plant (31.12.2017: 9% - 9.5%; 1.1.2017: 9% - 9.5%) • Plantation land value (31.12.2017: RM18,100/ha - RM35,000/ha; 1.1.2017: RM34,900/ha - RM35,000/ha) • Pre-tax discount rate in relation to plantation land value (31.12.2017: 4.25%; 1.1.2017: 4.25%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price were higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher); • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

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

The recoverable amount of a cash-generating unit is based on its fair value less cost of disposal. There was no impairment loss on goodwill in prior year based on the impairment test.

The above estimates were particularly sensitive in the following cases:

- A reduction in FFB yield per hectare by 5% would have resulted in an impairment loss of RM19,214,000 (1.1.2017: RM22,510,000).
- A reduction in price of FFB by 5% would have resulted in an impairment loss of RM28,561,000 (1.1.2017: RM27,645,000).
- An increase of 10% in the upkeep and maintenance cost would have resulted in an impairment loss of RM14,429,000 (1.1.2017: RM12,638,000).
- A reduction in plantation land value by 10% would have resulted in an impairment loss of RM8,326,000 (1.1.2017: RM7,349,000).
- An increase of 1% in the discount rate would have resulted in an impairment loss of RM20,276,000 (1.1.2017: RM21,083,000).

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiaries

		Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unquoted shares at cost				
At 1 January		**1,125,778**	1,129,384	1,180,361
Disposal of a subsidiary		**-**	-	(53,377)
Adjustment	7.1	**-**	(1,106)	-
Increase in investment in a subsidiary		**-**	-	2,400
Impairment of investment in subsidiaries	7.2	**(315,289)**	(2,500)	-
At 31 December		**810,489**	1,125,778	1,129,384
Transfer to assets held for sales	14	**(72,500)**	-	-
		737,989	1,125,778	1,129,384
Advances to a subsidiary	7.3	**78,253**	78,253	-
		816,242	1,204,031	1,129,384

7.1 The adjustment was in relation to cost of investment in a subsidiary that was estimated in 2016. In prior year, the cost of investment had been finalised and adjustment was made to adjust the cost of investment.

7.2 During the financial year, the Company recognised an impairment loss of RM315,289,000 (2017: RM2,500,000). See note 22 for further details of the impairment loss.

7.3 Terms of the advances are as follows:

(a) The advances have no fixed redemption date and the subsidiary has an option to redeem all or part of the advances at the end of the twelfth year from date of issuance and thereafter on each subsequent periodic distribution date; and

(b) The advances are unsecured and carries a periodic distribution rate of 5.61%-6.67% per annum. The periodic distribution is repayable on demand.

The following table shows the valuation technique used in the determination of the fair value of the advances during initial recognition, which was classified within Level 3, as well as the significant unobservable inputs used in the valuation models.

Type	Significant unobservable inputs	Description of valuation technique and inputs used
• Advances to subsidiary	• Profit margin rate (7.60%) • Repayment period (2018: 11 years, 2017: 12 years)	Discounted cash flows using a rate based on the current market rate of borrowing of the subsidiary at the entities reporting date.

The difference between nominal and fair value of the debt has been recognised as equity investment in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiaries (continued)

7.4 Details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business	Effective ownership interest and voting interest 31.12.2018 %	31.12.2017 %	1.1.2017 %	Principal activities
Direct subsidiaries					
THP Ibok Sdn. Bhd.	Malaysia	**100**	100	100	Cultivation of oil palm and marketing of FFB.
THP-YT Plantation Sdn. Bhd.	Malaysia	**70**	70	70	Cultivation of oil palm and marketing of FFB.
THP Sabaco Sdn. Bhd.	Malaysia	**51**	51	51	Cultivation of oil palm, processing of FFB and marketing of CPO, PK and FFB.
THP Bukit Belian Sdn. Bhd.	Malaysia	**100**	100	100	Cultivation of oil palm and marketing of FFB.
THP Saribas Sdn. Bhd.	Malaysia	**80**	80	80	Cultivation of oil palm, processing of FFB and marketing of CPO, PK and FFB.
THP Kota Bahagia Sdn. Bhd.	Malaysia	**100**	100	100	Cultivation of oil palm, processing of FFB and marketing of CPO, PK and FFB.
THP Agro Management Sdn. Bhd.	Malaysia	**100**	100	100	Management services.
Hydroflow Sdn. Bhd.	Malaysia	**70**	70	70	Cultivation of oil palm and marketing of FFB.
TH Ladang (Sabah & Sarawak) Sdn. Bhd.	Malaysia	**100**	100	100	Investment holding.
Bumi Suria Ventures Sdn. Bhd.	Malaysia	**100**	100	100	Cultivation of oil palm and marketing of FFB.
Maju Warisanmas Sdn. Bhd.	Malaysia	**100**	100	100	Letting of investment property.
Manisraya Sdn. Bhd.	Malaysia	**100**	100	100	Tradeline services in dealing and trading of FFB.
THP Suria Mekar Sdn. Bhd.	Malaysia	**100**	100	100	Special purpose vehicle.
PT Persada Kencana Prima*	Indonesia	**93**	93	93	Cultivation of oil palm and marketing of FFB.

* Not audited by KPMG Desa Megat PLT

7. Investments in subsidiaries (continued)

7.4 Details of the subsidiaries are as follows (continued):

Name of subsidiary	Principal place of business	Effective ownership interest and voting interest 31.12.2018 %	31.12.2017 %	1.1.2017 %	Principal activities
Indirect subsidiaries held through TH Ladang (Sabah & Sarawak) Sdn. Bhd.					
Ladang Jati Keningau Sdn. Bhd.	Malaysia	**82.53**	82.53	82.53	Teak plantation.
TH-Bonggaya Sdn. Bhd.	Malaysia	**100**	100	100	Forestry.
TH-USIA Jatimas Sdn. Bhd.	Malaysia	**70**	70	70	Forestry.
Derujaya Sdn. Bhd.	Malaysia	**100**	100	100	Dormant.
Halus Riang Sdn. Bhd.	Malaysia	**100**	100	100	Dormant.
Kuni Riang Sdn. Bhd.	Malaysia	**100**	100	100	Dormant.
TH PELITA Meludam Sdn. Bhd.	Malaysia	**60**	60	60	Cultivation of oil palm and marketing of FFB.
Cempaka Teratai Sdn. Bhd.	Malaysia	**100**	100	100	Investment holding.
Kee Wee Plantation Sdn. Bhd.	Malaysia	**100**	100	100	Investment holding.
TH PELITA Gedong Sdn. Bhd.	Malaysia	**70**	70	70	Cultivation of oil palm, processing of FFB and marketing of CPO, PK and FFB.
TH PELITA Sadong Sdn. Bhd.	Malaysia	**70**	70	70	Cultivation of oil palm and marketing of FFB.
TH PELITA Simunjan Sdn. Bhd.	Malaysia	**60**	60	60	Cultivation of oil palm and marketing of FFB.
TH PELITA Beladin Sdn. Bhd.	Malaysia	**55**	55	55	Cultivation of oil palm and marketing of FFB.

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiaries (continued)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have a material non-controlling interests ("NCI") are as follows:

Subsidiary name	NCI percentage of ownership interest and voting interest (%)	Carrying amount of NCI RM'000	(Loss) /Profit allocated to NCI RM'000
31.12.2018			
THP Sabaco Sdn. Bhd.	**49**	**193,400**	**3,734**
THP Saribas Sdn. Bhd.	**20**	**(6,287)**	**(11,051)**
THP-YT Plantation Sdn. Bhd.	**30**	**123**	**(11,303)**
Hydroflow Sdn. Bhd.	**30**	**24,847**	**(1,455)**
TH PELITA Gedong Sdn. Bhd.	**30**	**68,849**	**(1,821)**
TH PELITA Sadong Sdn. Bhd.	**30**	**47,408**	**699**
TH PELITA Meludam Sdn. Bhd.	**40**	**(15,002)**	**(8,539)**
Other individually immaterial subsidiaries	**-**	**(10,602)**	**(34,038)**
Total		**302,736**	**(63,774)**
31.12.2017			
THP Sabaco Sdn. Bhd.	49	181,909	7,880
THP Saribas Sdn. Bhd.	20	(422)	55
THP-YT Plantation Sdn. Bhd.	30	11,034	(874)
Hydroflow Sdn. Bhd.	30	25,808	295
TH PELITA Gedong Sdn. Bhd.	30	67,405	3,388
TH PELITA Sadong Sdn. Bhd.	30	44,269	2,497
TH PELITA Meludam Sdn. Bhd.	40	(9,127)	(1,547)
Other individually immaterial subsidiaries	-	46,771	(2,873)
Total		367,647	8,821
1.1.2017			
THP Sabaco Sdn. Bhd.	49	186,324	
THP Saribas Sdn. Bhd.	20	4,709	
THP-YT Plantation Sdn. Bhd.	30	12,054	
Hydroflow Sdn. Bhd.	30	26,007	
TH PELITA Gedong Sdn. Bhd.	30	68,122	
TH PELITA Sadong Sdn. Bhd.	30	45,052	
TH PELITA Meludam Sdn. Bhd.	40	(4,916)	
Other individually immaterial subsidiaries	-	27,455	
Total		364,807	

7. Investments in subsidiaries (continued)

Non-controlling interests in subsidiaries (continued)

	Summarised financial information before intra-group elimination												
	As at 31 December 2018					Year ended 31 December 2018							
Subsidiary name	Non-current assets RM'000	Current assets RM'000	Non-current liabilities RM'000	Current liabilities RM'000	Net assets/ (liabilities) RM'000	Revenue RM'000	Profit/ (loss) for the year RM'000	Total compre-hensive income/ (loss) RM'000	Cash flows from operating activities RM'000	Cash flows from investing activities RM'000	Cash flows from financing activities RM'000	Net increase/ (decrease) in cash and cash equivalents RM'000	Dividends paid to NCI RM'000
THP Sabaco Sdn. Bhd.	435,098	98,797	(115,672)	(23,529)	394,694	77,070	7,621	7,621	11,269	(11,208)	-	61	-
THP Saribas Sdn. Bhd.	538,755	16,748	(532,991)	(53,947)	(31,435)	117,237	(55,255)	(55,255)	43,720	(3,669)	(40,198)	(147)	-
THP-YT Plantation Sdn. Bhd.	88,317	1,249	(88,103)	(1,873)	(410)	6,478	(37,677)	(37,677)	2,104	(2,174)	-	(70)	-
Hydroflow Sdn. Bhd.	140,638	1,968	(55,623)	(4,159)	82,824	6,982	(4,849)	(4,849)	1,493	(1,487)	-	6	-
TH PELITA Gedong Sdn. Bhd.	217,303	76,998	(45,306)	(19,499)	229,496	100,842	(6,070)	(6,070)	2,130	(1,397)	(980)	(247)	-
TH PELITA Sadong Sdn. Bhd.	115,130	60,742	(10,886)	(6,959)	158,027	30,785	2,330	2,330	857	12	(980)	(111)	-
TH PELITA Meludam Sdn. Bhd.	172,092	3,686	(191,013)	(22,270)	(37,505)	22,644	(21,347)	(21,347)	18,004	(1,013)	(17,000)	(9)	-

	Summarised financial information before intra-group elimination												
	As at 31 December 2017					Year ended 31 December 2017							
Subsidiary name	Non-current assets RM'000	Current assets RM'000	Non-current liabilities RM'000	Current liabilities RM'000	Net assets/ (liabilities) RM'000	Revenue RM'000	Profit/ (loss) for the year RM'000	Total compre-hensive income/ (loss) RM'000	Cash flows from operating activities RM'000	Cash flows from investing activities RM'000	Cash flows from financing activities RM'000	Net increase/ (decrease) in cash and cash equivalents RM'000	Dividends paid to NCI RM'000
THP Sabaco Sdn. Bhd.	322,759	83,557	(17,577)	(17,496)	371,243	84,278	16,082	16,082	21,230	(12,596)	(8,674)	(40)	3,952
THP Saribas Sdn. Bhd.	563,323	22,593	(546,231)	(41,795)	(2,110)	159,480	275	275	34,013	(3,213)	(26,379)	4,421	-
THP-YT Plantation Sdn. Bhd.	118,922	1,646	(82,869)	(919)	36,780	8,286	(2,913)	(2,913)	3,231	(3,229)	-	2	-
Hydroflow Sdn. Bhd.	138,376	1,784	(50,849)	(3,284)	86,027	7,150	983	983	7,301	(7,331)	-	(30)	-
TH PELITA Gedong Sdn. Bhd.	223,836	57,839	(46,182)	(10,810)	224,683	143,332	11,293	11,293	10,967	(5,688)	(5,080)	199	420
TH PELITA Sadong Sdn. Bhd.	109,719	50,854	(7,184)	(5,826)	147,563	41,589	8,323	8,323	6,217	(750)	(5,400)	67	420
TH PELITA Meludam Sdn. Bhd.	177,518	4,275	(181,638)	(22,973)	(22,818)	29,615	(3,868)	(3,868)	21,898	(498)	(21,360)	40	-

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiaries (continued)

Non-controlling interests in subsidiaries (continued)

	Summarised financial information before intra-group elimination											
	As at 31 December 2016				Year ended 31 December 2016							
Subsidiary name	Non-current assets RM'000	Current assets RM'000	Non-current liabilities RM'000	Current liabilities RM'000	Net assets/ (liabilities) RM'000	Revenue RM'000	Profit/ (loss) for the year RM'000	Total compre-hensive income/ (loss) RM'000	Cash flows from operating activities RM'000	Cash flows from investing activities RM'000	Cash flows from financing activities RM'000	Net increase/ (decrease) in cash and cash equivalents RM'000	Dividends paid to NCI RM'000
THP Sabaco Sdn. Bhd.	430,258	91,494	(109,865)	(31,634)	380,253	74,585	23,820	23,820	24,786	(14,789)	(9,715)	282	3,147
THP Saribas Sdn. Bhd.	606,863	34,335	(577,282)	(40,371)	23,545	131,274	1,770	1,770	(46,833)	(2,537)	49,985	615	-
THP-YT Plantation Sdn. Bhd.	116,747	2,903	(77,784)	(1,686)	40,180	7,984	(840)	(840)	1,827	(1,838)	-	(11)	-
Hydroflow Sdn. Bhd.	133,411	3,905	(48,799)	(1,827)	86,690	5,186	2,840	2,840	5,762	(4,252)	(1,493)	17	-
TH PELITA Gedong Sdn. Bhd.	247,366	50,780	(50,307)	(20,766)	227,073	113,673	11,753	11,753	15,439	(6,199)	(9,452)	(212)	420
TH PELITA Sadong Sdn. Bhd.	130,633	41,840	(12,817)	(9,483)	150,173	35,143	11,110	11,110	6,331	(866)	(5,436)	29	420
TH PELITA Meludam Sdn. Bhd.	190,163	4,893	(189,406)	(17,940)	(12,290)	24,313	(5,230)	(5,230)	18,619	(446)	(18,179)	(6)	-

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiaries (continued)

Significant restrictions

Other than those disclosed elsewhere in the financial statements, the carrying amounts of assets to which significant restrictions apply are as follows:

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Cash and cash equivalents	**5,162**	7,118	2,349
Land	**18,603**	23,233	23,731
At 31 December	**23,765**	30,351	26,080

The above restrictions arise from the following:

Restriction imposed by bank covenants

The covenants of bank loans taken by TH PELITA Gedong Sdn. Bhd., TH PELITA Sadong Sdn. Bhd. and THP Saribas Sdn. Bhd., subsidiaries of the Company, restrict the ability of the subsidiaries to make any loans or advance or guarantee or grant any credit to any of its directors, shareholders, or subsidiaries or related companies except in the ordinary course of business and on commercial terms and on an arm's length basis.

The covenants of bank loan taken by TH PELITA Meludam Sdn. Bhd., TH PELITA Sadong Sdn. Bhd. and THP Saribas Sdn. Bhd., subsidiaries of the Company, restrict the ability of the subsidiaries to create or permit to subsist any security interest over any of its assets, business or undertaking except liens arising by operation of law and in the normal course of business which in the financiers reasonable opinion is not material. It also restricts the ability of the subsidiaries to dispose or lease all or a substantial part of its assets or undertaking except in the ordinary course of their businesses, on ordinary commercial terms and on an arm's length basis.

8. Other investments

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current							
Fair value through profit or loss	8.1	**1,825**	-	-	**1,825**	-	-
Available-for-sale financial assets - stated at cost	8.1	**-**	1,825	1,920	**-**	1,825	1,920
Less: Impairment loss		**-**	-	(95)	**-**	-	(95)
		1,825	1,825	1,825	**1,825**	1,825	1,825
Current							
Amortised cost	8.2	**1,888**	3,288	3,520	**517**	-	-
At 31 December		**3,713**	5,113	5,345	**2,342**	1,825	1,825

NOTES TO THE FINANCIAL STATEMENTS

8. Other investments (continued)

8.1 This is in relation to investments in unquoted shares in Malaysia.

8.2 Deposits placed with licensed banks for the Group and Company have profit margin ranging from 3.10% to 3.65% (31.12.2017: 2.90% to 5.56%; 1.1.2017: 2.90% to 5.38%).

9. Deferred tax (assets)/liabilities

Recognised deferred tax (assets)/liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Group									
Unutilised tax losses	**-**	(88,814)	(97,073)	**-**	-	-	**-**	(88,814)	(97,073)
Property, plant and equipment	**-**	-	-	**341,006**	403,376	422,412	**341,006**	403,376	422,412
Fair value adjustment on initial recognition of financial liabilities	**-**	-	-	**522**	3,720	3,462	**522**	3,720	3,462
Unabsorbed capital allowances	**(128,328)**	(117,151)	(113,413)	**-**	-	-	**(128,328)**	(117,151)	(113,413)
Biological assets	**-**	-	-	**8,558**	12,505	18,671	**8,558**	12,505	18,671
Others	**(23,382)**	-	(1,372)	**-**	11,232	-	**(23,382)**	11,232	(1,372)
Tax (assets)/liabilities	**(151,710)**	(205,965)	(211,858)	**350,086**	430,833	444,545	**198,376**	224,868	232,687
Set off tax	**97,544**	95,359	100,830	**(97,544)**	(95,359)	(100,830)	**-**	-	-
Net tax (assets)/liabilities	**(54,166)**	(110,606)	(111,028)	**252,542**	335,474	343,715	**198,376**	224,868	232,687
Company									
Property, plant and equipment	**-**	-	-	**13,257**	12,899	8,111	**13,257**	12,899	8,111
Fair value adjustment on initial recognition of financial liabilities	**-**	-	-	**522**	3,720	3,462	**522**	3,720	3,462
Unabsorbed capital allowances	**(477)**	-	-	**-**	-	-	**(477)**	-	-
Biological assets	**-**	-	-	**1,021**	1,117	1,244	**1,021**	1,117	1,244
Others	**(600)**	(600)	(49)	**2,939**	345	-	**2,339**	(255)	(49)
Net tax (assets)/liabilities	**(1,077)**	(600)	(49)	**17,739**	18,081	12,817	**16,662**	17,481	12,768

9. Deferred tax (assets)/liabilities (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Unutilised tax loss carry-forwards	**(456,946)**	(86,887)	(9,184)
At 31 December	**(456,946)**	(86,887)	(9,184)
Tax at 24% (2017: 24%)	**(109,667)**	(20,853)	(2,204)

Tax losses from certain subsidiaries have been recognised in prior year which gave rise to deferred tax assets. During the financial year, Finance Act 2019 has been tabled where the tax losses can only be utilised for 7 years. Tax losses can only be utilised once capital allowance has been fully exhausted for. Subsequent to this, deferred tax assets have not been recognised in respect for tax loss carry-forwards amounting to RM370,058,000 because it is no longer probable that future taxable profit will be available against which the Group can utilise the benefits there from.

NOTES TO THE FINANCIAL STATEMENTS

9. **Deferred tax (assets)/liabilities (continued)**

Movement in temporary differences during the year

	At 1.1.2017 RM'000	Recognised in profit or loss (note 25) RM'000	Disposal of subsidiary RM'000	Transfer to assets held for sale RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (note 25) RM'000	Transfer to assets held for sale RM'000	Transfer from assets held for sale RM'000	At 31.12.2018 RM'000
Group									
Unutilised tax losses	(97,073)	8,259	-	-	(88,814)	88,814	-	-	-
Unabsorbed capital allowances	(113,413)	(3,738)	-	-	(117,151)	(110,668)	99,491	-	(128,328)
Property, plant and equipment	422,412	(11,984)	-	(7,052)	403,376	26,262	(95,684)	7,052	341,006
Fair value adjustment on initial recognition of financial liabilities	3,462	(309)	567	-	3,720	(3,198)	-	-	522
Biological assets	18,671	(6,166)	-	-	12,505	(2,365)	(1,582)	-	8,558
Others	(1,372)	12,604	-	-	11,232	(31,254)	(3,360)	-	(23,382)
	232,687	(1,334)	567	(7,052)	224,868	(32,409)	(1,135)	7,052	198,376
Company									
Property, plant and equipment	8,111	4,788	-	-	12,899	358	-	-	13,257
Fair value adjustment on initial recognition of financial liabilities	3,462	(309)	567	-	3,720	(3,198)	-	-	522
Unabsorbed capital allowances	-	-	-	-	-	(477)	-	-	(477)
Biological assets	1,244	(127)	-	-	1,117	(96)	-	-	1,021
Others	(49)	(206)	-	-	(255)	2,594	-	-	2,339
	12,768	4,146	567	-	17,481	(819)	-	-	16,662

NOTES TO THE FINANCIAL STATEMENTS

10. Trade and other receivables

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current							
Non-trade							
Amount due from subsidiaries	10.1	**-**	-	-	**13,752**	14,740	-
Current							
Trade							
Trade receivables		**22,200**	34,269	51,959	**3,944**	5,862	7,970
Non-trade							
Amount due from subsidiaries	10.2	**-**	-	-	**402,485**	312,628	197,007
Amount due from related companies	10.3	**8,501**	-	-	**8,501**	-	-
Other receivables		**23,179**	18,836	57,352	**12,347**	12,137	46,403
Tax recoverable		**1,480**	-	9,164	**-**	-	-
		33,160	18,836	66,516	**423,333**	324,765	243,410
Transfer to assets held for sale	14	**(2,880)**	(3)	-	**-**	-	-
Impairment loss on amount due from subsidiaries		**-**	-	-	**(116,116)**	-	-
Impairment loss on amount due from related companies		**(4,317)**	-	-	**(4,317)**	-	-
Impairment loss on other receivables		**(11,264)**	(11,150)	-	**(6,472)**	(6,358)	-
		14,699	7,683	66,516	**296,428**	318,407	243,410
		36,899	41,952	118,475	**300,372**	324,269	251,380

10.1 The amount due from subsidiaries are unsecured, subject to profit margin ranges from 0.93% to 4.03% (31.12.2017: 0.93 to 4.03%; 1.1.2017: nil) and are expected to be repaid in the next two (2) years (2017: three (3) years).

