



IJM PLANTATIONS BERHAD (133399-A)

Part A1 : Quarterly Report

Quarterly report for the financial period ended: 31/12/2019
 Quarter: 3rd Qtr
 Financial Year End: 31/03/2020
 The figures: Have not been audited

Full Quarterly Report: Refer attached

Part A2 : Summary of Key Financial Information for the financial period 31/12/2019

	Individual Quarter		Cumulative Period	
	Current year quarter 31/12/2019 RM'000	Preceding year quarter 31/12/2018 RM'000	Current period 31/12/2019 RM'000	Preceding period 31/12/2018 RM'000
1 Revenue	237,812	142,869	543,740	466,098
2 Profit/(loss) before taxation	33,303	(2,009)	22,966	(60,027)
3 Net profit/(loss) for the period	21,446	(2,569)	13,294	(58,387)
4 Profit/(loss) attributable to owners of the Company	20,063	(1,988)	12,964	(49,860)
5 Basic earnings/(loss) per share (sen)	2.28	(0.23)	1.47	(5.66)
6 Proposed/declared dividend per share (sen)	-	-	-	-
	As at end of current quarter 31/12/2019		As at preceding financial year end	
7 Net assets per share attributable to owners of the Company (RM)		1.53		1.51

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER 3 MONTHS ENDED 31 DECEMBER			CUMULATIVE 9 MONTHS ENDED 31 DECEMBER		
	2019 RM'000	2018 RM'000	change % +/-	2019 RM'000	2018 RM'000	change % +/-
Revenue	237,812	142,869	+66.5	543,740	466,098	+16.7
Operating expenses	(189,724)	(160,137)	+18.5	(499,118)	(481,131)	+3.7
Net other income and gains/(losses):						
- Net other (expense)/income	(22,408)	4,283	-623.2	(16,553)	10,591	-256.3
- Net foreign exchange gains/(losses)	10,680	28,572	-62.6	13,572	(2,381)	+670.0
Profit/(loss) from operations	36,360	15,587	+133.3	41,641	(6,823)	+710.3
Finance costs:						
- Interest and lease expenses	(5,933)	(7,361)	-19.4	(19,194)	(20,388)	-5.9
- Net foreign exchange gains/(losses) on borrowings	2,709	(10,553)	+125.7	-	(33,134)	-100.0
Share of profits of an associate	167	318	-47.5	519	318	+63.2
Profit/(loss) before taxation	33,303	(2,009)	+1757.7	22,966	(60,027)	+138.3
Income tax	(11,857)	(560)	+2017.3	(9,672)	1,640	-689.8
Net profit/(loss) for the financial period	21,446	(2,569)	+934.8	13,294	(58,387)	+122.8
Other comprehensive (loss)/income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
- Currency translation difference	(2,241)	18,889	-111.9	26,274	11,854	+121.6
Total comprehensive income/(loss) for the financial period	19,205	16,320	+17.7	39,568	(46,533)	+185.0
Net profit/(loss) attributable to:						
- Owners of the Company	20,063	(1,988)	+1109.2	12,964	(49,860)	+126.0
- Non-controlling interests	1,383	(581)	+338.0	330	(8,527)	+103.9
	21,446	(2,569)	+934.8	13,294	(58,387)	+122.8
Total comprehensive income/(loss) attributable to:						
- Owners of the Company	17,808	16,936	+5.1	39,293	(38,205)	+202.8
- Non-controlling interests	1,397	(616)	+326.8	275	(8,328)	+103.3
	19,205	16,320	+17.7	39,568	(46,533)	+185.0
Earnings/(loss) per share attributable to owners of the Company:						
Basic earnings/(loss) per share:						
- [Note B10]	2.28 sen	(0.23) sen		1.47 sen	(5.66) sen	