10.2 The amount due from subsidiaries are unsecured, no profit margin applied and repayable on demand.

10.3 The amount due from related companies are unsecured, no profit margin applied and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

11. Inventories

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Finished goods	**14,454**	8,234	13,445	**3,595**	349	1,147
Stores	**8,640**	11,890	3,600	**459**	338	674
	23,094	20,124	17,045	**4,054**	687	1,821
Transfer to asset held for sale	**(3,460)**	-	-	**-**	-	-
	19,634	20,124	17,045	**4,054**	687	1,821

12. Biological asset

	Note	2018 RM'000	2017 RM'000
Group			
At 1 January		**52,105**	77,794
Change in fair value recognised in profit or loss		**(9,856)**	(25,689)
		42,249	52,105
Transfer to assets held for sale	14	**(6,591)**	-
At 31 December		**35,658**	52,105
Company			
At 1 January		**4,654**	5,184
Change in fair value recognised in profit or loss		**(399)**	(530)
At 31 December		**4,255**	4,654

The Group or the Company has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the biological transformation of the FFB before the oil content accrues exponentially in the 3 months prior to harvest, FFB more than 3 months before harvesting are excluded from the valuation as their fair values are considered negligible. The fair value of FFB is calculated based on income approach which considers the net present value of all directly attributable net cash flows including imputed contributory asset charges. Biological assets are classified as current assets for bearer plants that are expected to be harvested.

The significant unobservable inputs used in the valuation models include FFB price (RM195/mt – RM399/mt), collection cost (RM60/mt – RM130/mt) and biological transformation factors.

The fair value measurement of the Group's biological assets are categorised within Level 3 of the fair value hierarchy. If the selling price of the FFB increase or decrease by 10%, profit or loss of the Group would have increased or decreased by approximately RM5,895,000 (2017: RM6,802,000). If the collection cost increase or decrease by 10%, profit or loss of the Group would have decreased or increased by approximately RM1,670,000 (2017: RM1,592,000).

13. Cash and cash equivalents

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Deposits placed with licensed banks	13.1	**36,244**	76,061	127,473	**35,000**	75,518	127,426
Cash and bank balances	13.2	**14,725**	23,177	36,298	**5,490**	14,802	32,790
		50,969	99,238	163,771	**40,490**	90,320	160,216
Transfer to assets held for sale	14	**(408)**	(63)	-	**-**	-	-
		50,561	99,175	163,771	**40,490**	90,320	160,216

13.1 Deposits which are placed with licensed banks for Group and Company have profit margins ranging between 3.10% to 3.65% (31.12.2017: 2.95% to 4.00%; 1.1.2017: 2.90% to 4.20%).

13.2 Included in the bank balances are RM6,196,000 (31.12.2017: RM28,540,000; 1.1.2017: RM32,476,000) and RM36,211,000 (31.12.2017: RM28,540,000; 1.1.2017: RM31,669,000) which are maintained by the Group and the Company respectively with a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

14. Group assets held for sale

On 26 November 2018, the Board of Directors had approved in principle the disposals of THP-YT Plantation Sdn. Bhd., TH PELITA Meludam Sdn. Bhd., TH PELITA Beladin Sdn. Bhd., TH PELITA Simunjan Sdn. Bhd., Hydroflow Sdn. Bhd., Bumi Suria Ventures Sdn. Bhd. and Maju Warisanmas Sdn. Bhd. Therefore, investment in these subsidiaries are presented as asset held for sale.These investments relate to the oil palm plantations segment of the Group. Efforts to sell the disposal group have commenced, and sale is expected to be completed within twelve (12) months from the approval date. Assets classified as held for sale are as below:

		Group	
	Note	2018 RM'000	2017 RM'000
Assets classified as held for sale			
Property, plant and equipment	a	**566,670**	30,076
Plantation development expenditure	4	**133,718**	-
Goodwill	6	**9,761**	-
Deferred tax assets	9	**21,267**	-
Biological assets	12	**6,591**	-
Inventories	11	**3,460**	-
Current tax assets		**22**	-
Trade and other receivables	10	**2,880**	3
Prepayments and other assets		**134**	-
Cash and cash equivalents	13	**408**	63
		744,911	30,142
Liabilities classified as held for sale			
Borrowings	16	**13,715**	-
Deferred tax liability	9	**22,402**	7,052
Payables and accruals	19	**29,594**	8,885
Current tax payable		**269**	-
		65,980	15,937

In the prior year, investment in Ladang Jati Keningau Sdn. Bhd. was presented as asset held for sale. In the current year, it has been reclassified to the respective assets and liabilities as the board of the Company has cancelled the initial planned disposal.

14. Group assets held for sale (continued)

Note a

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

		Group	
	Note	2018 RM'000	2017 RM'000
Cost	3	**938,404**	32,726
Accumulated depreciation	3	**(115,159)**	(2,650)
Accumulated impairment loss	3	**(256,575)**	-
		566,670	30,076

		Company	
	Note	2018 RM'000	2017 RM'000
Assets classified as held for sale			
Investment in subsidiaries	7	**72,500**	-

Certain plantation asset are carried at the lower of cost or fair value less cost to sell. Fair value less cost to sell is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost to sell is a Level 3 fair value measurement. See note 22 for further details of the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

15. Capital and reserves

Share capital

	Group and Company			
	Number of shares 31.12.2018 '000	**Amount 31.12.2018 RM'000**	**Number of shares 31.12.2017 '000**	**Amount 31.12.2017 RM'000**
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 January	**883,851**	**862,752**	883,851	441,925
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	**-**	**-**	-	420,827
At 31 December	**883,851**	**862,752**	883,851	862,752

During the previous financial year, all amount standing to the credit of the share premium account has been consolidated into the share capital account in accordance with Section 618(2) of Companies Act 2016.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Other reserves

Other reserves relates to fair value adjustment on initial recognition of financial instruments and adjustment to the premium of share issued for the acquisition of subsidiaries.

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. The share option had expired on 7 May 2017 and subsequently the amount from the share option reserve was transferred to profit or loss.

16. Loans and borrowings

		Group		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current				
Secured				
Flexi Term Financing-i	16.1	**-**	13,715	30,715
Commodity Murabahah Term Financing-i	16.3	**229,819**	256,656	73,693
Commodity Murabahah Term Financing-i	16.7	**38,612**	-	-
Unsecured				
SUKUK Murabahah Medium Term Notes	16.4	**895,000**	895,000	1,050,000
Term Financing	16.5	**36,079**	30,812	20,966
		1,199,510	1,196,183	1,175,374
Current				
Secured				
Flexi Term Financing-i	16.1	**13,715**	17,000	13,000
Ijarah Term Financing-i Facility	16.2	**-**	-	7,680
Commodity Murabahah Term Financing-i	16.3	**30,000**	27,000	4,800
Unsecured				
SUKUK Murabahah Medium Term Notes	16.4	**-**	-	70,000
Islamic Trade Financing-i	16.6	**11,544**	3,857	17,671
		55,259	47,857	113,151
Transfer to assets held for sale	14	**(13,715)**	-	-
		41,544	47,857	113,151
		1,241,054	1,244,040	1,288,525

16.1 Flexi Term Financing-i

TH PELITA Meludam Sdn. Bhd.

Security

The Flexi Term Financing-i which is taken by a subsidiary of the Group is secured over leasehold land with a carrying amount of RM10,761,000 (31.12.2017: RM10,990,000; 1.1.2017: RM11,219,000) (see note 3).

NOTES TO THE FINANCIAL STATEMENTS

16. Loans and borrowings (continued)

16.1 Flexi Term Financing-i (continued)

TH PELITA Meludam Sdn. Bhd. (continued)

Significant covenants

The Islamic term loan facility is subject to the fulfilment of the following significant covenants:

(a) not to grant any loan or guarantee any person except for normal trade credit or trade guarantee in the ordinary course of business;

(b) not to incur, assume or permit to exist any indebtedness or loans except:-

(i) those already disclosed in writing and consented by the Financier;

(ii) unsecured indebtedness incurred in the ordinary course of business of the customer(s); and

(iii) such advances from the Company which are subordinated to the facilities.

(c) not to create or permit to subsist any security interest over any of its assets, business or undertaking except liens arising by operation of law and in the normal course of business which in the Financiers reasonable opinion is not material;

(d) not to effect or permit any form of merger, reconstruction, consolidation, amalgamation or reduction in share capital save and except for any merger, reconstruction, consolidation or amalgamation within the group of the companies, whereby Lembaga Tabung Haji remains as the controlling shareholder;

(e) not to dispose or lease all or a substantial part of its assets or undertaking except in the ordinary course of its business, on ordinary commercial terms and on arm's length basis;

(f) not to declare or pay any dividends without prior consent of the Bank;

(g) not to enter into profit sharing or other similar arrangement whereby the subsidiary income or profits are shared with any other person or company unless such arrangement is entered into in the ordinary course of business, on ordinary commercial terms and on arm's length basis;

(h) not to allow or permit any dilution of the direct or indirect shareholding of Lembaga Tabung Haji in the customer(s) to fall below 51%; and

(i) not to surrender, transfer, assign, relinquish or otherwise dispose of any of its rights and interests under the project which will have a material adverse effect (as reasonably decided by the Financier) on the ability of the customer to perform its obligations.

NOTES TO THE FINANCIAL STATEMENTS

16. Loans and borrowings (continued)

16.2 Ijarah Term Financing-i Facility

TH PELITA Gedong Sdn. Bhd. and TH PELITA Sadong Sdn. Bhd.

Security

The Ijarah Term Financing-i Facility, which is obtained by subsidiaries of the Group, is secured over the leasehold land with a carrying amount of RM nil (31.12.2017: RM4,234,000; 1.1.2017: RM4,336,000) (see note 3).

The loan was fully paid during prior year.

Significant covenants

The Ijarah Term Financing-i Facility is subject to the fulfilment of the following significant covenants unless the bank consents in writing is obtain:

(a) not to liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution);

(b) not to change the nature or scope of company's business, or its financial year or suspend a substantial part of the business operations which it conducts directly or indirectly;

(c) not to make any loans or advance or guarantee or grant any credit to any of its directors, shareholders, or subsidiaries or related companies except in the ordinary course of business and on commercial terms and on the arm's length transaction;

(d) not to decrease or alter the authorised or issued capital of the company whether by varying the amount, structure or value thereof or the rights attached thereto or convert any of its share capital as stock, or by consolidation dividing or sub-dividing all or any of its shares;

(e) not to declare, distribute or pay any dividend or bonus issue or other distribution whether of an income or capital nature and whether in cash or otherwise;

(f) not to register or permit any change in its shareholding or partnership structure and the respective shareholdings of the shareholders in the company unless the company remains as a subsidiary of TH Ladang (Sabah & Sarawak) Sdn. Bhd., which in turn will be a subsidiary of Lembaga Tabung Haji;

(g) not to add, delete, vary, amend or change or cause the change in the company or any secured party, as the case may be, Memorandum and Articles of Association;

(h) not to enter into any partnership, profit-sharing or royalty agreement or other arrangement of whatsoever nature whereby the company's income or profits are, or might be, shared with any other person, firm or company;

(i) not to enter into any transaction (including merger, consolidation, or reorganisation) with any person, firm or company except in the ordinary course of business on ordinary commercial terms and on the arm's length arrangements;

NOTES TO THE FINANCIAL STATEMENTS

16. Loans and borrowings (continued)

16.2 Ijarah Term Financing-i Facility (continued)

TH PELITA Gedong Sdn. Bhd. and TH PELITA Sadong Sdn. Bhd. (continued)

Significant covenants (continued)

(j) not to enter into any management contracts or similar arrangements whereby the company's business or operations are managed by any other person or firm;

(k) not to create or permit to exist over all or any part of the company's business or property or undertakings any form of charge, mortgage, debenture, pledge, lien;

(l) not to decrease or in any way whatsoever alter (other than by way of increase) the authorised or issued capital of the company whether by varying the amount;

(m) not to declare any bonus issue or make any distribution (be it income or capital in nature) or declare and/or pay out any dividend if an Event or Default has occurred or is effect any change in the key management of the company; and

(n) not to make any alteration to the general purpose in its application for the Ijarah Facility.

16.3 Commodity Murabahah Term Financing-i

THP Saribas Sdn. Bhd.

Security

The Commodity Murabahah Term Financing-i Facility, which was obtained by a subsidiary of the Group, is secured over the leasehold land with a carrying amount of RM7,842,000 (31.12.2017: RM8,009,000; 1.1.2017: RM8,176,000) (see note 3).

Significant covenants

The Commodity Murabahah Term Financing-i loan facility is subject to the fulfilment of the following significant covenants:

(a) not to grant any financings, loans, advance, provide security or guarantee any person except for normal trade credit or trade guarantee in the ordinary course of business;

(b) not to incur, assume or permit to exist any indebtedness, loans or financing under Islamic banking principles except those already disclosed in writing and consented to by the bank and unsecured indebtedness incurred in the ordinary course of business of the subsidiary;

(c) not to grant any financings, loans, advances, provide security or guarantee any person except for normal trade credit or trade guarantee in the ordinary course of business;

16. Loans and borrowings (continued)

16.3 Commodity Murabahah Term Financing-i (continued)

THP Saribas Sdn. Bhd. (continued)

Significant covenants (continued)

(d) not to create or permit to subsist any security interest over any of its assets, business or undertaking (except liens arising by operation of law and in the normal course of business which in the financier opinion is not material);

(e) not to effect or permit any form of merger, reconstruction, consolidation, amalgamation or reduction in share capital or otherwise approve or permit any change of ownership or control;

(f) not to dispose or lease all or a substantial part of its assets or undertaking except in the ordinary course of its business, on ordinary commercial terms and on arm's length basis;

(g) not to declare any dividends in excess of ten per cent (10%) of its paid-up capital or any amount in excess of fifty per cent (50%) of its annual net income after tax or such other threshold as may be prescribed by the Financier, provided always any such permissible declaration of dividends may only be made if all payment obligation of the subsidiary is current;

(h) not to enter into any profit sharing or other similar arrangement whereby the subsidiary's income or profits are shared with any other person/or company unless such arrangement is entered into in the ordinary course of business on ordinary commercial terms and on arm's length basis, or enter into any management agreement whereby its business is managed by a third party;

(i) not to decrease or alter the subsidiary's authorised or issued capital or alter the structure thereof or the rights attached thereto; and

(j) not to breach such other covenants as may be prescribed by the Bank in the financing documents.

NOTES TO THE FINANCIAL STATEMENTS

16. Loans and borrowings (continued)

16.4 SUKUK Murabahah Medium Term Notes

THP Suria Mekar Sdn. Bhd.

The SUKUK Murabahah Medium Term Notes, which was issued by THP Suria Mekar Sdn. Bhd. to Lembaga Tabung Haji is a programme of up to RM1.20 billion in nominal value.

Significant covenants

(a) not to incur or permit to exist any indebtedness for borrowed monies (which, for the purpose of this paragraph, includes any monies raised through any Islamic financing transaction such as issuance of sukuk), nor give any guarantees in respect of any indebtedness for borrowed monies to any person or entity whatsoever;

(b) not to create or permit to exist any Security Interest on any of its present and future assets, other than any lien arising in the ordinary course of business by operation of law and not by way of contract;

(c) not to sell, transfer or otherwise dispose of any of its assets, save for:

   (i) where the sale, transfer or disposal is solely for the purposes of facilitating Shariah-compliant financing;

   (ii) sale, transfer or disposal as contemplated by the terms of the transaction documents; and

   (iii) where such assets to be sold, transferred or disposed of, do not exceed in aggregate of five percent (5%) of the Issuer's net assets (as shown in the latest audited consolidated accounts of the Issuer);

(d) not to obtain or permit to exist any loans or advances from its shareholder(s), unless these loans and advances are subordinated to the Sukuk Murabahah;

(e) not to grant any advances or loans to any party, save and except for:

   (i) loans to its directors, officers or employees as part of their terms of employment;

(f) not to declare or pay any dividends or make any distribution, whether income or capital in nature, to the Company if:

   (i) an Event of Default has occurred, is continuing and has not been remedied or waived; or

   (ii) any payment under the arrangement pertaining to the SUKUK Murabahah is overdue and unpaid or if any of the payments under the arrangement pertaining to the SUKUK Murabahah which has become payable has not been paid as a consequence of default by the Issuer;

(g) not to take any step to wind up or dissolve itself;

16. Loans and borrowings (continued)

16.4 SUKUK Murabahah Medium Term Notes (continued)

THP Suria Mekar Sdn. Bhd. (continued)

Significant covenants (continued)

(h) not to add, delete, amend or substitute its Memorandum and Articles of Association in a manner inconsistent with the provisions of the transaction documents, unless otherwise required under the law;

(i) not to reduce or in any way whatsoever alter, except increase, its authorised or paid-up capital, whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stocks, or by consolidating, dividing or sub-dividing all or any of its shares, or by any other manner;

(j) not to enter into any agreement with the Company, or associated companies, unless such agreement is entered into:

  (i) in the ordinary course of its business;

  (ii) on an arm's-length basis; and

  (iii) will not have a Material Adverse Effect on the Issuer;

(k) not to change the utilisation of proceeds of the Sukuk Murabahah Programme;

(l) not to engage or carry on any other business other than that as currently carried out;

(m) not to suspend or threaten to suspend any part of its business;

(n) not to consolidate or amalgamate or merge with or into, or transfer all or substantially all its assets to, or acquire all or substantially all the assets (including shares and/or stocks of any class, partnership or joint venture interest) of another entity;

(o) not to enter into a transaction, whether directly or indirectly, with interested persons (including a director, substantial shareholder or persons connected with them) unless:

  (i) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested; and

  (ii) with respect to transactions involving an aggregate payment or value equal to or greater than such amount representing twenty five percent (25%) of the Issuer's net asset as reflected in its then current audited financial statement, the Issuer obtains a certification from an independent adviser that the transaction is carried out on fair and reasonable terms, provided that the Issuer certifies to the Investor or the Joint Lead Managers, that the transaction complies with paragraph (i) above, that (where applicable) the Issuer has received the certification referred to in paragraph (i) above and that the transaction has been approved by the majority of the Board of Directors or shareholders in a general meeting, as the case may require; and

NOTES TO THE FINANCIAL STATEMENTS

16. Loans and borrowings (continued)

16.4 SUKUK Murabahah Medium Term Notes (continued)

THP Suria Mekar Sdn. Bhd. (continued)

Significant covenants (continued)

(p) not to enter into any partnership, profit-sharing or royalty agreement or other arrangement of whatsoever nature whereby the Issuer's income or profits derived from its main activity(ies) are, or might be, shared with any other person, firm or company or enter into any management contract or other arrangement of whatsoever nature whereby the Issuer's business or operations are managed by any other person, firm or company, unless entered into in its ordinary course of business.

16.5 Term Financing

TH-Bonggaya Sdn. Bhd.

The loans and borrowings was recognised at fair value at the date of the initial drawdown. Significant assumptions used to derive the fair value is as shown in note 18.2. The total drawdown of Forest Plantations Facility as at 31 December 2018 is RM79,297,000 (31.12.2017: RM70,587,000; 1.1.2017: RM49,779,000).

Security

The term loan facility is a conventional loan granted by Forest Plantation Development Sdn. Bhd., a government agency.

Significant covenants

The term loan facility is subject to the fulfilment of the following significant covenants:

The subsidiary will not do or cause to be done the following except with the express written consent by Forest Plantation Development Sdn. Bhd. ("FPDSB"):

(i) Assign, transfer, sell, charge or otherwise howsoever deal with the subsidiary rights, title and interest under the loan agreement or the Security Documents or any part thereof or any interest therein or make the same subject to any change encumbrance liability or lien whatsoever or rescind remove or amend any condition or restriction affecting this Agreement or the Security Documents without the written consent of FPDSB first had and obtained; and

(ii) Give sub-concession of the Plantable Area, lease out or grant any license or otherwise howsoever part with the possession or make or accept the surrender of any lease whatsoever of and in respect of this Agreement or the Security Documents or the Plantable Area or the implementation of the Project without the consent in writing of FPDSB first had and obtained, provided however that nothing in this clause prohibits the Borrower from appointing or engaging sub-contractors to carry out various works or activities in relation to the implementation of the Project.

16. Loans and borrowings (continued)

16.6 Islamic Trade Financing-i

Manisraya Sdn. Bhd.

Significant covenants

The Islamic trade financing facility is subject to the fulfilment of the following significant covenants:

(a) not to grant any financings, loans or advances, or provide security or guarantee any person, except for normal trade credit or trade guarantee in the ordinary course of business;

(b) not to incur, assume or permit to exist any indebtedness or any loan or any financing under Islamic banking principles except those already disclosed in writing and consented to by the bank and unsecured indebtedness incurred in the ordinary course of business of the subsidiary;

(c) not to create or permit to subsist any Security Interest over any of its present and future assets, business or undertaking, except liens arising by operation of law and in the normal course of business and not by way of contract;

(d) not to effect or permit any form of merger, reconstruction, consolidation, amalgamation or reduction in share capital or otherwise approve or permit any change of ownership or control;

(e) not to dispose, sell or transfer or otherwise dispose of all or a substantial part of its assets or undertaking except in the ordinary course of its business, on ordinary commercial terms and on arm's length basis;

(f) not to enter into any partnership, profit-sharing or royalty agreement or other arrangement or whatsoever nature whereby the Issuer's income or profits derived from its main activities are, or might be, shared with any other person, firm or a company or enter into any management contract or other arrangement of whatsoever nature whereby the Issuer's business or operations are managed by any other person, firm or company, unless entered into in its ordinary course of business;

(g) not to engage or carry on any other business other than that as currently carried out or suspend or threaten to suspend any part of its business;

(h) not to add, delete, amend or substitute its memorandum or articles of association in a manner inconsistent with the provisions of the facility agreement, the other Security Documents and/or Transaction Documents, unless otherwise required under the law;

(i) not to take any step to wind up or dissolve itself;

(j) not to obtain or permit to exist any loans or advances from its shareholders, unless these loans and advances are subordinated to the Facilities in accordance with the provisions of this Agreement, the other Security Documents and/or Transaction Documents; and

(k) not to enter into any agreement with its shareholders, subsidiaries or associated companies, unless such agreement is entered into in the ordinary course of business, on an arm's-length basis and will not have a material adverse effect on the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

16. Loans and borrowings (continued)

16.7 Commodity Murabahah Term Financing-i

PT Persada Kencana Prima

Significant covenants

The Commodity Murabahah Term Financing-i are subject to the fulfilment of the following significant covenants:

(a) The subsidiary shall maintain a Finance Service Cover Ratio ("FSCR") of at least 1.25 times during the tenure of the Facility;

(b) The Company shall remain as holding company of the subsidiary either direct or indirect with effective shareholdings of not less than 93%;

(c) The Company shall remain as subsidiary of Lembaga Tabung Haji;

(d) The subsidiary shall utilize the Facility within its permitted purposes only;

(e) Subordination of all existing advances from the subsidiary's shareholders/directors/related companies of not less than 40% of the Plantation Cost i.e. USD16,740,000;

(f) The subsidiary shall not without the written consent of the lender incur any additional financings/borrowings.

(g) The subsidiary shall not declare or pay/repay advances, dividends or payments owing to the shareholders (including any interests) or redeem any preference shares without the prior written consent from the lender; and

(h) The subsidiary shall undertake to transfer and/or cause to transfer all revenue/income/equity contribution/takaful proceeds/insurance proceeds from the Proposed Development into Rupiah Revenue Account and USD Proceeds Account.

NOTES TO THE FINANCIAL STATEMENTS

16. Loans and borrowings (continued)

16.8 Reconciliation of movement of liabilities to cash flows arising from financing activities.

	At 1 January 2018 RM'000	Loan repayment RM'000	Proceeds from drawdown of loans and borrowings RM'000	Other changes RM'000	Transfer to held for sale RM'000	At 31 December 2018 RM'000
Group						
Flexi Term Financing-i	**30,715**	**(17,000)**	**-**	**-**	**(13,715)**	**-**
Commodity Murabahah Term Financing-i	**283,656**	**(24,000)**	**-**	**163**	**-**	**259,819**
SUKUK Murabahah Medium Term Notes	**895,000**	**-**	**-**	**-**	**-**	**895,000**
Term Financing	**30,812**	**-**	**8,710**	**(3,443)**	**-**	**36,079**
Islamic Trade Financing-i	**3,857**	**(120,360)**	**128,047**	**-**	**-**	**11,544**
Commodity Murabahah Term Financing-i	**-**	**-**	**38,612**	**-**	**-**	**38,612**
	1,244,040	**(161,360)**	**175,369**	**(3,280)**	**(13,715)**	**1,241,054**

	At 1 January 2017 RM'000	Loan repayment RM'000	Proceeds from drawdown of loans and borrowings RM'000	Other changes RM'000	At 31 December 2017 RM'000
Group					
Flexi Term Financing-i	43,715	(13,000)	-	-	30,715
Commodity Murabahah Term Financing-i	78,493	(15,000)	220,000	163	283,656
SUKUK Murabahah Medium Term Notes	1,120,000	(225,000)	-	-	895,000
Term Financing	20,966	-	20,808	(10,962)	30,812
Ijarah Term Financing-I Facility	7,680	(7,680)	-	-	-
Islamic Trade Financing-i	17,671	(148,937)	135,123	-	3,857
	1,288,525	(409,617)	375,931	(10,799)	1,244,040

NOTES TO THE FINANCIAL STATEMENTS

17. Employee benefits

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Defined benefit obligations	**269**	269	-
Fair value of plan assets	**273**	-	-
Net defined benefit liabilities	**542**	269	-

The Staff Retirement Benefits Scheme ("the Scheme") provides pension benefits for eligible employees upon retirement. A subsidiary of the Group participated in making contributions to the Scheme.

Share-based payments arrangement

On 25 November 2008, the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the Company. In accordance with these programmes, options were exercisable at the market price of the shares at the date of grant.

At a Board of Director Meeting held on 25 February 2014, the Board approved for all the ESOS scheme to be extended to three (3) years until 7 May 2017.

The number and weighted average exercise prices of share options were as follows:

	2018		2017	
	Weighted average exercise price RM	Number of options '000	Weighted average exercise price RM	Number of options '000
Outstanding at 1 January	-	-	1.48	13,224
Forfeited during the year	-	-	1.27	-
Forfeited during the year	-	-	1.45	(24)
Forfeited during the year	-	-	1.74	(30)
Exercised during the year	-	-	1.27	-
Exercised during the year	-	-	1.45	-
Exercised during the year	-	-	1.74	-
Lapsed during the year	-	-	1.27	(4,808)
Lapsed during the year	-	-	1.45	(2,732)
Lapsed during the year	-	-	1.74	(5,630)

There is no outstanding options as at 31 December 2018 as the options has expired on 7 May 2017.

17. Employee benefits (continued)

Share option reserves

	Group and Company	
	2018 RM'000	**2017 RM'000**
At 1 January	**-**	2,213
Fair value adjustment	**-**	(2,213)
At 31 December	**-**	-

18. Deferred income

		Group	
	Note	**2018 RM'000**	**2017 RM'000**
Government grant			
At 1 January		**-**	-
Fair value on government grant	18.1	**5,192**	12,758
Fair value recognised in profit and loss	18.1	**(5,192)**	(12,758)
At 31 December		**-**	-

A subsidiary of the Company received a loan facility in 2015 which was conditional upon managing, planting and silvicultural treatment of the timber species within a plantable area and further to undertake tapping (for rubber species), cutting, collecting, removing and/or selling the planted timber trees. During the financial year, the subsidiary made an additional drawdown amounting to RM8,710,000 (31.12.2017: RM20,808,000; 1.1.2017: RM5,152,000).

18.1 Government grant arises due to loans received from government agency at interest rate which is below market rate. The loan is recognised and measured at fair value. The benefit of the lower interest and longer repayment period is recognised as government grant. The term financing received during the year has been fair valued based on discounted cash flows using a rate based on the current market rate of borrowing at reporting date. The repayment of the loan is estimated to be made after 20 years (see note 16.5).

NOTES TO THE FINANCIAL STATEMENTS

18. Deferred income (continued)

18.2 Fair value information

Fair value of government grant categorised as follows:

	Level 3 RM'000	Total RM'000
31.12.2018		
Government grant	**5,192**	**5,192**
31.12.2017		
Government grant	12,758	12,758
1.1.2017		
Government grant	3,120	3,120

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 of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value of the grant is the difference between the fair value of the government loan and the cash received from the loan. The fair value of the loan is determined using discounted cash flows. The valuation method considers the present value of net cash flows to be payables to lender, taking into account current profit margin rate (base lending rate plus spread), and expected repayment period. The expected net cash flows are discounted using risk-adjusted discount rates.	• Profit margin rate (7.76%) • Repayment period (20 years)	The estimated fair value would increase/(decrease) if: • Expected proft margin rate were higher/(lower); • Expected repayment period were longer/(shorter).

NOTES TO THE FINANCIAL STATEMENTS

19. Trade and other payables

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current							
Non-trade							
Amount due to holding corporation	19.1	**-**	11,635	-	**-**	11,635	-
Amount due to related companies	19.2	**10,388**	36,683	13,656	**9,000**	35,393	12,457
		10,388	48,318	13,656	**9,000**	47,028	12,457
Current							
Trade							
Trade payables		**80,253**	39,288	50,540	**6,955**	3,815	8,501
Non-trade							
Amount due to holding corporation	19.3	**13,186**	2,516	6,796	**13,186**	2,516	6,796
Amount due to subsidiaries	19.4	**-**	-	-	**384,031**	344,746	232,173
Amount due to related companies	19.4	**58,328**	21,802	32,978	**58,328**	21,802	32,978
Other payables		**41,607**	45,671	56,326	**5,975**	7,857	8,021
Accrued expenses		**26,768**	25,954	24,733	**3,877**	2,952	219
Dividend payable:							
- Owner of the company	19.5	**155**	634	23,500	**155**	634	-
- Non-controlling interest	19.5	**11,998**	11,158	10,573	**-**	-	-
		152,042	107,735	154,906	**465,552**	380,507	280,187
Transfer to assets held for sale	14	**(29,594)**	(8,885)	-	**-**	-	-
		202,701	138,138	205,446	**472,507**	384,322	288,688

19.1 The amount due to holding corporation is unsecured, no profit margin applied and stated at amortised cost.

19.2 The amount due to related companies is unsecured, no profit margin applied and stated at amortised cost. The amount is to be repaid over the next nine (9) years (2017: ten (10) years).

The following table shows the valuation technique used in the determination of fair value during initial recognition, which is within Level 3, as well as the significant unobservable inputs used in the valuation models.

Type	Significant unobservable inputs	Description of valuation technique and inputs used
• Amount due to related companies	• Profit margin rate (7.60%)	Discounted cash flows using a rate based on the current market rate of borrowing of the Group and Company at the entities reporting date.

The difference between nominal and fair value has been taken up in other reserve as contribution from the holding company.

NOTES TO THE FINANCIAL STATEMENTS

19. Trade and other payables (continued)

19.3 The amount due to holding corporation is unsecured, no profit margin applied, and is repayable on demand.

19.4 The amount due to subsidiaries and related companies are unsecured, subject to profit margin ranges from 3.13% to 3.40% (31.12.2017: 3.13% to 3.26%; 1.1.2017: 3.17% to 3.36%) and are repayable on demand.

19.5 Reconciliation of movement of dividend payables

	Non-controlling interest RM'000	Owner of the Company RM'000	Total RM'000
2018			
Group			
At 1 January	**11,158**	**634**	**11,792**
Dividend declared during the year	**840**	**17,676**	**18,516**
Dividend paid	**-**	**(18,155)**	**(18,155)**
At 31 December	**11,998**	**155**	**12,153**
Company			
At 1 January		**634**	**634**
Dividend declared during the year		**17,676**	**17,676**
Dividend paid		**(18,155)**	**(18,155)**
At 31 December		**155**	**155**
2017			
Group			
At 1 January	10,573	23,500	34,073
Dividend declared during the year	5,377	67,173	72,550
Dividend paid	(4,792)	(90,039)	(94,831)
At 31 December	11,158	634	11,792
Company			
At 1 January		-	-
Dividend declared during the year		67,173	67,173
Dividend paid		(66,539)	(66,539)
At 31 December		634	634

19. Trade and other payables (continued)

19.6 Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 January 2018 RM'000	Net changes from financing cash flows RM'000	At 31 December 2018 RM'000
Group			
Amount due to holding corporation	**14,151**	**(965)**	**13,186**
Amount due to related companies	**58,485**	**10,231**	**68,716**
	72,636	**9,266**	**81,902**
Company			
Amount due to holding corporation	**14,151**	**(965)**	**13,186**
Amount due to related companies	**57,195**	**10,133**	**67,328**
Amount due to subsidiaries	**344,746**	**39,285**	**384,031**
	416,092	**48,453**	**464,545**

	At 1 January 2017 RM'000	Net changes from financing cash flows RM'000	At 31 December 2017 RM'000
Group			
Amount due to holding corporation	6,796	7,355	14,151
Amount due to related companies	46,634	11,851	58,485
	53,430	19,206	72,636
Company			
Amount due to holding corporation	6,796	7,355	14,151
Amount due to related companies	45,435	11,760	57,195
Amount due to subsidiaries	232,173	112,573	344,746
	284,404	131,688	416,092

NOTES TO THE FINANCIAL STATEMENTS

20. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customers	**519,178**	687,982	**105,045**	152,202
Other revenue:				
Dividend income	**146**	-	**20,349**	35,203
Total revenue	**519,324**	687,982	**125,394**	187,405

20.1 Disaggregation of revenue

	Oil palm plantations		Other segments		Total	
Group	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Primary geographical markets						
Malaysia	**519,178**	687,982	**-**	-	**519,178**	687,982
Indonesia	**-**	-	**-**	-	**-**	-
	519,178	687,982	**-**	-	**519,178**	687,982
Major products						
Crude Palm Oil ("CPO")	**386,630**	510,306	**-**	-	**386,630**	510,306
Palm Kernel ("PK")	**67,103**	107,347	**-**	-	**67,103**	107,347
Fresh Fruits Bunches ("FFB")	**65,445**	70,329	**-**	-	**65,445**	70,329
	519,178	687,982	**-**	-	**519,178**	687,982
Timing and recognition						
At a point in time	**519,178**	687,982	**-**	-	**519,178**	687,982
Revenue from contracts with customers	**519,178**	687,982	**-**	-	**519,178**	687,982
Other revenue	**-**	-	**146**	-	**146**	-
Total revenue	**519,178**	687,982	**146**	-	**519,324**	687,982

20. Revenue (continued)

	Oil palm plantations		Other segments		Total	
Company	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Major products						
Crude Palm Oil ("CPO")	**80,835**	115,276	**-**	-	**80,835**	115,276
Palm Kernel ("PK")	**16,334**	27,308	**-**	-	**16,334**	27,308
Fresh Fruits Bunches ("FFB")	**7,876**	9,618	**-**	-	**7,876**	9,618
	105,045	152,202	**-**	-	**105,045**	152,202
Timing and recognition						
At a point in time	**105,045**	152,202	**-**	-	**105,045**	152,202
Revenue from contracts with customers	**105,045**	152,202	**-**	-	**105,045**	152,202
Other revenue	**-**	-	**20,349**	35,203	**20,349**	35,203
Total revenue	**105,045**	152,202	**20,349**	35,203	**125,394**	187,405

20.2 Nature of goods and services

The following information reflects the typical transactions of the Group and the Company:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration
CPO	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 days from invoice date.	There would be penalty charges where the quality of CPO is below certain threshold.
PK	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 days from invoice date.	There would be penalty charges where the quality of PK is below certain threshold.
FFB	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 days from invoice date.	Penalty in relation to ripeness standard of the crop.

NOTES TO THE FINANCIAL STATEMENTS

21. Cost of sales

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Oil palm plantations	**467,420**	491,261	**86,072**	125,054
Forestry	**16,809**	10,688	**-**	-
	484,229	501,949	**86,072**	125,054

22. Other expenses

Included in other expenses are impairment in relation to property, plant and equipment, plantation development expenditure, intangible assets and investment in subsidiaries.

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment of:					
Property, plant and equipment	22.1	**258,971**	-	**-**	-
Plantation development expenditure	22.1	**83,193**	929	**-**	-
Intangible assets	22.1	**63,504**	-	**-**	-
Investment in subsidiaries	22.2	**-**	-	**315,289**	2,500
		405,668	929	**315,289**	2,500

22.1 Impairment of property, plant and equipment, PDE and intangible assets

During the financial year, the Board of Director of the Company approved a plan to dispose the Group's interest in several subsidiaries. Subsequent to this, the Group has engaged two (2) valuers to perform a valuation on the plantation assets of the subsidiaries. The details of impairment loss arising from the valuations performed are as follows:

	Note	Property, plant and equipment RM'000	Plantation development expenditure RM'000	Intangible assets RM'000	Total RM'000
Group					
Bumi Suria Ventures Sdn. Bhd./ Maju Warisanmas Sdn. Bhd.*	(i)	**233,948**	-	**59,410**	293,358
Hydroflow Sdn. Bhd.*	(ii)	**-**	-	**4,094**	4,094
THP-YT Plantation Sdn. Bhd.*	(iii)	**4,544**	23,448	**-**	27,992
TH PELITA Simunjan Sdn. Bhd.*	(iv)	**18,083**	15,057	**-**	33,140
PT Persada Kencana Prima	(v)	**-**	42,525	**-**	42,525
TH PELITA Gedong Sdn. Bhd.	(vi)	**2,396**	2,163	**-**	4,559
		258,971	83,193	**63,504**	405,668

* These are in relation to disposal group held for sale (see note 14).

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(i) Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd.

The Group has engaged a different registered valuer during the year as compared to prior year. In prior year the assets have been fair valued by a registered valuer for the purpose of impairment testing of goodwill. The cash–generating unit consist of planted area in relation to palm oil, unplantable area and a quarry area which the recoverable amount based on valuation report are RM38,690 per hectare, RM12,364 per hectare and RM24,702 per hectare respectively.

The assets have been valued during the current year based on different key assumptions as compared to prior year. The differences between the key assumptions during the current year as compared to prior year are as below:

(a) Plantation land value at the end of the bearer plant cycle has not been considered as compared to prior year where the plantation land value was included at the end of the bearer plant cycle;

(b) Pre-tax discount rate of 14% has been used during the current year as compared to prior year where a pre-tax discount rate of 9% was used; and

(c) In the current year, replanting cost has been incorporated in the discounted cash flow if an area is due for replanting before the end of the discounted cash flow cycle of thirty (30) years and the subsequent revenue are factored in until the end of the cash flow cycle. In the prior year, no replanting cost nor future revenue was incorporated if an area was due for replanting before the end of the discounted cash flow cycle of thirty (30) years.

The changes in the other key assumptions as compared to prior year are as the result from the change in the market condition of the assets.

NOTES TO THE FINANCIAL STATEMENTS

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(i) Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd. (continued)

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in current year and prior year.

Description of valuation technique and inputs used	Significant unobservable inputs in current year	Significant unobservable inputs in prior year	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: the valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost and plantation land value. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.00mt/ha - 25.00mt/ha) • FFB sales price (RM550/mt) • Upkeep and maintenance cost (RM1,300/ha - RM1,800/ha) • Pre-tax discount rate in relation to bearer plant (14%) • Plantation land value (Nil) • Pre-tax discount rate in relation to plantation land (Nil)	• Expected projected FFB yield (19.00mt/ha - 30.00mt/ha) • FFB sales price (RM500/mt) • Upkeep and maintenance cost (RM1,770/ha - RM3,415/ha) • Pre-tax discount rate in relation to bearer plant (9% - 9.5%) • Plantation land value (RM34,900/ha - RM35,000/ha) • Pre-tax discount rate in relation to plantation land (4.25%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price were higher/(lower); • Upkeep and maintenance cost were lower/(higher); • Discount rates were lower/(higher); • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

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

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM38,690 per hectare for planted area in relation to palm oil, RM12,364 per hectare for unplantable area and RM24,702 per hectare for a quarry area. An impairment loss of RM293,358,000 has been recognised in profit or loss.

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(i) Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd. (continued)

The above estimates are particularly sensitive to the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM14,700,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM19,300,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM10,600,000.
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM11,000,000.

If the key assumptions used during the current year is consistent with prior year, the impact would have been as follows:

- Factoring plantation land value consistent with prior year (RM35,000/ha) discounted at 4.25% would have resulted in a decrease of impairment loss amounting to approximately RM48,619,000.
- If a pre-tax discount rate of 9% to 9.5% been used, it would have resulted in a decrease of impairment loss amounting to approximately RM59,988,000.
- If no future replanting cost nor future revenue are considered if an area is due for replanting before the end of the cycle, it would have resulted in a decrease of impairment loss amounting to approximately RM2,385,000.

(ii) Hydroflow Sdn. Bhd.

The Group has engaged a different registered valuer during the year as compared to prior year. In prior year the assets have been fair valued by a registered valuer for the purpose of impairment testing of goodwill. The cash–generating unit consist of planted area in relation to oil palm and unplantable area which the recoverable amount based on valuation report are RM40,742 per hectare and RM14,826 per hectare respectively.

The assets have been valued during the current year based on different key assumptions as compared to prior year. The differences between the key assumptions during the current year as compared to prior year are as below:

(a) Factoring plantation land value at the end of the bearer plant cycle has not been considered as compared to prior year where the plantation land value was included at the end of the bearer plant cycle;
(b) Pre-tax discount rate of 14% has been used during the current year as compared to prior year where a pre-tax discount rate of 9% was used; and
(c) In the current year, replanting cost has been incorporated in the discounted cash flow if an area is due for replanting before the end of the discounted cash flow cycle of thirty (30) years and the subsequent revenue are factored in until the end of the cash flow cycle. In the prior year, no replanting cost nor future revenue was incorporated if an area was due for replanting before the end of the discounted cash flow cycle of thirty (30) years.

The changes in the other key assumptions as compared to prior year are as the result from the change in the market condition of the assets.

NOTES TO THE FINANCIAL STATEMENTS

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(ii) Hydroflow Sdn. Bhd. (continued)

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in current year and prior year.

Description of valuation technique and inputs used	Significant unobservable inputs in current year	Significant unobservable inputs in prior year	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.00mt/ha - 25.00mt/ha) • FFB sales price (RM550/mt) • Upkeep and maintenance cost (RM1,200/ha - RM2,000/ha) • Pre-tax discount rate (14%) • Plantation land value (Nil) • Pre-tax discount rate (Nil)	• Expected projected FFB yield (13.20mt/ ha - 25.40mt/ha) • FFB sales price (RM500/mt) • Upkeep and maintenance cost (RM1,525/ha - RM3,725/ha) • Pre-tax discount rate (9% - 9.5%) • Plantation land value (RM18,100/ha) • Pre-tax discount rate (4.25%)	The estimated fair value would increase/ (decrease) if: • Expected projected FFB yield were higher/ (lower); • FFB sales price were higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher). • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

NOTES TO THE FINANCIAL STATEMENTS

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(ii) Hydroflow Sdn. Bhd. (continued)

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

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM40,742 per hectare for planted area in relation to oil palm and RM14,826 per hectare for unplantable area. An impairment loss of RM4,094,000 has been recognised in profit or loss.

The above estimates are particularly sensitive to the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM7,100,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM8,800,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM5,100,000.
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM5,600,000.