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December 2019 RM'000	As at 31 March 2019 RM'000
ASSETS		
Non-Current Assets:		
Property, plant and equipment	1,648,355	1,695,903
Land use rights	-	140,625
Right-of-use assets	233,169	-
Associate	13,427	12,908
Other receivables	135,937	127,907
Deferred tax assets	15,178	13,812
	2,046,066	1,991,155
Current Assets:		
Inventories	86,896	79,340
Trade and other receivables	76,287	47,005
Derivative financial instruments	-	4,470
Produce growing on bearer plants	13,946	7,750
Tax recoverable	1,041	13,351
Deposits, cash and bank balances	210,681	139,422
	388,851	291,338
TOTAL ASSETS	2,434,917	2,282,493
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the Company		
Share capital	922,530	922,530
Equity contribution reserve	8,450	8,155
Other reserves	(74,812)	(101,141)
Retained profits	493,565	498,213
	1,349,733	1,327,757
Non-controlling interests	3,036	2,761
Total Equity	1,352,769	1,330,518
Non-Current Liabilities:		
Retirement benefits	22,313	19,340
Lease liabilities	20,272	-
Derivative financial instruments	229	-
Borrowings	754,581	651,349
Deferred tax liabilities	72,008	73,201
	869,403	743,890
Current Liabilities:		
Trade and other payables	90,243	71,493
Lease liabilities	1,208	-
Derivative financial instruments	19,710	-
Current tax liabilities	3,568	8
Borrowings	98,016	136,584
	212,745	208,085
Total Liabilities	1,082,148	951,975
TOTAL EQUITY AND LIABILITIES	2,434,917	2,282,493
Net Assets Per Share attributable to owners of the Company (RM)	1.53	1.51

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

	Attributable to Equity Holders of the Company					Non-controlling interests	Total Equity
	Share Capital	Equity Contribution Reserve	Other Reserves	Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2019	922,530	8,155	(101,141)	498,213	1,327,757	2,761	1,330,518
Comprehensive income:							
-net profit for the period	-	-	-	12,964	12,964	330	13,294
Other comprehensive income:							
- Currency translation differences arising from translation of net investments in subsidiaries	-	-	26,329	-	26,329	(55)	26,274
Total comprehensive income	-	-	26,329	12,964	39,293	275	39,568
Capital contribution by ultimate holding company, net of ESOS exercised by employees	-	295	-	-	295	-	295
Dividend - year ended 31 March 2019	-	-	-	(17,612)	(17,612)	-	(17,612)
At 31 December 2019 (Unaudited)	922,530	8,450	(74,812)	493,565	1,349,733	3,036	1,352,769

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

	Attributable to Equity Holders of the Company					Non-controlling interests	Total Equity
	Share Capital	Equity Contribution Reserve	Other Reserves	Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2018							
- As previously stated under FRSs	922,530	7,064	(71,115)	764,772	1,623,251	(3,483)	1,619,768
- Effects of transition from FRSs to MFRSs**	-	-	(45,077)	(188,694)	(233,771)	(3,786)	(237,557)
- As restated	922,530	7,064	(116,192)	576,078	1,389,480	(7,269)	1,382,211
Comprehensive loss:							
-net loss for the period	-	-	-	(49,860)	(49,860)	(8,527)	(58,387)
Other comprehensive income:							
- Currency translation differences arising from translation of net investments in subsidiaries	-	-	11,655	-	11,655	199	11,854
Total comprehensive income/(loss)	-	-	11,655	(49,860)	(38,205)	(8,328)	(46,533)
Capital contribution by ultimate holding company, net of ESOS exercised by employees	-	260	-	-	260	-	260
Issuance of shares to non-controlling interests	-	-	-	-	-	17,482	17,482
Dividend - year ended 31 March 2018	-	-	-	(44,029)	(44,029)	-	(44,029)
At 31 December 2018 (Unaudited)	922,530	7,324	(104,537)	482,189	1,307,506	1,885	1,309,391