If the key assumption used during the current year is consistent with prior year, the impact would have been as follows:

- Factoring plantation land value consistent with prior year (RM18,100/ha) discounted at 4.25% would have resulted in no impairment loss.
- If a pre-tax discount rate of 9% to 9.5% been used, it would have resulted in no impairment loss.
- If no future replanting cost nor future revenue are considered if an area is due for replanting before the end of the cycle, it would have resulted in an increase of impairment loss amounting to RM40,000.

NOTES TO THE FINANCIAL STATEMENTS

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(iii) THP-YT Plantation Sdn. Bhd.

The Group has engaged a different registered valuer during the year as compared to prior year. In prior year the assets have been fair valued by a registered valuer due to heavy floods which had caused the performance of the bearer plant to be lower than the management's expectation. The cash–generating unit consist of planted area in relation to oil palm and plantable area which the recoverable amount based on valuation report are RM32,258 per hectare and RM12,500 per hectare respectively.

The changes in the key assumptions as compared to prior year are as the result from the change in the market condition of the assets.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in current year and prior year.

Description of valuation technique and inputs used	Significant unobservable inputs in current year	Significant unobservable inputs in prior year	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, plantation land value, and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.21mt/ha – 23.00mt/ha) • FFB sales price (RM437/mt – RM486/mt) • Upkeep and maintenance cost (RM850/ha – RM2,655/ha) • Pre-tax discount rate for bearer plant (9%) • Plantation land value (RM21,647/ha) • Pre-tax discount rate for plantation land value (4.5%)	• Expected projected FFB yield (13.2mt/ha - 30mt/ha) • FFB sales price (RM500/mt) • Upkeep and maintenance cost (RM1,525/ha - RM3,725/ha) • Pre-tax discount rate for bearer plant (9% - 9.5%) • Plantation land value (RM18,100/ha - RM35,000/ha) • Pre-tax discount rate for plantation land value (4.25%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price were higher/(lower); • Upkeep and maintenance cost were lower/(higher); • Discount rates were lower/(higher). • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(iii) THP-YT Plantation Sdn. Bhd. (continued)

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

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM32,258 per hectare for planted area in relation to oil palm and RM12,500 per hectare for plantable area. An impairment loss of RM27,992,000 has been recognised in profit or loss.

The above estimates are particularly sensitive to the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM5,153,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM6,957,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM5,074,000.
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM4,611,000.

(iv) TH PELITA Simunjan Sdn. Bhd.

The Group has engaged a registered valuer. The cash–generating unit consist of planted area in relation to palm oil which the recoverable amount based on valuation report is RM38,320 per hectare.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in current year.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.00mt/ha - 25.00mt/ha) • FFB sales price (RM550/mt) • Upkeep and maintenance cost (RM1,300/ha - RM1,700/ha) • Pre-tax discount rate (14%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher).

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

NOTES TO THE FINANCIAL STATEMENTS

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(iv) TH PELITA Simunjan Sdn. Bhd. (continued)

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. Based on the fair value less cost to sell, the carrying amount of cash-generating unit is higher than the recoverable amount of RM38,320 per hectare for planted area in relation to palm oil. An impairment loss of RM33,140,000 has been recognised in profit or loss.

The above estimates are particularly sensitive in the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM10,800,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM13,300,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM3,600,000.
- An increase of 1% in the discount rate would have resulted in an impairment loss of RM7,800,000.
- If a plantation land value of RM31,540 per hectare was included in the discounted cash flow, it would have resulted in no impairment loss.
- If a pre-tax discount rate of 9% been used, it would have resulted in a decrease of impairment loss amounting to approximately RM40,986,000.

(v) Impairment in relation to PT Persada Kencana Prima

During the financial year, the Group has engaged a registered valuer's to value the estates of the subsidiary that has not been performing up to the Group's expectation. The carrying amount of PDE of the estates as at 31 December 2018 amounted to RM104,347,000. The Company has exercised significant judgement in assessing the estate recoverable amount using fair value less cost to sell. The cash–generating unit consist of planted area in relation to palm oil and plantable area which the recoverable amount based on valuation report are RM6,593 per hectare and RM13,790 per hectare respectively.

Fair value less cost to sell is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost to sell is a Level 3 fair value measurement.

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(v) Impairment in relation to PT Persada Kencana Prima (continued)

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, plantation land value at the end of the cycle and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (7mt/ha - 25mt/ha) • FFB sales price (RM298/mt - RM331/mt) • Upkeep and maintenance cost (RM640/ha - RM2,400/ha) • Pre-tax discount rate in relation to bearer plant (13%) • Plantation land value (RM10,500/ha) • Pre-tax discount rate in relation to plantation land value (6%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); • Discount rates were lower/(higher); • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

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

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM6,593 per hectare for planted area in relation to palm oil and RM13,790 per hectare for plantable area. An impairment loss of RM42,525,000 has been recognised in the profit or loss.

The above estimates are particularly sensitive to the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM2,141,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM2,980,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM4,016,000.
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM1,197,000.

NOTES TO THE FINANCIAL STATEMENTS

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(vi) Impairment in relation to TH PELITA Gedong Sdn. Bhd.

During the financial year, two (2) areas of bearer plant of a subsidiary of the Group have experienced heavy floods which had caused the performance of the bearer plant to be lower than the management's expectation. The carrying amount of the bearer plant as at 31 December 2018 amounted to RM6,317,000 and RM10,047,000 respectively. Two (2) areas of an estate have not been declared matured even though the age of these estates are 96 months. The carrying amount of the PDE of the estates as at 31 December 2018 amounted to RM7,374,000 and RM6,401,000 respectively.

The recoverable amounts of the cash-generating units were based on their values in use. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit.

The following table summarises the valuation method and assumptions used in the determination of value in use as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from the estate, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (10mt/ha - 23mt/ha) • FFB sales price (RM500/mt) • Upkeep and maintenance cost (RM1,629/ha - RM1,798/ha) • Pre-tax discount rate (10%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher).

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

Based on the value in use, the carrying amount of the estates is higher than the recoverable amount of RM25,579,000. An impairment loss of RM4,559,000 has been recognised in the profit or loss.

22. Other expenses (continued)

22.1 Impairment of property, plant and equipment, PDE and intangible assets (continued)

(vi) Impairment in relation to TH PELITA Gedong Sdn. Bhd. (continued)

The above estimates are particularly sensitive to the following assumptions:

- An increase of 5% in the discount rate would have resulted in an increase of impairment loss of RM8,332,000.
- A reduction in price of FFB by 10% would have resulted in an increase of impairment loss of RM4,804,000.
- A reduction in yield per hectare by 10% would have resulted in an increase of impairment loss of RM4,106,000.

22.2 Impairment of subsidiaries

During the financial year, the Board of Director of the Company carried out impairment test on some of the cost of investment in subsidiaries for the purpose of disposal, for accounting purpose, and for valuation of certain non-performing assets in Indonesia. The fair values of these investments were estimated based upon the fair value of the underlying assets of the subsidiaries. Based on the valuation performed by valuers, the carrying amount of the subsidiaries classified as disposal group held for sale are higher than the recoverable amount of RM nil (see note 14). An impairment loss of RM302,879,000 has been recognised in the profit or loss. The Company had also recognised RM12,410,000 in its profit or loss to write down its cost of investment in an Indonesia subsidiary after considering the future profitability of this entity.

Fair value less cost to sell is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost to sell is a Level 3 fair value measurement. The assumptions used to derive to the fair value less cost to sell are as disclosed in note 5.2 and note 22.1.

The estimates are particularly sensitive to the following assumptions:

- An increase in FFB yield per hectare by 5% would have resulted in a decrease of impairment loss of RM21,994,000.
- An increase in price of FFB by 5% would have resulted in a decrease of impairment loss of RM29,237,000.
- A reduction of 10% in the upkeep and maintenance cost would have resulted in a decrease of impairment loss of RM19,690,000.
- A reduction of 1% in the discount rate would have resulted in a decrease of impairment loss of RM16,808,000.

NOTES TO THE FINANCIAL STATEMENTS

22. Other expenses (continued)

22.2 Impairment of subsidiaries (continued)

If the key assumptions used during the current year is consistent with prior year, the impact would have been as follows:

- Factoring plantation land value consistent with prior year (RM35,000/ha) discounted at 4.25% would have resulted in a decrease of impairment loss amounting to approximately RM48,619,000.
- If a pre-tax discount rate of 9% to 9.5% been used, it would have resulted in a decrease of impairment loss amounting to approximately RM59,988,000.
- If no future replanting cost nor future revenue are considered if an area is due for replanting before the end of the cycle, it would have resulted in a decrease of impairment loss amounting to approximately RM2,385,000.

23. Profit margin income

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit margin income on financial assets that are not at fair value through profit or loss:				
- intercompany receivables	**-**	-	**9,004**	5,423
- loans and receivables	**1,001**	3,884	**927**	3,768
Recognised in profit or loss	**1,001**	3,884	**9,931**	9,191

NOTES TO THE FINANCIAL STATEMENTS

24. Finance cost

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Finance cost on financial liabilities that are not at fair value through profit or loss:				
- loans and borrowings	**76,155**	77,838	**9,615**	4,553
- profit margin expense on subsidiaries	**-**	-	**6,299**	10,048
- profit margin expense on related companies	**3,129**	2,384	**3,031**	2,384
	79,284	80,222	**18,945**	16,985
Recognised in profit or loss	**67,006**	64,541	**17,582**	15,752
Capitalised in plantation development expenditure	**12,278**	15,681	**1,363**	1,233
	79,284	80,222	**18,945**	16,985

25. Tax expense/(credit)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current tax expense				
Malaysia - current year	**15,274**	30,714	**450**	2,640
- prior years	**(2,594)**	389	**(684)**	866
Total current tax recognised in profit or loss	**12,680**	31,103	**(234)**	3,506
Deferred tax expense				
Origination and reversal of temporary differences	**(115,632)**	4,664	**1,348**	(462)
(Over)/Under provision in prior year	**(4,991)**	(5,998)	**(2,167)**	4,608
Write-down of deferred tax assets	**88,214**	-	**-**	-
Total deferred tax recognised in profit or loss	**(32,409)**	(1,334)	**(819)**	4,146
Total income tax (credit)/expense	**(19,729)**	29,769	**(1,053)**	7,652
Reconciliation of tax expense				
(Loss)/Profit for the year	**(658,382)**	31,230	**(409,537)**	31,191
Total income tax (credit)/expense	**(19,729)**	29,769	**(1,053)**	7,652
(Loss)/Profit excluding tax	**(678,111)**	60,999	**(410,590)**	38,843
Tax calculated using Malaysian tax rate of 24% (2017: 24%)	**(162,747)**	14,639	**(98,542)**	9,322
Non-assessable income	**(842)**	(6,677)	**(7,044)**	(7,144)
Non-deductible expenses	**63,231**	8,767	**107,384**	-
Write-down of deferred tax asset	**88,214**	18,649	**-**	-
(Over)/Under provided in prior years:				
- current tax	**(2,594)**	389	**(684)**	866
- deferred tax	**(4,991)**	(5,998)	**(2,167)**	4,608
Total income tax (credit)/expense	**(19,729)**	29,769	**(1,053)**	7,652

NOTES TO THE FINANCIAL STATEMENTS

26. (Loss)/Profit for the year

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
(Loss)/Profit for the year is arrived at after charging:				
Auditors' remuneration:				
- Audit fees				
KPMG Malaysia	**985**	975	**190**	190
- Non-audit fees				
KPMG Malaysia	**317**	208	**20**	20
Material expenses/(income)				
Personnel expenses (including key management personnel):				
- Wages, salaries and others	**120,434**	121,834	**8,573**	9,882
- Contribution to Employees Provident Fund	**8,752**	9,176	**515**	676
Property, plant and equipment written off	**33,768**	319	**5**	10
Plantation development expenditure written off	**12,028**	1,193	**-**	-
Rental expense in respect of:				
- Premises	**4,722**	3,792	**4,722**	3,792
- Land	**2,928**	2,928	**2,928**	2,928
Impairment loss on amount due from subsidiaries	**-**	-	**116,116**	-
Impairment loss on amount due from related companies	**4,317**	-	**4,317**	-
Impairment loss on property, plant and equipment	**258,971**	-	**-**	-
Impairment loss on plantation development expenditure	**83,193**	929	**-**	-
Impairment loss on intangible asset	**63,504**	-	**-**	-
Impairment loss on other receivables	**114**	11,150	**114**	6,358
Nurseries written off	**3,116**	-	**-**	-
Impairment loss on investment in subsidiaries	**-**	-	**315,289**	2,500
Rental income from property	**-**	-	**(8,569)**	(7,641)

NOTES TO THE FINANCIAL STATEMENTS

27. Other comprehensive income

Group	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000
2018			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	**(4,062)**	**-**	**(4,062)**
Remeasurement on defined benefit liability	**(185)**	**-**	**(185)**
2017			
Item that is or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(8,614)	-	(8,614)
Remeasurement on defined benefit liability	(30)	-	(30)

28. Earnings per ordinary share

The calculation of basic and diluted earnings per share for the year ended 31 December 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2018 RM'000	2017 RM'000
(Loss)/Profit for the year attributable to shareholders	**(594,608)**	22,409

Weighted average number of ordinary shares

	Group	
	2018 '000	2017 '000
Weighted average number of ordinary shares at 31 December	**883,851**	883,851

Weighted average number of ordinary shares (diluted)

	Group	
	2018 '000	2017 '000
Weighted average number of ordinary shares at 31 December	**883,851**	883,851

	Group	
	2018 Sen	2017 Sen
Basic earnings per ordinary share	**(67.27)**	2.54
Diluted earnings per ordinary share	**(67.27)**	2.54

NOTES TO THE FINANCIAL STATEMENTS

29. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2018			
Final 2017 ordinary (net of tax)	**2.00**	**17,676**	**4 June 2018**
2017			
Interim 2017 ordinary (net of tax)	1.60	14,142	22 December 2017
Final 2016 ordinary (net of tax)	6.00	53,031	2 June 2017
		67,173	

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2018.

30. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different strategies. For each of the strategic business units, the Chief Executive Officer, who is the Chief Operating Decision Maker ("CODM"), reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Oil palm plantations* Includes cultivation of oil palm, processing of FFB, marketing of CPO, PK and FFB.
- *Forestry* Harvesting of rubberwood.

These operating segments are disaggregated due to different nature and different economic characteristic of the products.

The cultivation of oil palm, processing of FFB, marketing of CPO, PK and FFB are aggregated to form a reportable segment as oil palm plantations due to similar nature and economic characteristics of the products. The nature and methods of distribution of the products for these division are similar. The type of customers are similar, which is industrial customers.

30. Operating segments (continued)

There are varying levels of integration between reportable segments, the oil palm plantations and forestry reportable segments. This integration includes sharing of human resources function. The accounting policies of the reportable segments are the same as described in note 2(t).

Performance is measured based on segment profit before tax, interest, and depreciation, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

30. Operating segments (continued)

	Oil palm plantations		Forestry		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Segment profit/(loss)	**97,061**	251,187	**(151,109)**	12,746	**(54,048)**	263,933
Included in the measure of segment profit/(loss) are:						
Revenue from external customers	**519,178**	687,982	**-**	-	**519,178**	687,982
Fair value loss on biological assets	**(9,856)**	(25,689)	**-**	-	**(9,856)**	(25,689)
Fair value (loss)/gain on forestry	**-**	-	**(134,300)**	25,486	**(134,300)**	25,486
Not included in the measure of segment profit but provided to Group's Chief Executive Officer						
Depreciation and amortisation	**(97,502)**	(82,329)	**(2,839)**	(3,990)	**(100,341)**	(86,319)
Finance costs	**(123,269)**	(125,380)	**(10,717)**	(10,232)	**(133,986)**	(135,612)
Profit margin income from short-term investments and receivables	**67,971**	74,901	**10**	54	**67,981**	74,955
Fair value of government grant	**-**	-	**5,192**	12,758	**5,192**	12,758
Segment assets	**5,056,519**	5,644,736	**100,858**	224,737	**5,157,377**	5,869,473
Additions to non-current assets other than financial instrument and deferred tax assets	**85,703**	120,813	**286**	396	**85,989**	121,209

30. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and other material items

	2018 RM'000	2017 RM'000
Group		
Profit or loss		
Total profit or loss for reportable segments	**(54,048)**	263,933
Other non-reportable segments	**146**	-
Depreciation and amortisation	**(100,341)**	(86,319)
Finance cost	**(67,006)**	(64,541)
Finance income	**1,001**	3,884
Unallocated (expenses)/income:		
Impairment loss	**(405,668)**	-
Corporate expenses	**(48,084)**	(60,327)
Others	**(4,111)**	4,369
Consolidated (loss)/profit before tax	**(678,111)**	60,999

NOTES TO THE FINANCIAL STATEMENTS

30. Operating segments (continued)

	Fair value loss on biological assets RM'000	Fair value (loss)/ gain on forestry RM'000	External revenue RM'000	Depreciation RM'000	Finance costs RM'000	Profit margin income RM'000	Fair value of government grant RM'000	Segment assets RM'000	Additions to non-current assets RM'000
2018									
Total profit or loss for reportable segments	**(9,856)**	**(134,300)**	**519,178**	**(100,341)**	**(133,986)**	**67,981**	**5,192**	**5,157,377**	**85,989**
Other non-reportable segments	**-**	**-**	**146**	**-**	**-**	**-**	**-**	**-**	**-**
Elimination of inter-segment transaction or balances	**-**	**-**	**-**	**-**	**66,980**	**(66,980)**	**-**	**(2,287,246)**	**(576)**
Consolidated total	**(9,856)**	**(134,300)**	**519,324**	**(100,341)**	**(67,006)**	**1,001**	**5,192**	**2,870,131**	**85,413**
2017									
Total profit or loss for reportable segments	(25,689)	25,486	687,982	(86,319)	(135,612)	74,955	12,758	5,869,473	121,209
Elimination of inter-segment transaction or balances	-	-	-	-	71,071	(71,071)	-	(2,307,050)	(1,106)
Consolidated total	(25,689)	25,486	687,982	(86,319)	(64,541)	3,884	12,758	3,562,423	120,103

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Revenue		Non-current assets		
	2018 RM'000	2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Malaysia	**519,324**	687,982	**1,792,931**	3,097,998	3,097,636
Indonesia	**-**	-	**106,919**	91,893	79,419
	519,324	687,982	**1,899,850**	3,189,891	3,177,055

30. Operating segments (continued)

Major customers

The following are major customers with revenue equal or more than 10 percent of Group revenue:

	2018 RM'000	2017 RM'000	Segment
Mewaholeo Industries Sdn. Bhd.	**55,227**	53,129	Oil palm plantations
SOP Edible Oils Sdn. Bhd.	**63,279**	92,912	Oil palm plantations
Bintulu Edible Oils Sdn. Bhd.	**124,833**	166,866	Oil palm plantations

31. Financial instruments

31.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(a) Fair value through profit or loss ("FVTPL"); and
(b) Amortised cost ("AC").

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
31.12.2018			
Group			
Financial assets			
Other investments	**3,713**	**1,888**	**1,825**
Trade and other receivables*	**35,560**	**35,560**	**-**
Cash and cash equivalents	**50,561**	**50,561**	**-**
	89,834	**88,009**	**1,825**
Financial liabilities			
Loans and borrowings	**(1,241,054)**	**(1,241,054)**	**-**
Trade and other payables	**(213,089)**	**(213,089)**	**-**
	(1,454,143)	**(1,454,143)**	**-**
Company			
Financial assets			
Other investments	**2,342**	**517**	**1,825**
Trade and other receivables*	**313,986**	**313,986**	**-**
Cash and cash equivalents	**40,490**	**40,490**	**-**
	356,818	**354,993**	**1,825**
Financial liabilities			
Trade and other payables	**(481,507)**	**(481,507)**	**-**

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 and 1 January 2017 categorised as follows:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000
31.12.2017			
Group			
Financial assets			
Other investments	5,113	3,288	1,825
Trade and other receivables	41,952	41,952	-
Cash and cash equivalents	99,175	99,175	-
	146,240	144,415	1,825
Financial liabilities			
Loans and borrowings	(1,244,040)	(1,244,040)	-
Trade and other payables*	(185,052)	(185,052)	-
	(1,429,092)	(1,429,092)	-

* excludes non-financial instruments items

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000
31.12.2017			
Company			
Financial assets			
Other investments	1,825	-	1,825
Trade and other receivables	339,009	339,009	-
Cash and cash equivalents	90,320	90,320	-
	431,154	429,329	1,825
Financial liabilities			
Trade and other payables*	(430,981)	(430,981)	-
1.1.2017			
Group			
Financial assets			
Other investments	5,345	3,520	1,825
Trade and other receivables	118,475	118,475	-
Cash and cash equivalents	163,771	163,771	-
	287,591	285,766	1,825
Financial liabilities			
Loans and borrowings	(1,288,525)	(1,288,525)	-
Trade and other payables*	(217,793)	(217,793)	-
	(1,506,318)	(1,506,318)	-
Company			
Financial assets			
Other investments	1,825	-	1,825
Trade and other receivables	251,380	251,380	-
Cash and cash equivalents	160,216	160,216	-
	413,421	411,596	1,825
Financial liabilities			
Trade and other payables*	(300,858)	(300,858)	-

* excludes non-financial instruments items

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Financial assets at amortised cost	**(3,430)**	-	**(110,616)**	-
Loans and receivables	**-**	(7,236)	**-**	(2,235)
Financial liabilities at amortised cost	**(79,284)**	(80,222)	**(12,069)**	(10,663)
	(82,714)	(87,458)	**(122,685)**	(12,898)

Included in losses on financial liabilities of the Group measured at amortised cost is RM12,278,000 (2017: RM15,681,000) which is capitalised in plantation development expenditure (see note 4).

31.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

31.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from their receivables from customers and cash and cash equivalents. The Company's exposure to credit risk arises principally from loans and advances to inter-companies and receivables from customers. There are no significant changes as compared to prior periods.

Trade receivable

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. The Group and the Company do not require collateral in respect of financial assets.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.4 Credit risk (continued)

Trade receivable (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than sixty (60) days, which are deemed to have higher credit risk, are monitored individually.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 30 days.

The Company uses an allowance matrix to measure ECLs of trade receivables.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

	Gross RM'000	Loss allowances RM'000	Net RM'000
Group			
31.12.2018			
Not past due	**16,919**	**-**	**16,919**
Past due 0-30 days	**3,799**	**-**	**3,799**
Past due 31-120 days	**1,363**	**-**	**1,363**
Past due more than 120 days	**276**	**(157)**	**119**
	22,357	**(157)**	**22,200**
Company			
31.12.2018			
Not past due	**3,944**	**-**	**3,944**
	3,944	**-**	**3,944**

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.4 Credit risk (continued)

Trade receivable (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables during the financial year are shown below:

	Lifetime ECL 2018 RM'000
Group	
Balance as at 1 January as per FRS 139	**157**
Adjustment on initial application of MFRS 9	**-**
Balance at 1 January as per MFRS 9	**157**
Amount written off	**-**
Balance at 31 December	**157**

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is probable, the amount considered irrecoverable is written off against the receivable.

No impairment in respect of trade receivables of the Company is necessary.

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.4 Credit risk (continued)

Trade receivable (continued)

Comparative information under previous accounting framework

The aging of trade receivables as at 31 December 2017 was as follows:

	Gross RM'000	Loss allowances RM'000	Net RM'000
Group			
31.12.2017			
Not past due	27,065	-	27,065
Past due 0-30 days	4,824	-	4,824
Past due 31-120 days	2,361	-	2,361
Past due more than 120 days	176	(157)	19
	34,426	(157)	34,269
Company			
31.12.2017			
Not past due	3,078	-	3,078
Past due 0-30 days	2,532	-	2,532
Past due 31-120 days	252	-	252
	5,862	-	5,862
Group			
1.1.2017			
Not past due	5,816	-	5,816
Past due 0-30 days	46,090	-	46,090
Past due 31-120 days	53	-	53
Past due more than 120 days	157	(157)	-
	52,116	(157)	51,959
Company			
1.1.2017			
Not past due	7,970	-	7,970

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.4 Credit risk (continued)

Trade receivable (continued)

Comparative information under previous accounting framework (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year are:

	2017 RM'000
Group	
At 1 January	157
Impairment loss recognised	-
At 31 December	157

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from advances to employees.

Advances to employees have a low credit risks due to the monthly deduction to their wages. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provide unsecured financial guarantees to banks in respect of banking facility granted to a subsidiary. The Company monitor the ability of the subsidiary to service their loans on a regular basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit amounted to RM38,612,000 (2017: nil) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.4 Credit risk (continued)

Financial guarantees (continued)

Recognition and measurement of impairment loss

The Company assume that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company consider a financial guarantee to be credit impaired when:

(a) the subsidiary is unlikely to repay its credit obligation to the bank in full; or
(b) the subsidiary is continuously loss making and has a deficit shareholders' fund.

The Company determine the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, there was no indication that the subsidiaries would default on their loan.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Short term investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

Exposure to credit risk, credit quality and collateral

At the end of the reporting period, the Group and the Company have only placed excess cash in shariah compliant short term deposit with licensed financial institution. The maximum exposure to credit risk is represented by the carrying amount in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.4 Credit risk (continued)

Inter-company and related company loans and advances

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide loans and advances to related companies and subsidiaries. The Group and the Company monitor the results of the related companies and subsidiaries regularly, as well as their ability to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Inter-company and related company loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

It is assumed that there is a significant increase in credit risk when a related company and subsidiary's financial position deteriorates significantly. As the Group and the Company are able to determine the timing of payments of the related company and subsidiary's loans and advances when they are payable, loans and advances are considered to be in default when the related companies and subsidiaries are not able to pay when demanded. A related company and subsidiary's loans and advances are considered to be credit impaired when:

(a) the related company and subsidiary are unlikely to repay their loans or advances to the Company in full;
(b) the related company and subsidiary's loans and advances are overdue for more than 365 days; or
(c) the related company and subsidiary are continuously loss making and has a deficit in shareholders' fund.

The Group and the Company determine the probability of default for these loans and advances individually using internal information available.

31. Financial instruments (continued)

31.4 Credit risk (continued)

Inter-company and related company loans and advances (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment in respect of related companies' balances and advances during the year are as follows:

	Group RM'000	Company RM'000
31.12.2018		
Lifetime ECL		
Balance at 1 January as per FRS 139	-	-
Adjustments on initial application of MFRS 9	-	-
Balance at 1 January as per MFRS 9	-	-
Net remeasurement of loss allowance	(4,317)	(120,433)
Balance at 31 December	(4,317)	(120,433)

The significant increase in net measurement of loss allowance is primarily due to change in market condition which the subsidiaries operates in.

Comparative information under FRS 139, Financial Instruments: Recognition and Measurement

In prior year, no impairment loss on related companies' balances and advances was made.

31.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual profit margin rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
31.12.2018							
Non-derivative financial liabilities							
SUKUK Murabahah Medium Term Notes	**895,000**	**5.61-6.67**	**1,410,445**	**-**	**46,257**	**390,848**	**973,340**
Term Financing	**36,079**	**3.00**	**126,875**	**-**	**-**	**-**	**126,875**
Islamic Trade Financing-i	**11,544**	**3.22-3.90**	**11,955**	**11,955**	**-**	**-**	**-**
Commodity Murabahah Term Financing-i	**259,819**	**5.80-6.13**	**323,855**	**41,754**	**42,549**	**121,556**	**117,996**
Commodity Murabahah Term Financing-i	**38,612**	**5.36-5.50**	**52,854**	**2,383**	**2,390**	**17,092**	**30,989**
Amount due to holding corporation	**13,186**	**-**	**13,186**	**13,186**	**-**	**-**	**-**
Amount due to related companies	**68,716**	**3.13-5.90**	**71,350**	**60,962**	**-**	**-**	**10,388**
Trade and other payables	**131,187**	**-**	**131,187**	**131,187**	**-**	**-**	**-**
	1,454,143		**2,141,707**	**261,427**	**91,196**	**529,496**	**1,259,588**
31.12.2017							
Non-derivative financial liabilities							
SUKUK Murabahah Medium Term Notes	895,000	3.57-6.67	1,408,365	-	43,807	237,419	1,127,139
Flexi Term Financing-i	30,715	5.07-5.10	29,917	18,890	11,027	-	-
Term Financing	30,812	3.00	112,939	-	-	-	112,939
Islamic Trade Financing-i	3,857	3.20-3.50	3,986	3,986	-	-	-
Commodity Murabahah Term Financing-i	283,656	5.80-5.83	361,932	39,765	83,590	80,325	158,252
Amount due to holding corporation	14,151	-	14,151	2,516	11,635	-	-
Amount due to related companies	58,485	3.13-4.73	56,875	21,802	33,784	-	1,289
Trade and other payables	112,416	-	112,416	112,416	-	-	-
	1,429,092		2,100,581	199,375	183,843	317,744	1,399,619

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual profit margin rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
1.1.2017							
Non-derivative financial liabilities							
SUKUK Murabahah Medium Term Notes	1,120,000	4.85-8.65	1,572,102	135,840	237,498	250,974	947,790
Flexi Term Financing-i	43,715	5.24-5.41	44,492	14,668	29,824	-	-
Ijarah Term Financing-i Facility	7,680	6.50	8,044	8,044	-	-	-
Term Financing	20,966	3.00	79,646	-	-	-	79,646
Islamic Trade Financing-i	17,671	3.41-3.89	18,316	18,316	-	-	-
Commodity Murabahah Term Financing-i	78,493	5.67-5.83	106,107	9,381	10,626	33,047	53,053
Amount due to holding corporation	6,796	-	6,796	6,796	-	-	-
Amount due to related companies	46,634	3.30-3.36	51,608	34,082	-	14,844	2,682
Trade and other payables	164,363	-	164,363	164,363	-	-	-
	1,506,318		2,051,474	391,490	277,948	298,865	1,083,171

	Carrying amount RM'000	Contractual profit margin rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Company							
31.12.2018							
Non-derivative financial liabilities							
Amount due to subsidiaries	**384,031**	**3.13-3.40**	**396,570**	**396,570**	**-**	**-**	**-**
Amount due to holding corporation	**13,186**	**-**	**13,186**	**13,186**	**-**	**-**	**-**
Amount due to related companies	**67,328**	**3.13-3.40**	**69,232**	**60,232**	**-**	**-**	**9,000**
Trade and other payables	**16,962**	**-**	**16,962**	**16,962**	**-**	**-**	**-**
Financial guarantee	**-**	**-**	**38,612**	**2,383**	**2,390**	**17,092**	**16,747**
	481,507		**534,562**	**489,333**	**2,390**	**17,092**	**25,747**

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual profit margin rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Company							
31.12.2017							
Non-derivative financial liabilities							
Amount due to subsidiaries	344,747	3.13-3.26	355,781	355,781	-	-	-
Amount due to holding corporation	14,151	-	14,151	2,516	11,635	-	-
Amount due to related companies	57,195	3.13-3.26	57,893	22,500	-	35,393	-
Trade and other payables	14,888	-	14,888	14,888	-	-	-
	430,981		442,713	395,685	11,635	35,393	-
1.1.2017							
Non-derivative financial liabilities							
Amount due to subsidiaries	232,173	3.17-3.36	239,341	239,341	-	-	-
Amount due to holding corporation	6,796	-	6,796	6,796	-	-	-
Amount due to related companies	45,435	3.17-3.36	49,133	34,289	-	14,844	-
Trade and other payables	16,454	-	16,454	16,454	-	-	-
	300,858		311,724	296,880	-	14,844	-

31. Financial instruments (continued)

31.6 Market risk

Market risk is the risk that changes in market prices, such as profit margin rate that will affect the Group's financial position or cash flows.

31.6.1 Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Indonesia Rupiah ("IDR").

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in IDR		
Group	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Balances recognised in the statement of financial position			
Trade payables	**312**	286	200
Net exposure	**312**	286	200

The impact of the changes in foreign currency exchange rate is not expected to have any material financial impacts to the current period financial statements of the Group, thus no sensitivity analysis performed.

31.6.2 Profit margin risk

The Group's and the Company's fixed rate borrowings is exposed to a risk of change in its fair value due to changes in profit margin rates.

Risk management objectives, policies and processes for managing the risk

The Group and the Company adopt a policy of ensuring that almost all borrowings are on a fixed profit margin basis.

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.6 Market risk (continued)

31.6.2 Profit margin risk (continued)

Exposure to profit margin risk

The profit margin profile of the Group's and the Company's significant profit margin bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Fixed rate instruments						
Financial assets	**38,132**	79,349	130,993	**37,342**	77,343	127,426
Financial liabilities	**(942,623)**	(929,669)	(1,158,637)	**-**	-	-
	(904,491)	(850,320)	(1,027,644)	**37,342**	77,343	127,426
Floating rate instruments						
Financial assets	**-**	-	-	**-**	-	197,007
Financial liabilities	**(356,759)**	(336,173)	(162,866)	**(442,359)**	(366,549)	(265,151)
	(356,759)	(336,173)	(162,866)	**(442,359)**	(366,549)	(68,144)

As at 31 December 2018, the Group's and the Company's exposure to the variable profit margin risk are the amount due to related companies and loans and borrowings which carries profit margin rates as stated in note 19.4 and note 31.5.

Profit margin risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in profit margin rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in profit margin rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

31. Financial instruments (continued)

31.6 Market risk (continued)

31.6.2 Profit margin risk (continued)

Profit margin risk sensitivity analysis (continued)

	Profit or loss		Profit or loss	
	100 bp increase 2018 RM'000	100 bp decrease 2018 RM'000	100 bp increase 2017 RM'000	100 bp decrease 2017 RM'000
Group				
Floating rate instruments	**(2,711)**	**2,711**	(2,555)	2,555
Company				
Floating rate instruments	**(3,362)**	**3,362**	(2,786)	2,786

31.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Group					
31.12.2018					
Financial assets					
Unquoted shares	-	-	1,825	1,825	1,825
Financial liabilities					
SUKUK Murabahah Medium Term Notes – unsecured	-	-	(895,000)	(895,000)	(895,000)
Term Financing	-	-	(36,201)	(36,201)	(36,079)
Commodity Murabahah Term Financing-i	-	-	(239,804)	(239,804)	(259,819)
Commodity Murabahah Term Financing-i	-	-	(34,592)	(34,592)	(38,612)
Amount due to related companies	-	-	(8,923)	(8,923)	(10,388)
	-	-	(1,214,520)	(1,214,520)	(1,239,898)

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.7 Fair value information (continued)

	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
Group					
31.12.2017					
Financial assets					
Unquoted shares	-	-	1,825	1,825	1,825
Financial liabilities					
Flexi Term Financing-i	-	-	(27,080)	(27,080)	(30,715)
SUKUK Murabahah Medium Term Notes – unsecured	-	-	(895,000)	(895,000)	(895,000)
Term Financing	-	-	(32,034)	(32,034)	(30,812)
Commodity Murabahah Term Financing-i	-	-	(279,429)	(279,429)	(283,656)
Amount due to related companies	-	-	(28,800)	(28,800)	(36,683)
Amount due to holding corporation	-	-	(10,049)	(10,049)	(11,635)
	-	-	(1,272,392)	(1,272,392)	(1,288,501)
Group					
1.1.2017					
Financial assets					
Unquoted shares	-	-	1,825	1,825	1,825
Financial liabilities					
Flexi Term Financing-i	-	-	(35,834)	(35,834)	(43,715)
SUKUK Murabahah Medium Term Notes – unsecured	-	-	(1,120,000)	(1,120,000)	(1,120,000)
Ijarah Term Financing-i Facility	-	-	(7,465)	(7,465)	(7,680)
Term Financing	-	-	(23,129)	(23,129)	(20,966)
Commodity Murabahah Term Financing-i	-	-	(71,838)	(71,838)	(78,493)
Amount due to related companies	-	-	(10,659)	(10,659)	(13,656)
	-	-	(1,268,925)	(1,268,925)	(1,284,510)

31. Financial instruments (continued)

31.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
Company					
31.12.2018					
Financial assets					
Amount due from subsidiary	**-**	**-**	**13,752**	**13,752**	**13,752**
Unquoted shares	**-**	**-**	**1,825**	**1,825**	**1,825**
	-	**-**	**15,577**	**15,577**	**15,577**
Financial liabilities					
Amount due to related companies	**-**	**-**	**(7,730)**	**(7,730)**	**(9,000)**
	-	**-**	**(7,730)**	**(7,730)**	**(9,000)**
31.12.2017					
Financial assets					
Amount due from subsidiary	-	-	14,740	14,740	14,740
Unquoted shares	-	-	1,825	1,825	1,825
	-	-	16,565	16,565	16,565
Financial liabilities					
Amount due to related companies	-	-	(30,322)	(30,322)	(35,393)
Amount due to holding corporation	-	-	(10,049)	(10,049)	(11,635)
	-	-	(40,371)	(40,371)	(47,028)
1.1.2017					
Financial assets					
Unquoted shares	-	-	1,825	1,825	1,825
Financial liabilities					
Amount due to related companies	-	-	(10,972)	(10,972)	(12,457)

NOTES TO THE FINANCIAL STATEMENTS

31. Financial instruments (continued)

31.7 Fair value information (continued)

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

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
• Amount due to related companies • Loans and borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of the Group and Company at the entities reporting date.
• Amount due from subsidiaries	Discounted cash flows using a rate based on the current market rate of borrowing of the subsidiaries at the entities reporting date.

Financial instruments carried at fair value

Type	Description of valuation technique and inputs used
• Unquoted shares	Net assets value at the entities reporting date.

Interest rates used to determine financial instrument

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	31.12.2018	31.12.2017	1.1.2017
Loans and borrowings	**7.90%**	7.60%	7.76%
Amount due from subsidiaries	**5.43%**	5.12%	-

NOTES TO THE FINANCIAL STATEMENTS

32. Capital management

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During the year, the Group has adopted a Rationalisation Exercise, which involves proposed disposal of certain subsidiaries. Those subsidiaries assets have been revalued and the excess of the carrying amount over the fair value less cost of disposal of those assets have been recognised in the profit or loss as impairment, resulting in a decrease in the Group's equity. The impairment recognised to the profit or loss does not have an impact to the cash flow of the Group. However, it has substantially reduced the Group's equity, hence the debt-to-equity ratio has breached the "less than one time" ratio.

The debt-to-equity ratios at 31 December 2018 and at 31 December 2017 were as follows:

		Group		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Total borrowings	16	**1,241,054**	1,244,040	1,288,525
Less: Cash and cash equivalents	13	**(50,561)**	(99,175)	(163,771)
Less: Other investments	8	**(1,888)**	(3,288)	(3,520)
Net debt		**1,188,605**	1,141,577	1,121,234
Total equity		**1,095,095**	1,776,240	1,826,618
Debt-to-equity ratios		**109%**	64%	61%

NOTES TO THE FINANCIAL STATEMENTS

33. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2018 RM'000	2017 RM'000
Less than one year	**1,598**	4,220
Between one and five years	**6,393**	16,879
More than five years	**19,858**	54,768
	27,849	75,867

A subsidiary of the Group leases land under operating leases. The leases typically run for a period of 25 years, with an option to renew the lease after that date.

34. Capital and other commitments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment				
Approved and contracted for:				
Within one year	**874**	-	**-**	-
Authorised but not contracted for:				
Within one year	**51,231**	65,084	**5,455**	3,747
Plantation development expenditure				
Authorised but not contracted for:				
Within one year	**79,040**	162,807	**8,185**	12,547
	131,145	227,891	**13,640**	16,294

35. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

NOTES TO THE FINANCIAL STATEMENTS

35. Related parties (continued)

Identity of related parties (continued)

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding corporation, subsidiaries, related companies and certain members of senior management of the Group.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in note 10 and 19.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
A. Holding corporation				
Expenses				
Rental of premise	**(4,722)**	(3,792)	**(4,722)**	(3,792)
Rental of land	**(2,928)**	(2,928)	**(2,928)**	(2,928)
Profit margin expense	**(54,608)**	(60,119)	**-**	(4,096)
B. Related companies				
Income				
Management fees income	**1,524**	1,234	**-**	-
Expenses				
Purchase of flight tickets	**(795)**	(535)	**(85)**	(50)
Telecommunication equipment	**-**	(233)	**-**	(66)
Insurance premium	**(4,101)**	(3,870)	**(1,323)**	(460)
C. Subsidiaries companies				
Income				
Rental of premise	**-**	-	**4,722**	3,792
Profit margin income from subsidiaries receivables	**-**	-	**5,515**	333
Expenses				
Management fees	**-**	-	**(3,881)**	(5,654)
Profit margin expense from subsidiaries payables	**-**	-	**(14,551)**	(4,959)

NOTES TO THE FINANCIAL STATEMENTS

35. Related parties (continued)

Significant related party transactions (continued)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
D. Key management personnel				
Non-executive directors				
- Fees	**(2,390)**	(1,795)	**(742)**	(995)
- Other short-term employee benefits	**(254)**	(67)	**(254)**	(67)
	(2,644)	(1,862)	**(996)**	(1,062)
Executive directors				
- Fees	**(189)**	(657)	**(64)**	(84)
- Bonus	**(317)**	(576)	**(317)**	(576)
- Remuneration	**(726)**	(1,045)	**(726)**	(1,045)
- Other short-term employee benefits	**(180)**	(279)	**(180)**	(279)
	(1,412)	(2,557)	**(1,287)**	(1,984)
Other key management personnel				
- Short-term employee benefits	**(1,629)**	(2,213)	**(1,629)**	(2,213)
	(5,685)	(6,632)	**(3,912)**	(5,259)

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

For salaried key management personnel, the Group also contributes to state plans at the rate which is higher than statutory rate.

The estimated monetary value of Directors' benefit-in-kind is RM259,000 (2017: RM74,000).

36. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefit will be required.

Litigation

Certain portion of the plantation land currently owned by the subsidiaries (THP Saribas Sdn. Bhd. and Bumi Suria Ventures Sdn. Bhd.) ("Affected Entities"), are currently being implicated under legal proceedings of which the defendants are the joint venture partners of the Affected Entities together with the Superintendent of Land & Survey Department and the State Government of Sarawak.

The cases involved are as follows:

(i) Edward Gella Baul & Ors v Superintendent of Lands and Surveys Betong, Sarawak Government and THP Saribas Sdn. Bhd. (Sri Aman High Court Suit No. SRA-21NCvC-1/3-2017)

The Plaintiffs in the above case are claiming for NCR over only 474 hectares of which overlaps with NCR claimed by the Plaintiffs in the (5) cases as below:

Garan Anak Chunggut & 13 others (Suit No: KCH-22NCvC-14/4-2016)
Shapie bin Yaman & 19 others (Suit No: KCH-22NCvC-47/8-2016)
Bajing Anak Imbing & 49 others (Suit No: KCH-22NCvC-46/8-2016)
Deget bin Mantasin & 13 others (Suit No: KCH-22NCvC-20/4-2016)
Garan Anak Chunggut & 27 others (Suit No: KCH-22NCvC-15/4-2016)

The pleadings of the above case have closed and parties have completed discovery and all bundles of documents for trials. The plaintiffs in the five (5) cases described above have intervened in the present case. Pleadings between the interveners and the plaintiffs are being filed. The court has fixed 25th to 29th March 2019 and 1st to 3rd April 2019 for trials.

In view of the interveners action against plaintiffs and their indemnity in favour of THP Saribas Sdn. Bhd., the contingent liabilities of THP Saribas Sdn. Bhd. in this suits is remote.

(ii) Mohd Nur Abdullah & 18 others (Suit No: SBW-22NCvC-19/12-2016)

Certain portion of the plantation estates currently owned by Bumi Suria Ventures Sdn. Bhd. ("BSV"), are previously involved in blockade and preventing BSV from using the access road to the estate. BSV was compelled to issue a writ against the local residents for damages and losses caused by the said blockade.

Having gone through full trial, the High Court has allowed BSV's claim against the defendants thereby making the interim injunction sought for by BSV permanent. The Defendant's counter claim for NCR over the lands affected by the said suit were accordingly dismissed.

Notwithstanding BSV being awarded damages in the sum of RM8,802,000, the likelihood of recovery of any such damages/losses is very slim as the defendants are mostly farmers and may not have any assets.

The Defendants has recently filed a Notice of Appeal against the said High Court decision. Based on external legal advise, the contingent liabilities of BSV in this suit is remote.

NOTES TO THE FINANCIAL STATEMENTS

37. Explanation of transition to MFRSs

As stated in note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2018, the comparative information presented in these financial statements for the financial year ended 31 December 2018 and in the preparation of the opening MFRSs statement of financial position at 1 January 2017 (the Group's and the Company's date of transition to MFRSs) except for accounting policies on financial instruments.

In preparing the opening statement of financial position at 1 January 2017, the Group and the Company have adjusted amounts reported previously in financial statements prepared in accordance with FRSs. An explanation of how the transition from FRSs to MFRSs has affected the Group's and the Company's financial position and financial performance is set out in the following notes.

37.1 Reconciliation of financial position

		As at 31 December 2017			As at 1 January 2017		
Group	**Note**	**Previously stated under FRS RM'000**	**Effect of transition to MFRS RM'000**	**Restated under MFRS RM'000**	**Previously stated under FRS RM'000**	**Effect of transition to MFRS RM'000**	**Restated under MFRS RM'000**
Assets							
Property, plant and equipment		2,610,337	-	2,610,337	2,614,875	-	2,614,875
Plantation development expenditure		318,423	-	318,423	326,445	-	326,445
Forestry		187,956	-	187,956	162,470	-	162,470
Intangible asset		73,265	-	73,265	73,265	-	73,265
Other investments		1,825	-	1,825	1,825	-	1,825
Deferred tax assets	37.2(a)	114,375	(3,769)	110,606	117,771	(6,743)	111,028
Total non-current assets		3,306,181	(3,769)	3,302,412	3,296,651	(6,743)	3,289,908
Inventories		20,124	-	20,124	17,045	-	17,045
Current tax assets		8,603	-	8,603	5,366	-	5,366
Biological assets	37.2(a)	-	52,105	52,105	-	77,794	77,794
Other investments		3,288	-	3,288	3,520	-	3,520
Trade and other receivables		41,952	-	41,952	118,475	-	118,475
Prepayments and other assets		4,620	-	4,620	4,289	-	4,289
Cash and cash equivalents		99,175	-	99,175	163,771	-	163,771
		177,762	52,105	229,867	312,466	77,794	390,260
Assets classified as held for sale		30,142	-	30,142	-	-	-
Total current assets		207,904	52,105	260,009	312,466	77,794	390,260
Total assets		3,514,085	48,336	3,562,421	3,609,117	71,051	3,680,168

NOTES TO THE FINANCIAL STATEMENTS

37. Explanation of transition to MFRSs (continued)

37.1 Reconciliation of financial position (continued)

Group	Note	As at 31 December 2017 Previously stated under FRS RM'000	Effect of transition to MFRS RM'000	Restated under MFRS RM'000	As at 1 January 2017 Previously stated under FRS RM'000	Effect of transition to MFRS RM'000	Restated under MFRS RM'000
Equity							
Capital and reserve	37.2(b)	773,421	533	773,954	781,875	533	782,408
Retained earnings		604,044	30,595	634,639	634,486	44,917	679,403
Equity attributable to owners of the Company	37.2(a)	1,377,465	31,128	1,408,593	1,416,361	45,450	1,461,811
Non-controlling interests	37.2(a)	359,175	8,472	367,647	351,134	13,673	364,807
Total equity		1,736,640	39,600	1,776,240	1,767,495	59,123	1,826,618
Liabilities							
Loans and borrowings		1,196,183	-	1,196,183	1,175,374	-	1,175,374
Employee benefits		269	-	269	-	-	-
Deferred tax liabilities	37.2(a)	326,738	8,736	335,474	331,787	11,928	343,715
Trade and other payables		48,318	-	48,318	13,656	-	13,656
Total non-current liabilities		1,571,508	8,736	1,580,244	1,520,817	11,928	1,532,745
Loans and borrowings		47,857	-	47,857	113,151	-	113,151
Trade and other payables		138,138	-	138,138	205,446	-	205,446
Current tax liabilities		4,005	-	4,005	2,208	-	2,208
		190,000	-	190,000	320,805	-	320,805
Liabilities classified as held for sale		15,937	-	15,937	-	-	-
Total current liabilities		205,937	-	205,937	320,805	-	320,805
Total liabilities		1,777,445	8,736	1,786,181	1,841,622	11,928	1,853,550
Total equity and liabilities		3,514,085	48,336	3,562,421	3,609,117	71,051	3,680,168

NOTES TO THE FINANCIAL STATEMENTS

37. Explanation of transition to MFRSs (continued)

37.1 Reconciliation of financial position (continued)

Company	Note	As at 31 December 2017 Previously stated under FRS RM'000	Effect of transition to MFRS RM'000	Restated under MFRS RM'000	As at 1 January 2017 Previously stated under FRS RM'000	Effect of transition to MFRS RM'000	Restated under MFRS RM'000
Assets							
Property, plant and equipment		84,225	-	84,225	55,928	-	55,928
Plantation development expenditure		24,971	-	24,971	44,869	-	44,869
Investment in subsidiaries		1,204,031	-	1,204,031	1,129,384	-	1,129,384
Other investments		1,825	-	1,825	1,825	-	1,825
Trade and other receivables		14,740	-	14,740	-	-	-
Total non-current assets		1,329,792	-	1,329,792	1,232,006	-	1,232,006
Inventories		687	-	687	1,821	-	1,821
Current tax assets		2,348	-	2,348	2,960	-	2,960
Biological assets	37.2(a)	-	4,654	4,654	-	5,184	5,184
Trade and other receivables		324,269	-	324,269	251,380	-	251,380
Prepayments and other assets		1,329	-	1,329	1,310	-	1,310
Cash and cash equivalents		90,320	-	90,320	160,216	-	160,216
Total current assets		418,953	4,654	423,607	417,687	5,184	422,871
Total assets		1,748,745	4,654	1,753,399	1,649,693	5,184	1,654,877

37. Explanation of transition to MFRSs (continued)

37.1 Reconciliation of financial position (continued)

Company	Note	As at 31 December 2017 Previously stated under FRS RM'000	As at 31 December 2017 Effect of transition to MFRS RM'000	As at 31 December 2017 Restated under MFRS RM'000	As at 1 January 2017 Previously stated under FRS RM'000	As at 1 January 2017 Effect of transition to MFRS RM'000	As at 1 January 2017 Restated under MFRS RM'000
Equity							
Capital and reserve		762,623	-	762,623	763,037	-	763,037
Retained earnings	37.2(a)	538,407	3,538	541,945	573,987	3,940	577,927
Total equity		1,301,030	3,538	1,304,568	1,337,024	3,940	1,340,964
Liabilities							
Deferred tax liabilities	37.2(a)	16,365	1,116	17,481	11,524	1,244	12,768
Trade and other payables		47,028	-	47,028	12,457	-	12,457
Total non-current liabilities		63,393	1,116	64,509	23,981	1,244	25,225
Trade and other payables		384,322	-	384,322	288,688	-	288,688
Total current liabilities		384,322	-	384,322	288,688	-	288,688
Total liabilities		447,715	1,116	448,831	312,669	1,244	313,913
Total equity and liabilities		1,748,745	4,654	1,753,399	1,649,693	5,184	1,654,877

NOTES TO THE FINANCIAL STATEMENTS

37. Explanation of transition to MFRSs (continued)

37.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2017

Group	Note	Year ended 31 December 2017 Previously stated under FRS RM'000	Effect of transition to MFRS RM'000	Restated under MFRS RM'000
Revenue	37.2(c)	689,216	(1,234)	687,982
Fair value change in biological assets	37.2(a)	-	(25,689)	(25,689)
Fair value change in forestry		25,486	-	25,486
Cost of sales	37.2(c)	(544,052)	42,103	(501,949)
Gross profit		170,650	15,180	185,830
Other income	37.2(c)	15,097	1,234	16,331
Administrative expenses	37.2(c)	(18,224)	(42,103)	(60,327)
Other expenses		(20,178)	-	(20,178)
Results from operating activities		147,345	(25,689)	121,656
Profit margin income from short-term investments and receivables		3,884	-	3,884
Finance costs		(64,541)	-	(64,541)
Net finance costs		(60,657)	-	(60,657)
Profit before tax		86,688	(25,689)	60,999
Tax expense	37.2(a)	(35,935)	6,166	(29,769)
Profit for the period		50,753	(19,523)	31,230
Other comprehensive income, net of tax				
Items that are or may be reclassified subsequently to profit and loss, net of tax				
Foreign currency translation differences for foreign operations		(8,614)	-	(8,614)
Loss from post-employment benefit		(30)	-	(30)
Other comprehensive expense, net of tax		(8,644)	-	(8,644)
Total comprehensive income for the period		42,109	(19,523)	22,586

NOTES TO THE FINANCIAL STATEMENTS

37. Explanation of transition to MFRSs (continued)

37.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2017 (continued)

		Year ended 31 December 2017		
Group	**Note**	**Previously stated under FRS RM'000**	**Effect of transition to MFRS RM'000**	**Restated under MFRS RM'000**
Profit attributable to:				
Owners of the Company		36,731	(14,322)	22,409
Non-controlling interests		14,022	(5,201)	8,821
Profit for the period		50,753	(19,523)	31,230
Total comprehensive income attributable to:				
Owners of the Company		28,691	(14,322)	14,369
Non-controlling interests		13,418	(5,201)	8,217
Total comprehensive income for the period		42,109	(19,523)	22,586
Basic earnings per ordinary share (sen)		4.16	-	2.54
Diluted earnings per ordinary share (sen)		4.16	-	2.54

Company				
Revenue		187,405	-	187,405
Fair value change in biological assets	37.2(a)	-	(530)	(530)
Cost of sales		(125,054)	-	(125,054)
Gross profit		62,351	(530)	61,821
Other income		8,125	-	8,125
Administrative expenses		(15,494)	-	(15,494)
Other expenses		(9,048)	-	(9,048)
Results from operating activities		45,934	(530)	45,404
Profit margin income from short-term investments and receivables		9,191	-	9,191
Finance costs		(15,752)	-	(15,752)
Net finance costs		(6,561)	-	(6,561)
Profit before tax		39,373	(530)	38,843
Tax expense	37.2(a)	(7,780)	128	(7,652)
Profit for the period		31,593	(402)	31,191

NOTES TO THE FINANCIAL STATEMENTS

37. Explanation of transition to MFRSs (continued)

37.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2017 (continued)

(a) Biological asset

Prior to the adoption of MFRS, produce growing on bearer plants were not recognised. Following the adoption, these biological assets are measured at fair value less cost to sell. Changes in fair value less costs to sell are recognised in profit or loss.

The impact arising from the change is summarised as follows:

Group	31.12.2017 RM'000	1.1.2017 RM'000
Consolidated statement of profit or loss and other comprehensive income		
Fair value on biological asset	(25,689)	
Deferred tax effect	6,166	
Profit after tax	(19,523)	
Consolidated statement of financial position		
Biological asset	52,105	77,794
Deferred tax assets	(3,769)	(6,743)
Deferred tax liabilities	(8,736)	(11,928)
Adjustment to retained earnings		
Equity attributable to owner of the Company	31,128	45,450
Minority interest	8,472	13,673
Adjustment to retained earnings	39,600	59,123

Company	31.12.2017 RM'000	1.1.2017 RM'000
Statement of profit or loss and other comprehensive income		
Fair value on biological asset	(530)	
Deferred tax effect	128	
Profit after tax	(402)	
Statement of financial position		
Biological asset	4,654	5,184
Deferred tax liabilities	(1,116)	(1,244)
Adjustment to retained earnings	3,538	3,940

37. Explanation of transition to MFRSs (continued)

37.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2017 (continued)

(b) Foreign currency translation differences

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

Group	31.12.2017 RM'000	1.1.2017 RM'000
Consolidated statement of financial position		
Foreign currency translation reserve	533	533
Adjustment to retained earnings	533	533

(c) Comparative figures

The following comparative figures have been restated to conform to the current year's presentation.

Statement of profit or loss and other comprehensive income

Group	2017 As restated RM'000	2017 As previously reported RM'000
Revenue	687,982	689,216
Cost of goods sold	(501,949)	(544,052)
Other income	16,331	15,097
Administrative expenses	(60,327)	(18,224)

The above reclassification do not have any impact on the earnings of the Group.

NOTES TO THE FINANCIAL STATEMENTS

37. Explanation of transition to MFRSs (continued)

37.3 Accounting for financial instruments

(a) Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by MFRS 1 have been adopted:

(i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of FRS 139, *Financial Instruments: Recognition and Measurement.*

(ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
- the determination of the business model within which a financial asset is held; and
- the designation and revocation of previous designations of certain financial assets.

(iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

(b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under FRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018:

		1 January 2018 Reclassification to new MFRS 9 category	
Group	**31.12.2017 RM'000**	**AC RM'000**	**FVTPL RM'000**
Category under FRS 139			
Financial asset			
Loan and receivables			
Trade and other receivables	41,952	41,952	-
Other investments	5,113	3,288	1,825
Cash and cash equivalents	99,175	99,175	-
	146,240	144,415	1,825
Financial liability			
Other financial liabilities measured at amortised cost			
Loans and borrowings	(1,244,040)	(1,244,040)	-
Trade and other payables	(185,052)	(185,052)	-
	(1,429,092)	(1,429,092)	-

NOTES TO THE FINANCIAL STATEMENTS

37. Explanation of transition to MFRSs (continued)

37.3 Accounting for financial instruments (continued)

(b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

		1 January 2018 Reclassification to new MFRS 9 category	
	31.12.2017	AC	FVTPL
Company	**RM'000**	**RM'000**	**RM'000**
Category under FRS 139			
Financial asset			
Loan and receivables			
Trade and other receivables	339,009	339,009	-
Other investments	1,825	-	1,825
Cash and cash equivalents	90,320	90,320	-
	431,154	429,329	1,825
Financial liability			
Other financial liabilities measured at amortised cost			
Trade and other payables	(430,981)	(430,981)	-

Reclassification from loans and receivables to amortised cost

Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under FRS 139 are now reclassified at amortised cost.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 87 to 223 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Mohd Adzahar bin Abdul Wahid
Director

....

Nik Mohd Hasyudeen bin Yusoff
Director

Kuala Lumpur,

Date: 1 April 2019

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Mohamed Azman Shah bin Ishak**, the officer primarily responsible for the financial management of TH Plantations Berhad, do solemnly and sincerely declare that the financial statements set out on pages 87 to 223 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Mohamed Azman Shah bin Ishak, NRIC No.: 661117-71-5041, MIA CA 07752, in Kuala Lumpur in the Federal Territory on 1 April 2019.

……………………………………………………

Mohamed Azman Shah bin Ishak

Before me:

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN
YUSOFF
1 JAN 2019 -
MALAYSIA

Commissioner for Oaths

Tingkat 1,
KWSP, Jln Raja Laut,
Kuala Lumpur.
019 6030745

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TH PLANTATIONS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TH Plantations Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 87 to 223.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group and Company – Impairment losses of non-current assets and investment in subsidiaries

Refer to note 2(k) - Significant accounting policy: Impairment and note 22 - Other expenses.

The key audit matter

TH Plantations Berhad's Board of Director approved in principle a plan to dispose the Group's interests in several subsidiaries on 26 November 2018.

The plantations assets held for sale, stated at the lower of its carrying value and fair value less costs to sell is amounted to RM678,931,000 as at 31 December 2018. The estimated fair value less costs to sell of these assets were determined by registered valuers.

As disclosed in note 22, the Group recognised RM358,584,000 of impairment loss in its profit or loss of these assets.

During the financial year, the Group engaged two (2) different registered valuers. These registered valuers were different from those engaged in prior year. The key assumptions applied by a valuer during the year were significantly different as compared to the prior year's valuer.

As disclosed in note 22, the recorded impairment losses were highly sensitive to the assumptions applied by the valuers. In some situations, had the same key assumptions were applied, the impairment losses could be significantly smaller or none.

The Company also recognised RM302,879,000 in its profit or loss to write down its cost of investments in subsidiaries held for sale to their recoverable amounts. The Company had also recognised RM12,410,000 in its profit or loss to write down its cost of investment in a subsidiary after considering the future profitability of this entity.

Key Audit Matters (continued)

Group and Company – Impairment losses of non-current assets and investment in subsidiaries (continued)

The key audit matter (continued)

We identified the impairment losses of non-current assets and investment in subsidiaries as a key audit matter because:

- They are significant to the financial statements of the Group and the Company;
- The valuation process involved significant judgment in determining the appropriate valuation methodology and assumptions;
- The key assumptions applied are highly sensitive and subjective, which are susceptible to manipulation;
- There is no direct comparable prices; and
- There is no active market for the plantation assets.

How the matter was addressed in our audit

Our audit procedures included, amongst others:

- We evaluated the registered valuers' competency and capabilities;
- Read the valuation reports and interviewed the valuers to understand the variation in methodologies used by the valuers;
- We checked, on a sample basis the accuracy and relevance of the input data provided by management to the registered valuers;
- We evaluated and challenged the key assumptions used in determining the recoverable amounts by comparing them with our understanding of the industry and with internal and external information; and
- We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions used in the estimates.

Group – Forestry

Refer to note 2(h) - Significant accounting policy: Forestry and note 5 – Forestry

The key audit matter

The Group has significant carrying amount of forestry which is carried at fair value less cost of disposal.

During the financial year, the valuation was based on the highest and best use of the forestry which is the felling of timber. In prior years, the valuation was based on highest and best use of the forestry which is the combination of tapping latex and felling of timber.

The registered valuer is of the opinion that as the result of the decrease in latex price in recent years, it is not cost effective to extract latex from the rubber trees, thus, the valuation for the current financial year does not account for tapping of latex.

We identified the fair valuation of forestry as a key audit matter because:

- Of its significant amount in the Group's financial statements; and
- It required us to exercise significant judgement in evaluating the appropriateness of assumptions applied in determining the fair value.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TH PLANTATIONS BERHAD

Key Audit Matters (continued)

Group – Forestry (continued)

How the matter was addressed in our audit

Our audit procedures included, amongst others:

- We evaluated the registered valuer's competency and capabilities;
- Read the valuation report and interviewed the valuer to understand the variation in methodology used by the valuer;
- We checked, on a sample basis the accuracy and relevance of the input data provided by management to the registered valuer;
- We evaluated and challenged the key assumptions used in determining the recoverable amounts by comparing them with our understanding of the industry and with internal and external information; and
- We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions used in the estimates.

Group – Plantation development expenditure ("PDE")

Refer to note 2(g) - Significant accounting policy: PDE and note 4 – PDE

The key audit matter

Two estates of the Group have not been declared matured even though the age of these estates ranges from 48 months to 72 months. Based on industry practice an estate is usually declared matured after 36 months. This increased the risk that the carrying amounts of these estates might exceed their recoverable amounts, and therefore the carrying amounts might require to be impaired.

We identified the measurement of recoverable amounts of PDE as a key audit matter because:

- Of its significant amounts in the Group's financial statements; and
- It required us to exercise significant judgement in evaluating the appropriateness of assumptions applied in determining the recoverable values.

How the matter was addressed in our audit

Our audit procedures included, amongst others:

- We evaluated and challenged the key assumptions by comparing them with our understanding of the industry and with internal and external information;
- We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions used in the estimates.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TH PLANTATIONS BERHAD

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TH PLANTATIONS BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in note 7 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TH PLANTATIONS BERHAD

Other Matters

(a) As stated in note 1(a) to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as of 31 December 2018 and financial performance and cash flows for the year then ended.

(b) This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat PLT
(LLP0010082-LCA & AF 0759)
Chartered Accountants

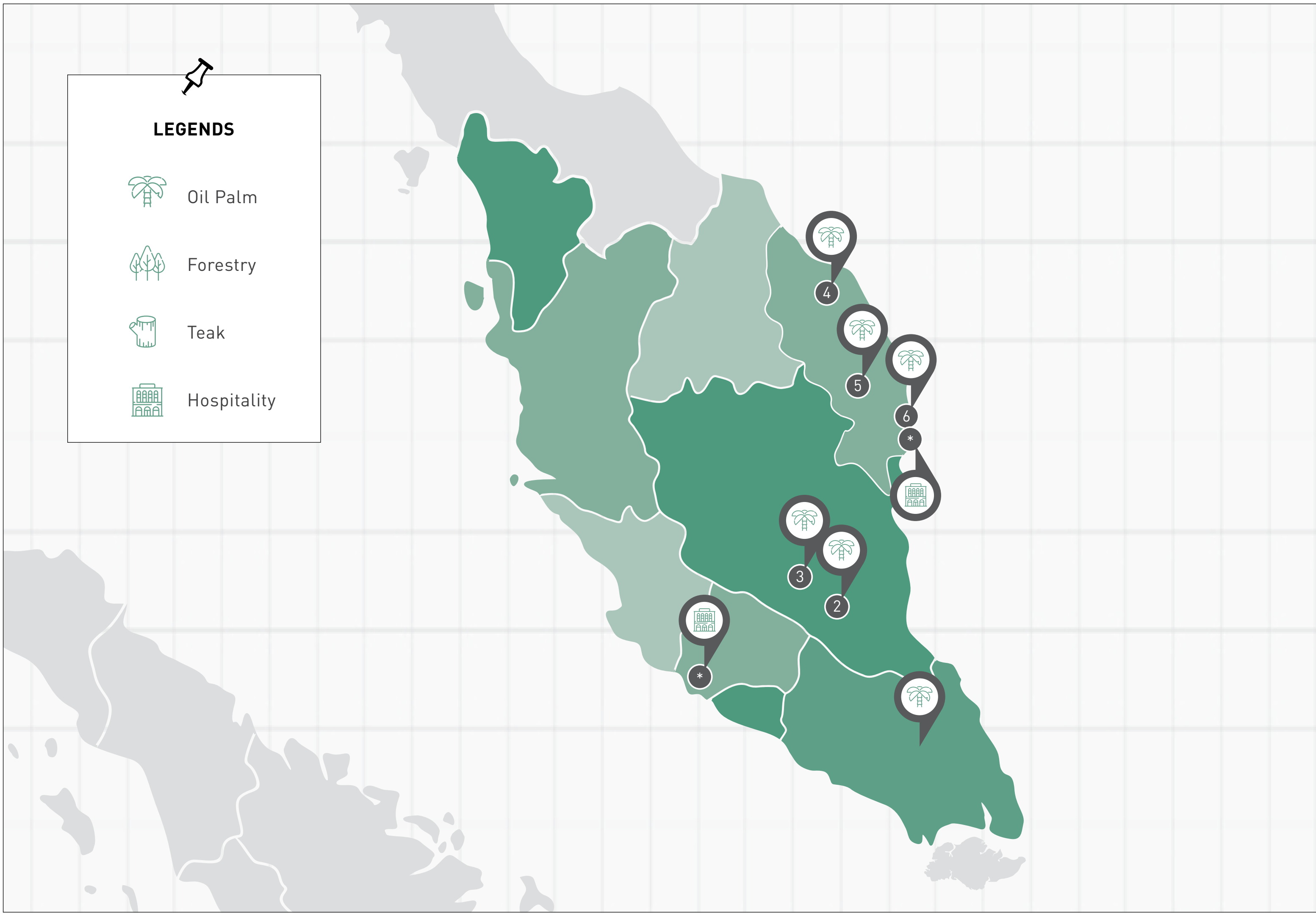
Abdullah Abu Samah
Approval Number: 02013/06/2020 J
Chartered Accountant

Petaling Jaya

Date: 1 April 2019

PROPERTIES OWNED BY THE GROUP

for the year ended 31 December 2018



Negeri Sembilan

* Tanjung Tuan Resort Apartment
Port Dickson, Negeri Sembilan

Johor

1. Ladang Bukit Lawiang
Kluang, Johor

Ladang Gunung Sumalayang
Kluang, Johor

Kilang Sawit Bukit Lawiang
Kluang, Johor

Pahang

2. Ladang Kota Bahagia
Keratong, Pahang

Ladang Sungai Mengah
Keratong, Pahang

Ladang Sungai Buan
Keratong, Pahang

Kilang Sawit Kota Bahagia
Keratong, Pahang

3. Ladang Sungai Merchong
Muadzam Shah, Pahang

Terengganu

4. Ladang Bukit Bidong
Setiu, Terengganu

5. Ladang Sungai Ibok
Kemaman, Terengganu

6. Ladang Ulu Chukai
Kemaman, Terengganu

* Awana Kijal Resort Apartment
Kijal, Terengganu

Sarawak

7. Ladang Kenyalang
Pusa, Sarawak

Ladang Raja Udang
Pusa, Sarawak

Ladang Enggang
Pusa, Sarawak

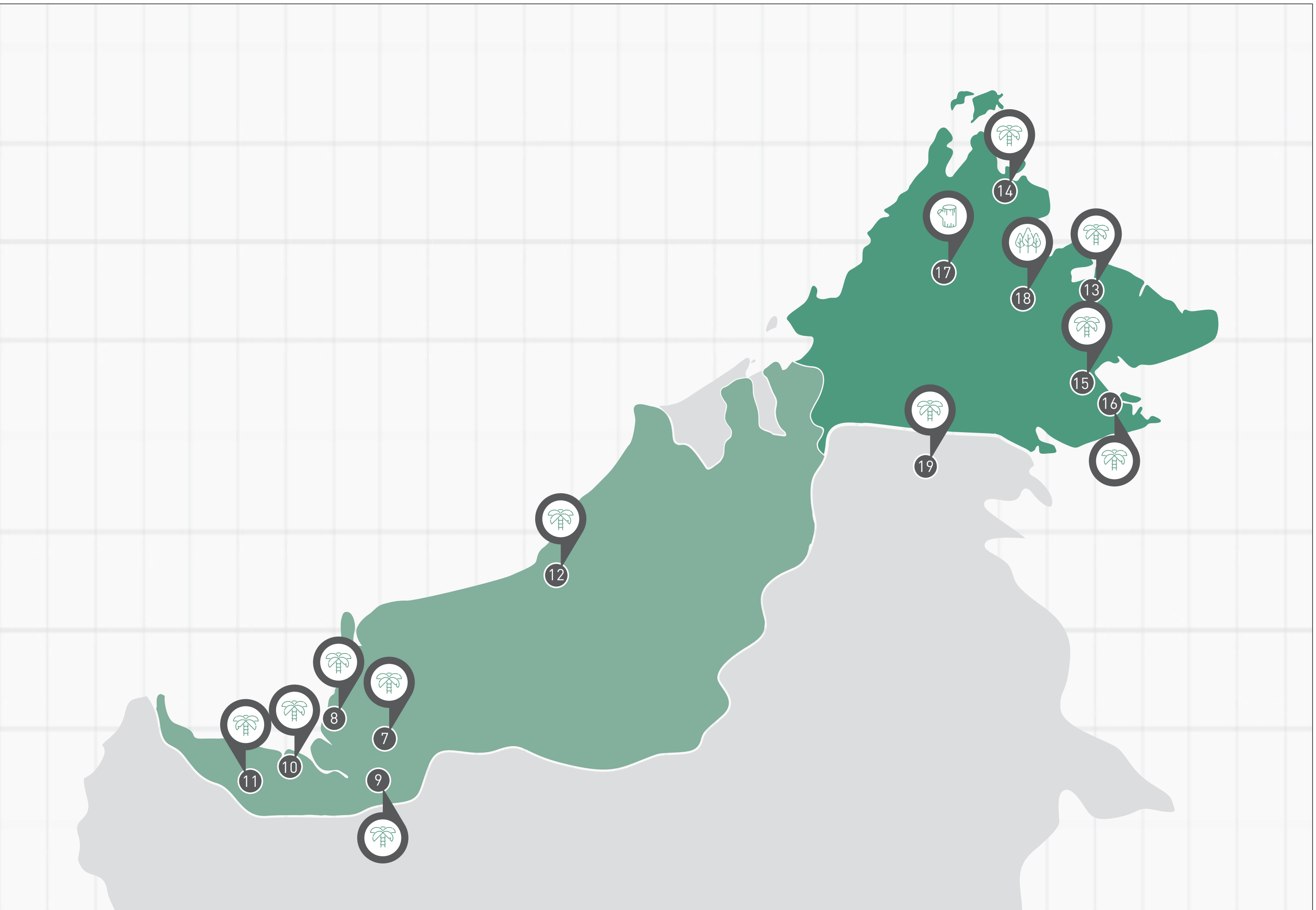
Ladang Merbok
Pusa, Sarawak

Ladang NCR Saribas
Pusa, Sarawak

Kilang Sawit Ladang Raja Udang
Pusa, Sarawak

PROPERTIES OWNED BY THE GROUP

for the year ended 31 December 2018



8. Ladang Tanjung Lilin
   Meludam, Sarawak

   Ladang Semarang
   Meludam, Sarawak

   Ladang NCR
   Beladin, Sarawak

9. Ladang Kepayang
   Samarahan, Sarawak

   Ladang Semalatong
   Samarahan, Sarawak

10. Ladang Sungai Kerian
    Samarahan, Sarawak

11. Ladang Gedong
    Serian, Sarawak

    Ladang Sematan
    Serian, Sarawak

    Ladang Sadong
    Serian, Sarawak

    Ladang Lupar
    Serian, Sarawak

    Kilang Sawit Gedong
    Serian, Sarawak

12. Ladang Sungai Arip
    Bintulu, Sarawak

    Ladang Sungai Karangan
    Bintulu, Sarawak

Sabah

13. Ladang Bukit Belian
    Sandakan, Sabah

14. Ladang Mamahat
    Kota Marudu, Sabah

    Kilang Sawit Ladang Mamahat
    Kota Marudu, Sabah

15. Ladang Sungai Tenegang
    Lahad Datu, Sabah

    Ladang Sungai Koyah
    Lahad Datu, Sabah

    Kilang Sawit Sungai Tenegang
    Lahad Datu, Sabah

16. Ladang Bukit Gold
    Lahad Datu, Sabah

17. Ladang Jati Keningau
    Keningau, Sabah

18. Ladang Klagan 1
    Sandakan, Sabah

    Ladang Klagan 2
    Sandakan, Sabah

    Ladang Klagan 3
    Sandakan, Sabah

    Ladang Klagan 4
    Sandakan, Sabah

    Ladang Klagan 5
    Sandakan, Sabah

    Ladang Jatimas
    Sandakan, Sabah

Indonesia

19. PT Persada Kencana Prima
    Kalimantan, Indonesia

PROPERTIES OWNED BY THE GROUP

for the year ended 31 December 2018

PLANTATIONS

Location	Approximate Age of Building	Tenure	Year of Expiry	Titled Area Ha	Description	Net Book Value RM'000
Peninsular Malaysia						
TH Plantations Berhad						
Ladang Ulu Chukai Kemaman, Terengganu	-	Leasehold	2051	902	Oil Palm Estate	23,321
Ladang Bukit Lawiang Ladang Gunung Sumalayang Kluang, Johor	-	Leasehold	2091	4,058	Oil Palm Estate	48,035
Kilang Sawit Bukit Lawiang Kluang, Johor	30	Leasehold	2091	10^	Palm Oil Mill	6,123
THP Kota Bahagia Sdn. Bhd.[1]						
Ladang Kota Bahagia Keratong, Pahang	-	Leasehold	2071 and 2073	1,858	Oil Palm Estate	11,822
Kilang Sawit Kota Bahagia Keratong, Pahang	43	Leasehold	2071	9.804^	Palm Oil Mill	8,395
Ladang Sungai Mengah Keratong, Pahang	-	Leasehold	2073, 2090, 2093 and 2107	2,195	Oil Palm Estate	12,815
Ladang Sungai Buan Keratong, Pahang	-	Leasehold	2093 and 2108	1,796	Oil Palm Estate	22,202
Ladang Sungai Merchong Muadzam Shah, Pahang	-	Leasehold	2085	1,720	Oil Palm Estate	17,891
THP Ibok Sdn. Bhd.[2]						
Ladang Sungai Ibok Kemaman, Terengganu	-	Leasehold	2042 and 2052	968	Oil Palm Estate	24,243
THP-YT Plantation Sdn. Bhd.						
Ladang Bukit Bidong Setiu, Terengganu	-	Leasehold	2064	2,594	Oil Palm Estate	76,913
Sabah						
THP Sabaco Sdn. Bhd.						
Ladang Sungai Tenegang Ladang Sungai Koyah Lahad Datu, Sabah	-	Leasehold	2083	3,886	Oil Palm Estate	143,615

PROPERTIES OWNED BY THE GROUP

for the year ended 31 December 2018

PLANTATIONS

Location	Approximate Age of Building	Tenure	Year of Expiry	Titled Area Ha	Description	Net Book Value RM'000
Sabah						
Kilang Sawit Sungai Tenegang Lahad Datu, Sabah	27	Leasehold	2083	50^	Palm Oil Mill	11,596
Ladang Bukit Gold Lahad Datu, Sabah	-	Leasehold	2076	2,020	Oil Palm Estate	78,553
Ladang Mamahat Ladang Terusan Kota Marudu, Sabah	-	Leasehold	2096, 2098 and 2099	2,936	Oil Palm Estate	109,424
Kilang Sawit Ladang Mamahat Kota Marudu, Sabah	10	Leasehold	2096	25^	Palm Oil Mill	13,361
THP Bukit Belian Sdn. Bhd.						
Ladang Bukit Belian Sandakan, Sabah	-	Leasehold	2887	1,088	Oil Palm Estate	39,431
TH-Bonggaya Sdn. Bhd.						
Ladang Klagan 1 Ladang Klagan 2 Ladang Klagan 3 Ladang Klagan 4 Ladang Klagan 5 Sandakan, Sabah	-	Licensed for 100 years	2098	10,117	Forestry	139,520
TH-USIA Jatimas Sdn. Bhd.						
Ladang Jatimas Sandakan, Sabah	-	Licensed for 100 years	2098	4,046	Forestry	54,775
Ladang Jati Keningau Sdn. Bhd.						
Ladang Jati Keningau Sandakan, Sabah	-	Leasehold	2078	1,550	Teak Estate	29,575
Sarawak						
THP Saribas Sdn. Bhd.[3]						
Ladang Kenyalang Ladang Raja Udang Ladang Enggang Ladang Merbok Ladang NCR Saribas Pusa, Sarawak	-	Leasehold	2060	10,670∞	Oil Palm Estate	447,288

PROPERTIES OWNED BY THE GROUP

for the year ended 31 December 2018

PLANTATIONS

Location	Approximate Age of Building	Tenure	Year of Expiry	Titled Area Ha	Description	Net Book Value RM'000
Sarawak						
Kilang Sawit Ladang Raja Udang Pusa, Sarawak	6	Leasehold	2060	9^	Palm Oil Mill	55,301
Hydroflow Sdn. Bhd.						
Ladang Sungai Kerian Samarahan, Sarawak	-	Leasehold	2064 and 2067	5,583	Oil Palm Estate	110,387
TH PELITA Gedong Sdn. Bhd.						
Ladang Gedong Ladang Sematan Serian, Sarawak	-	Leasehold	2058	7,794	Oil Palm Estate	224,961
Kilang Sawit Gedong Serian, Sarawak	14	N/a*	N/a	217*	Palm Oil Mill	28,636
TH PELITA Sadong Sdn. Bhd.						
Ladang Sadong Ladang Lupar Serian, Sarawak	-	Leasehold	2060	4,567	Oil Palm Estate	171,502
TH PELITA Simunjan Sdn. Bhd.						
Ladang Kepayang Ladang Semalatong Samarahan, Sarawak		Not available as the estate is located on NCR land and the land title has not been issued as at 1/4/2019	-	9,630[4]	Oil Palm Estate	73,162
	-	The land shall be alienated to TH PELITA Simunjan Sdn. Bhd. for a period of sixty (60) years pursuant to the Simunjan Joint Venture Agreement				

PROPERTIES OWNED BY THE GROUP
for the year ended 31 December 2018

PLANTATIONS

Location	Approximate Age of Building	Tenure	Year of Expiry	Titled Area Ha	Description	Net Book Value RM'000
Sarawak						
TH PELITA Beladin Sdn. Bhd.						
Ladang NCR Beladin, Sarawak		Not available as the estate is located on NCR land and the land title has not been issued as at 1/4/2019	-	1,577[5]	Oil Palm Estate	28,306
	-	The land shall be alienated to TH PELITA Beladin Sdn. Bhd. for a period of sixty (60) years pursuant to the Beladin Joint Venture Agreement				
TH PELITA Meludam Sdn. Bhd.						
Ladang Tanjung Lilin Ladang Semarang Meludam, Sarawak	-	Leasehold	2066	6,021	Oil Palm Estate	155,472
Bumi Suria Ventures Sdn. Bhd.						
Ladang Sungai Arip Ladang Sungai Karangan Maju Warisanmas Sdn. Bhd. Sibu-Bintulu, Sarawak	-	Leasehold	2065 and 2066	6,514	Oil Palm Estate	122,427#
PT Persada Kencana Prima						
Ladang Menjelutung		Leasehold	2052	6,929	Oil Palm Estate	20,879

PROPERTIES OWNED BY THE GROUP

for the year ended 31 December 2018

HOSPITALITY

Location	Approximate Age of Building	Tenure	Area Sq feet	Description	Net Book Value RM'000
Peninsular Malaysia					
Tanjung Tuan Resort, Port Dickson, Negeri Sembilan	29	-	1,222	1 Unit 3 Rooms Apartment	10
Awana Kijal Resort, Kijal, Terengganu	16	-	816	1 Unit 3 Rooms Apartment	61

HEAD OFFICE

Location	Tenure	Area Sq feet	Description	Net Book Value RM'000
Peninsular Malaysia				
Menara TH Platinum, Persiaran KLCC, Kuala Lumpur	Leasehold	56,214[1]	Head office	21,851

Notes:

1. *Registered under the ownership of Lembaga Tabung Haji.*
2. *Registered under the ownership of Syarikat Peladang LUTH Sdn Bhd (the former name of THP Ibok Sdn Bhd).*
3. *Registered under the ownership of Kenyalang Resources Sdn Bhd. (the former name of THP Saribas Sdn. Bhd).*
4. *Gross area as stated in the Simunjan Joint Venture Agreement*
5. *Gross area as stated in the Beladin Joint Venture Agreement*

* *On 13 September 2012, TH PELITA Gedong Sdn. Bhd. received an offer from the Ministry of Resource Planning and Environment for the alienation of the land alongside Lot 166, Block 6 of Melikin Land District, where the Gedong Palm Oil Mill is located and TH PELITA Gedong Sdn. Bhd. is currently undertaking the procedures for the alienation of said land.*

∞ *As per latest perimeter survey*

^ *Part of the titled area under Ladang Kota Bahagia (Kilang Sawit Kota Bahagia), Ladang Bukit Lawing (Kilang sawit Bukit Lawiang), Ladang Sungai Tenegang (Kilang Sawit Sungai Tenegang), Ladang Mamahat (Kilang Sawit Ladang Mamahat) and Ladang Raja Udang (Kilang Sawit Ladang Raja Udang)*

\# *Includes the net book value of land owned under Maju Warisanmas Sdn. Bhd. Amounting to RM4.434 million.*

N/a Not applicable

DIRECTORY OF ESTATES AND MILLS

Company	Estates	Designation	Address
TH Plantations Berhad	**Ladang Bukit Lawiang** Tel: 07-7863063 Fax: 07-7864271	**Mukhtar b Yusof** *(Senior Manager)*	Karung Berkunci 522 86009 Kluang, Johor
	Ladang Gunung Sumalayang Tel: 07-7863444 Fax: 07-7864606	**Abdullah Asya'ari b Junoh** *(Manager)*	Karung Berkunci 535 86009 Kluang, Johor
	Ladang Ulu Chukai Tel: 09-8676336 Fax: 09-8676336	**Usran b Mohd Zin** *(Manager)*	Peti Surat 2 24107 Kijal Kemaman, Terengganu
	Kilang Sawit Bukit Lawiang Tel: 07-7864540 Fax: 07-7864540	**Md Nazri b Md Noh** *(Manager)*	Peti Surat 114 86007 Kluang, Johor
THP Kota Bahagia Sdn. Bhd.	**Ladang Kota Bahagia** Tel: 09-4524826 Fax: 09-4524821	**Mohd Jafri bin Arshad** *(Senior Manager)*	Peti Surat 19 26700 Muadzam Shah Pahang Darul Makmur
	Ladang Sungai Mengah Tel: 09-4524979 Fax: 09-4524979	**Helmi b Mokhtarrudin** *(Acting Manager)*	Peti Surat 21 26700 Muadzam Shah Pahang Darul Makmur
	Ladang Sungai Buan Tel: 09-4524996 Fax: 09-4524995	**Rozali Md Desa** *(Senior Manager)*	Peti Surat 18 26700 Muadzam Shah Pahang Darul Makmur
	Ladang Sungai Merchong Tel: 09-4530807 Fax: 09-4530804	**Ahmad Mazwan b Jamaludin** *(Manager)*	Peti Surat 4 26700 Muadzam Shah Pahang Darul Makmur
	Kilang Sawit Kota Bahagia Tel: 09-4524936 Fax: 09-4524828	**Mohd Azahar b Yasin** *(Assistant General Manager)*	Peti Surat 20 26700 Muadzam Shah Pahang Darul Makmur
THP Ibok Sdn. Bhd.	**Ladang Sungai Ibok** Tel: 09-8676543 Fax: 09-8676336	**Usran b Mohd Zin** *(Manager)*	Peti Surat 2 24107 Kijal Kemaman, Terengganu
THP-YT Plantation Sdn. Bhd.	**Ladang Bukit Bidong** Tel: 09-6830002	**Nor Ali Akmar b Mahadi** *(Manager)*	Lot 2091-1, Jalan Merang-Terengganu Kg. Gong Tengah 22100 Permaisuri Terengganu

DIRECTORY OF ESTATES AND MILLS

Company	Estates	Designation	Address
THP Sabaco Sdn. Bhd.	**Ladang Sungai Tenegang** Tel: 089-959124 Fax: 089-959127	**Ghazali b Ab Talib** *(Senior Manager)*	Karung Berkunci 12 91109 Lahad Datu Sabah
	Ladang Sungai Koyah Tel: 089-959814 Fax: 089-959815	**Mat Faisal b Ismail** *(Manager)*	Karung Berkunci No 6 91109 Lahad Datu Sabah
	Ladang Bukit Gold Tel: 089-897013 Fax: 089-843821	**Juna b Palatuwi** *(Senior Manager)*	Peti Surat 60389 91113 Lahad Datu Sabah
	Ladang Mamahat Tel: 089-259177 Fax: 089-259188	**Abdul Kahar b Sariman** *(Manager)*	Karung Berkunci 1 89109 Kota Marudu Sabah
	Kilang Sawit Sungai Tenegang Tel: 089-959810	**Kamar b Jamian** *(Senior Manager)*	Peti Surat 60626 91115 Lahad Datu Sabah
	Kilang Sawit Ladang Mamahat Tel: 089-259166 Fax: 089-259188	**Abdul Naziz Ashady b Abdul Rahman** *(Senior Assistant Manager)*	Karung Berkunci 29 89109 Kota Marudu Sabah
THP Bukit Belian Sdn. Bhd.	**Ladang Bukit Belian** Tel: 089-622339 Fax: 089-278033	**Martin @ Zaini Soili** *(Manager)*	WDT 167 Kota Kinabatangan 90200 Sandakan, Sabah
Ladang Jati Keningau Sdn. Bhd.	**Ladang Jati Keningau** Tel: 089-278036 Fax: 089-514851		Peti Surat 3480 90739 Sandakan Sabah
TH Usia Jatimas Sdn. Bhd.	**Ladang Jatimas** Tel: 089-278036 Fax: 089-514851	**Mohd Nor Sulaiman** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
TH Bonggaya Sdn. Bhd.	**Ladang Klagan 1** Tel: 089-278015 Fax: 089-278018	**Mustaming b Abu** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
	Ladang Klagan 2 Tel: 089-278015 Fax: 089-278018	**Mustaming b Abu** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
	Ladang Klagan 3 Tel: 089-278015 Fax: 089-278018	**Mustaming b Abu** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah

DIRECTORY OF ESTATES AND MILLS

Company	Estates	Designation	Address
TH Bonggaya Sdn. Bhd.	**Ladang Klagan 4** Tel: 089-278015 Fax: 089-278018	**Mustaming b Abu** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
	Ladang Klagan 5 Tel: 089-278015 Fax: 089-278018	**Mustaming b Abu** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
THP Saribas Sdn. Bhd.	**Ladang Kenyalang** Tel: 013-8370535	**Tuan Rahimi b Tuan Man** *(Senior Manager)*	KM20, Jalan Pusa-Sessang 94950 Pusa, Sarawak
	Ladang Raja Udang Tel: 082-804921	**Mohd Sofi b Harun** *(Manager)*	KM11, Jalan Pusa-Sessang Lot 1, Blok 3 Sablor Land District 94950 Pusa, Sarawak
	Ladang Enggang Tel: 011-31834496	**Mahya b Masrom** *(Manager)*	KM6, Jalan Pusa-Sessang 94950 Pusa, Sarawak
	Ladang Merbok Tel: 013-8033213/ 083-485902	**Alinan b Kadar** *(Manager)*	No.14, Jalan Feeder Pusa Ground Floor New Shophouse Pusa Bazaar, 94950 Pusa Sarawak
	Ladang NCR Saribas Tel: 013-8370535	**Tuan Rahimi b Tuan Man** *(Senior Manager)*	KM20, Jalan Pusa-Sessang 94950 Pusa, Sarawak
	Kilang Sawit Ladang Raja Udang Tel: 083-485928 Fax: 083-485929	**Mohd Fadzley b Mohd Nazri** *(Senior Manager)*	Blok 3, Lot No. 44 & 45 Sablor Land District 94950 Pusa, Sarawak
TH Pelita Meludam Sdn. Bhd.	**Ladang Tanjung Lilin** Tel: 083-474913 Fax: 083-474915	**Rosli b Ahmed Khalil** *(Senior Manager)*	KM 4, Jalan Pusa-Beladin 94950 Pusa, Sarawak
	Ladang Semarang Tel: 083-474926 Fax: 083-474927	**Baharin b Salleh** *(Senior Assistant Manager)*	KM 18, Jalan Pusa-Meludam 94950 Pusa, Sarawak

DIRECTORY OF ESTATES AND MILLS

Company	Estates	Designation	Address
TH Pelita Beladin Sdn. Bhd.	**Ladang NCR** Tel: 083-474913 Fax: 083-474915	**Rosli b Ahmed Khalil** *(Senior Manager)*	No 1, Ground Floor Bazar Baru RGC Beladin 94950 Pusa, Sarawak
TH Pelita Simunjan Sdn. Bhd.	**Ladang Kepayang** Tel: 019-8624737	**Singgat Anak Birai** *(Manager)*	KM 21, Kampung Isu 98400 Simunjan Sarawak
	Ladang Semalatong Tel: 082-804907	**Md Johari b Md Daud** *(Manager)*	KM 21, Kampung Semalatong 98400 Simunjan, Sarawak
TH Pelita Gedong Sdn. Bhd.	**Ladang Gedong** Tel: 082-895513/14 Fax: 082-895542	**Ismail b Sadari** *(Senior Manager)*	KM 8, Jalan Gedong P.O. Box 32 94700 Serian, Sarawak
	Ladang Sematan Tel: 019-8243657 Fax: 082-895517	**Tuah b Nawi** *(Manager)*	KM 8, Jalan Gedong P.O. Box 32 94700 Serian, Sarawak
	Kilang Sawit Gedong Tel: 082-896515/18 Fax: 082-895517	**Isa b Jabar** *(Senior Manager)*	KM 8, Jalan Gedong P.O. Box 32 94700 Serian, Sarawak
TH Pelita Sadong Sdn. Bhd.	**Ladang Sadong** Tel: 082-895512 Fax: 082-895542	**Abang Ahmad Saifulhadi** *(Manager)*	KM 8, Jalan Gedong P.O. Box 32 94700 Serian, Sarawak
	Ladang Lupar Tel: 019-8898657 Fax: 082-882907	**Harisfadzillah Lamat** *(Acting Manager)*	KM 8, Jalan Gedong P.O. Box 32 94700 Serian, Sarawak
Hydroflow Sdn. Bhd.	**Ladang Sungai Kerian** Tel: 013-8373431 Fax: 019-8193431	**Alias b Bakir** *(Manager)*	Lot 1227, Jalan Kg Ulu Gedong, 94700 Gedong Sarawak
Bumi Suria Ventures Sdn. Bhd.	**Ladang Sungai Karangan** Tel: 084-375831 Fax: 084-375828	**Girman @ Perman b Sirah** *(Senior Manager)*	KM 91, Jalan Bintulu - Sibu P.O Box 3325 97000 Bintulu, Sarawak
	Ladang Sungai Arip Tel: 084-375830 Fax: 084-375828	**Ramlee b Mohamad** *(Manager)*	KM 91, Jalan Bintulu - Sibu P.O Box 3325 97000 Bintulu, Sarawak

ANALYSIS OF SHAREHOLDINGS

as at 1 April 2019

SHAREHOLDING STRUCTURE

Total Number of Issued Share	:	883,851,470
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for every share held

ANALYSIS BY SIZE OF SHAREHOLDINGS

Category	No. of Holders	%	No. of Shares	%
Less than 100	222	2.40	3,729	0.00
100 to 1,000	880	9.53	447,010	0.05
1,001 to 10,000	6,403	69.33	26,993,105	3.06
10,001 to 100,000	1,552	16.81	43,419,195	4.91
100,001 to less than 5% of issued shares	176	1.91	98,561,560	11.15
5% and above of issued shares	2	0.02	714,426,871	80.83
Total	**9,235**	**100.00**	**883,851,470**	**100.00**

DIRECTORS' SHAREHOLDINGS

		No. of Shares Held			
No.	**Name of Directors**	**Direct**	**%**	**Indirect**	**%**
1.	Tan Sri Abu Talib bin Othman	Nil	Nil	Nil	Nil
2.	Datuk Seri Nurmala binti Abd Rahim	Nil	Nil	Nil	Nil
3.	Dato' Shari bin Haji Osman	Nil	Nil	Nil	Nil
4.	Dato' Indera Dr. Md Yusop bin Omar	Nil	Nil	Nil	Nil
5.	Mohd Adzahar bin Abdul Wahid	Nil	Nil	Nil	Nil
6.	Nik Mohd Hasyudeen bin Yusoff	Nil	Nil	Nil	Nil
7.	Dzul Effendy bin Ahmad Hayan	Nil	Nil	Nil	Nil

SUBSTANTIAL SHAREHOLDERS

		No. of Shares Held			
No.	**Name of Substantial Shareholders**	**Direct**	**%**	**Indirect**	**%**
1.	Lembaga Tabung Haji	652,594,631	73.84	Nil	Nil
2.	Employees Provident Fund Board	61,832,240	7.00	Nil	Nil

ANALYSIS OF SHAREHOLDINGS
as at 1 April 2019

TOP THIRTY SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	Lembaga Tabung Haji	652,594,631	73.84
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	61,832,240	7.00
3.	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	11,067,120	1.25
4.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yayasan Pok Dan Kassim	10,491,760	1.19
5.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	6,238,680	0.71
6.	Pertubuhan Peladang Negeri Terengganu	5,870,294	0.66
7.	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. Affin Hwang Asset Management Berhad for Majlis Ugama Islam Dan Adat Resam Melayu Pahang	3,977,760	0.45
8.	Maybank Nominees (Tempatan) Sdn. Bhd. Mtrustee Berhad for Tabung Baitulmal Sarawak (Majlis Islam Sarawak) (FM-ASSAR-TBS)(419511)	2,600,000	0.29
9.	Maybank Nominees (Tempatan) Sdn. Bhd. Amanahraya Investment Management Sdn. Bhd. for Majlis Agama Islam Negeri Sembilan (C417-260272)	2,415,840	0.27
10.	Amin Baitulmal Johor	2,400,000	0.27
11.	Majlis Agama Islam Wilayah Persekutuan	2,400,000	0.27
12.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Neoh Choo Ee & Company Sdn. Berhad	2,400,000	0.27
13.	Majlis Agama Islam Dan Adat Melayu Perak Darul Ridzuan	2,320,000	0.26
14.	Maybank Nominees (Tempatan) Sdn. Bhd. Bank Kerjasama Rakyat (M) Berhad (412803)	2,233,200	0.25

ANALYSIS OF SHAREHOLDINGS
as at 1 April 2019

No.	Name of Shareholders	No. of Shares	%
15.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Yayasan Pok dan Kassim (MP0296)	2,173,400	0.25
16.	Neoh Choo Ee & Company Sdn. Berhad	1,300,000	0.15
17.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Raja Aznin bin Raja Ahmad (CEB)	1,039,300	0.12
18.	Tai Yat Choy	1,018,600	0.12
19.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for DFA Emerging Markets Small Cap Series	999,520	0.11
20.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc.	918,840	0.10
21.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	900,500	0.10
22.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tee Kim Tee @ Tee Ching Tee (TEE0063C)	754,000	0.09
23.	Dynaquest Sdn. Bhd.	750,000	0.08
24.	Ang Chai Eng	740,300	0.08
25.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Batu Bara Resources Corporation Sdn. Bhd. (MP0184)	725,000	0.08
26.	Lembaga Kemajuan Tanah Persekutuan (FELDA)	689,100	0.08
27.	Oui Kee Seng	675,100	0.08
28.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Zalaraz Sdn. Bhd. (MY3113)	650,000	0.07
29.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Peng Nguang	620,000	0.07
30.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Asia Humanistic Capital Inc.	577,000	0.07
	TOTAL	**783,372,185**	**88.63**

NOTICE OF 45TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Fifth Annual General Meeting ("45th AGM") of TH Plantations Berhad ("THP" or "the Company") will be held at **Dewan Besar Tabung Haji, Lantai 1, Menara *TH* Tun Razak, 201, Jalan Tun Razak, 50400 Kuala Lumpur** on **Thursday, 27 June 2019** at **10.00 a.m.** to transact the following businesses:

As Ordinary Businesses

1. To receive the Audited Financial Statements for the year ended 31 December 2018 together with Reports of the Directors and the Auditors thereon. — Please refer to Note 1

2. To approve the payment of Directors' fees and benefits payable of up to RM1,622,000.00 for the period from 1 July 2019 until the next Annual General Meeting of the Company to be held in 2020. — Ordinary Resolution 1

3. To re-elect Dato' Indera Dr. Md Yusop bin Omar, who shall retire by rotation in accordance with Article 84 of the Constitution of the Company and being eligible, offered himself for re-election. — Ordinary Resolution 2

4. To re-elect the following Directors, who shall retire by casual vacancy in accordance with Article 89 of the Constitution of the Company and being eligible, offered themselves for re-election:

   i. Tan Sri Abu Talib bin Othman — Ordinary Resolution 3
   ii. Nik Mohd Hasyudeen bin Yusoff — Ordinary Resolution 4
   iii. Dzul Effendy bin Ahmad Hayan — Ordinary Resolution 5

5. To re-appoint Messrs. KPMG Desa Megat PLT as Auditors of the Company in respect of the financial year ending 31 December 2019 and to authorise the Board of Directors to determine the Auditors' remuneration. — Ordinary Resolution 6

As Special Businesses

To consider, and if deemed fit, to pass with or without modification, the following Resolutions:

6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** — Ordinary Resolution 7

   "**THAT**, subject always to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), approval be and is hereby given for the renewal of the existing Shareholders' Mandate for the Company and/or its Subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.1 of Part A of the Circular to Shareholders dated 30 April 2019 with the related parties described therein provided that such transactions are necessary for the Group's day-to-day operations, carried out in the normal course of business, at arm's length, on normal commercial terms, not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

NOTICE OF 45TH ANNUAL GENERAL MEETING

AND THAT such approval granted shall take effect immediately upon passing of this Resolution and shall continue to be in force until:

i. the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which such mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

ii. the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("the Act"), (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

iii. revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earliest.

AND THAT the Directors of the Company and/or its Subsidiaries be and are hereby authorised to do all such acts and things as may be necessary in the best interest of the Company to give full effect to the Recurrent Related Party Transactions as authorised by this Resolution."

7. **Proposed Adoption of a New Constitution of the Company** Special Resolution

"**THAT** approval be and is hereby given to revoke the existing Constitution of the Company by the replacement thereof with a New Constitution of the Company as set out in Part B of the Circular to Shareholders dated 30 April 2019 with immediate effect.

AND THAT the Board of Directors of the Company be and is hereby authorised to do assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

8. To transact any other business of which due notice shall have been received in accordance with the Act and the Constitution of the Company.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend, speak and vote at this 45th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository") in accordance with Article 57(b) of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) ACT 1991 (SICDA) to issue a General Meeting Record of Depositors ("ROD") as at 21 June 2019. Only a depositor whose name appears on the ROD as at 21 June 2019 shall be entitled to attend, speak and vote at the 45th AGM or appoint proxy/proxies to attend, speak and vote on his/her behalf.

By Order of the Board

ALIATUN BINTI MAHMUD (LS0008841)
WAN NURUL HIDAYAH BINTI WAN YUSOFF (LS0008555)
Company Secretaries

Kuala Lumpur
Date: 30 April 2019

NOTICE OF 45TH ANNUAL GENERAL MEETING

NOTES

1. **Audited Financial Statements for the year ended 31 December 2018**

   This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval from the shareholders for the Audited Financial Statements. Hence, this Agenda is **not put forward for voting**.

2. **To Approve the Payment of Directors' Fees and Benefits Payable**

   The directors' fees and benefits payable have been reviewed by the Board of Directors of the Company, which recognises that the fees and benefits payable are in the best interest of the Company.

   The payment of directors' fees will be made on a monthly basis or as and when incurred, after the Directors have discharged their responsibilities and rendered their services to the Company.

   In determining the estimated total amount of benefits payable, the Board considered various factors including the number of scheduled and special meetings of the Board and Board Committees.

   The proposed Ordinary Resolution 1, if passed, will allow the payment of directors' fees and benefits for the period commencing from 1 July 2019 until the next Annual General Meeting of the Company to be held in 2020, as and when incurred.

3. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

   The proposed Ordinary Resolution 7, if passed, will allow the Company and/or its Subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties provided that such transactions are necessary for the Group's day-to-day operations, carried out in the normal course of business, at arm's length, on commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders. Shareholders are advised to refer to Part A of the Circular to Shareholders dated 30 April 2019 for more information.

4. **Proposed Adoption of a New Constitution of the Company**

   The proposed Special Resolution, if passed, will align the Constitution of the Company with the Act which came into effect from 31 January 2017, the Listing Requirements and prevailing laws, guidelines or requirements of the relevant authorities. Shareholders are advised to refer to Part B of the Circular to Shareholders dated 30 April 2019 for more information. The proposed New Constitution shall take effect once the proposed Special Resolution has been passed by a majority of not less than 75% of such members who are entitled to vote and do vote in person or by proxy at this 45th AGM.

NOTICE OF 45TH ANNUAL GENERAL MEETING

5. **Proxy and Entitlement of Attendance**

   i. In respect of deposited securities, only a Member whose name appears on the ROD as at 21 June 2019 shall be entitled to attend, speak and vote at this 45th AGM.

   ii. A Member entitled to attend and vote at this 45th AGM may appoint not more than two (2) proxies to attend, speak and vote on his behalf. A proxy may but need not be a member of the Company.

   iii. Where a Member appoints two (2) proxies, the appointment shall not be valid unless he/she specifies his/her shareholdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares.

   Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

   iv. The instrument in appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised by the corporation.

   v. The instrument in appointing a proxy must be deposited at the Company's Registered Office at Level 35, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur not less than 24 hours before the time set for holding the 45th AGM or **no later than 26 June 2019 at 10.00 a.m.**

   vi. Pursuant to Paragraph 8.29A(1) of the Listing Requirements, voting at this 45th AGM of the Company will be conducted by poll. The Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and verify the results of the poll.

GLOSSARY

AC	Audit Committee
AGM	Annual General Meeting
BOD	Biological Oxygen Demand
Bursa Depository	Bursa Malaysia Depository Sdn. Bhd
Bursa Malaysia	Bursa Malaysia Securities Berhad
CEMS	Continuous Emissions Monitoring Systems
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety and Health
ED	Executive Director
EES	Economic, Environmental and Social
EFB	Empty Fruit Bunch(es)
EIA	Environmental Impact Assessment
EPS	Earning Per Share
ERP	Emergency Response Plan
ESP	Electrostatic Precipitator
ESOS	Employees' Share Option Scheme
FFB	Fresh Fruit Bunch(es)
FY2018	Financial Year Ended 31 December 2018
GAP	Good Agricultural Practices
GHG	Greenhouse Gas
GIS	Geographic Information System
GLCs	Government-Linked Companies
GLCT	Government-Linked Company Transformation
HA	Hospital Assistant
Ha	Hectares
HIRARC	Hazard Identification, Risk Assessment, Risk Control
IAD	Internal Audit Department
INED	Independent Non-Executive Director
INFERS	Integrated Fertilisers Recommendation System
IC	Investment Committee
KER	Kernel Extraction Rate
KPIs	Key Performance Indicators
LCC	Legumes Cover Crop
Listing Requirements	Main Market of Listing Requirements of Bursa Malaysia
MASB	Malaysian Accounting Standard Board
MPOB	Malaysian Palm Oil Board
MSPO	Malaysian Sustainable Palm Oil
MT	Metric Tonnes
NCR	Native Customary Rights
NED	Non-Executive Director
NINED	Non-Independent Non-Executive Director
OER	Oil Extraction Rate
OSH	Occupational Safety and Health
OSHD	Occupational Safety & Health Doctor
PAT	Profit After Tax
PBT	Profit Before Tax
PINTAR	Promoting Intelligence, Nurturing Talent and Advocating Responsibility
PIP	Performance Improvement Programme
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
RECAL	Recognition of Employees' Children's Achievement in Learning
RMC	Risk Management Committee
RMF	Risk Management Framework
RPG	Recommended Practice Guide
RMP	Risk Management Policy
ROD	Record of Depositors
ROE	Return on Equity
R&D	Research and Development
SDGs	United Nation Sustainable Development Goals
SOP	Standard Operating Procedures
SPV	Special Purpose Vehicle
TH	Lembaga Tabung Haji
THP or the Company	TH Plantations Berhad
THP Group or the Group	TH Plantations Berhad and Subsidiaries
THPAM	THP Agro Management Sdn. Bhd.
The Board	The Board of Directors of THP
The Code	Malaysian Code on Corporate Governance
UAV	Unmanned Aerial Vehicle
VDI	Vendor Development Initiative
Yield	FFB Production per Hectare

TH PLANTATIONS BERHAD

Company No. 12696-M
(Incorporated in Malaysia)

Proxy Form

I/We, ____ (FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No./Company No. ________________________ of __________________________

____ (ADDRESS)

being a member/members of TH PLANTATIONS BERHAD ("the Company") hereby appoint_________________________

____ (FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No./Company No. ________________________ of __________________________

____ (ADDRESS)

or failing him/her ____ (FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No./Company No. ______________________ of ____________________________

____ (ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Forty-Fifth Annual General Meeting ("45th AGM") of the Company to be held at **Dewan Besar Tabung Haji, Lantai 1, Menara *TH* Tun Razak, 201, Jalan Tun Razak, 50400 Kuala Lumpur** on **Thursday, 27 June 2019** at **10.00 a.m.** and at any adjournment thereof.

My/our proxy is to vote as indicated below:

RESOLUTION NO.	ORDINARY BUSINESSES	FOR	AGAINST
Ordinary Resolution 1	To approve the payment of Directors' fees and benefits payable of up to RM1,622,000.00 for the period from 1 July 2019 until the next Annual General Meeting of the Company to be held in 2020.		
Ordinary Resolution 2	To re-elect Dato' Indera Dr. Md Yusop bin Omar as a Director.		
Ordinary Resolution 3	To re-elect Tan Sri Abu Talib bin Othman as a Director.		
Ordinary Resolution 4	To re-elect Nik Mohd Hasyudeen bin Yusoff as a Director.		
Ordinary Resolution 5	To re-elect Dzul Effendy bin Ahmad Hayan as a Director.		
Ordinary Resolution 6	To re-appoint Messrs. KPMG Desa Megat PLT as Auditors of the Company and to authorise the Board of Directors to determine their remuneration.		
RESOLUTION NO.	**SPECIAL BUSINESSES**	**FOR**	**AGAINST**
Ordinary Resolution 7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Special Resolution	Proposed Adoption of a New Constitution of the Company		

(Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to the voting is given, the proxy will vote or abstain at his/her own discretion).

For the appointment of two (2) proxies, the percentage of shareholdings to be represented by the proxies:

	NO. OF SHARES	PERCENTAGE
First Proxy		
Second Proxy		
TOTAL		100%

Number of Ordinary Shares Held	

Dated this __________ day of ___________ 2019.

____
Signature/Common Seal of Shareholder

NOTES:

i. In respect of deposited securities, only a Member whose name appears on the ROD as at 21 June 2019 shall be entitled to attend, speak and vote at this 45th AGM.

ii. A Member entitled to attend and vote at this 45th AGM may appoint not more than two (2) proxies to attend, speak and vote on his behalf. A proxy may but need not be a member of the Company.

iii. Where a Member appoints two (2) proxies, the appointment shall not be valid unless he/she specifies his/her shareholdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares.

   Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

iv. The instrument in appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised by the corporation.

v. The instrument in appointing a proxy must be deposited at the Company's Registered Office at Level 35, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur not less than 24 hours before the time set for holding the 45th AGM or **no later than 26 June 2019 at 10.00 a.m.**

vi. Pursuant to Paragraph 8.29A(1) of the Listing Requirements, voting at this 45th AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and verify the results of the poll.

STAMP

The Company Secretary
TH PLANTATIONS BERHAD
Level 35
Menara TH Platinum
No. 9 Persiaran KLCC
50088 Kuala Lumpur

www.thplantations.my

Level 31 – 35, Menara TH Platinum
No. 9, Jalan Persiaran KLCC
50088 Kuala Lumpur
Malaysia