** - Certain figures on the effects of transition from FRSs to MFRSs were amended to be consistent with the audited financial statements ended 31 March 2019.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 MONTHS ENDED 31 DECEMBER 2019 RM'000	9 MONTHS ENDED 31 DECEMBER 2018 RM'000
OPERATING ACTIVITIES		
Receipts from customers	526,919	453,898
Payments to contractors, suppliers and employees	(420,343)	(395,550)
Interest paid	(17,386)	(20,388)
Net income tax refund/(paid)	4,006	(11,325)
<i>Net cash flows generated from operating activities</i>	93,196	26,635
INVESTING ACTIVITIES		
Additions to property, plant and equipment, land use rights, and right-of-use assets	(64,650)	(91,507)
Subscription of shares in an associate	-	(12,408)
Placement of deposits	(3,618)	-
Interest received	3,384	3,410
<i>Net cash flows used in investing activities</i>	(64,884)	(100,505)
FINANCING ACTIVITIES		
Repayment of borrowings	(115,741)	(400,039)
Drawdown of borrowings	171,540	435,338
Repayment of lease liabilities	(1,134)	-
Dividends paid	(17,612)	(44,029)
<i>Net cash flows from/(used in) financing activities</i>	37,053	(8,730)
Net Change in Cash and Cash Equivalents	65,365	(82,600)
Foreign Exchange differences	2,253	1,411
Cash & Cash Equivalents at beginning of financial period	127,821	206,165
Cash & Cash Equivalents at end of financial period	195,439	124,976
Notes:	AS AT 31 DECEMBER 2019 RM'000	AS AT 31 DECEMBER 2018 RM'000
Cash and cash equivalents represent the following:		
Cash and bank balances	85,376	40,575
Deposits with licensed banks	125,305	95,236
	210,681	135,811
Less: Restricted deposits with licensed banks	(15,242)	(10,835)
	195,439	124,976

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A NOTES TO THE QUARTERLY RESULTS

A1. Basis of Preparation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: *Interim Financial Reporting* and Chapter 9 Appendix 9B of the *Listing Requirements of Bursa Malaysia Securities Berhad*.

The unaudited interim financial report should be read in conjunction with the audited financial statements for the year ended 31 March 2019 which are available at <http://www.ijmplantations.com>. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2019.

A2. Significant Accounting Policies

The significant accounting policies applied are consistent with those adopted for the audited financial statements for the year ended 31 March 2019 except for the adoption of the following new MFRS, amendments to published standards issued by MASB and IC interpretations that are effective for the Group’s financial year beginning on or after 1 April 2019 and applicable to the Group as follows:

- MFRS 16 “Leases”
- Amendments to MFRS 9 “Prepayment Features with Negative Compensation”
- Amendments to MFRS 128 “Long term interest in Associates and Joint Ventures”
- Annual improvements to MFRSs 2015 - 2017 Cycle, which include Amendments to MFRS 3 “Business Combinations”, MFRS 11 “Joint Arrangements”, MFRS 112 “Income Taxes” and MFRS 123 “Borrowing Costs”
- Amendments to MFRS 119 “Plan amendment, curtailment or settlement”
- IC Interpretation 23 “Uncertainty over income tax treatments”

The adoption of the new MFRS, amendments to published standards and IC interpretations did not have any material impact on the interim financial report of the Group except for the following:

MFRS 16 “Leases”

MFRS 16 “Leases” supersedes MFRS 117 “Leases” and the related interpretations. MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases. MFRS 16 introduces a single accounting model, requiring the lessee to recognise the “right-of-use” of the underlying asset and the lease liability reflecting future lease payments liabilities in the statement of financial position. The right-of-use asset is depreciated in accordance with the principles in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in the statement of comprehensive income. For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group has adopted MFRS 16 retrospectively from 1 April 2019 using the simplified transition approach and has not restated comparatives for the 2019 reporting period, as permitted under the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance of statement of financial position as at 1 April 2019.

As permitted by the exemptions under the standard, the Group has not applied the principles of MFRS 16 to short term leases (leases with lease terms of 12 months or less from dates of commencement) and leases for which the underlying assets are of low value.

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A2. Significant Accounting Policies (continued)

The impact of adoption of MFRS 16 on operating leases and finance leases are as follows:

(i) Leases previously classified as operating leases

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of MFRS 117. These liabilities are measured at the present value of the remaining lease payments and discounted using the Group’s incremental borrowing rate as of 1 April 2019.

On a lease-by-lease basis, the Group measures the associated right-of-use asset on a retrospective basis either at its carrying amount as if the new rules had always been applied or at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 31 March 2019.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients:

- (a) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Reliance on previous assessments on whether leases are onerous;
- (c) The accounting for operating leases with remaining lease terms of less than 12 months as short term leases as at the date of initial application;
- (d) The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment by applying MFRS 117 and IC Interpretation 4 “Determining whether an Arrangement contains a Lease”.

(ii) Leases previously classified as finance leases

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset immediately before the transition as the carrying amount of the right-of-use assets on the date of initial application. The measurement principles of MFRS 16 are then applied after that date. Consequently, reclassifications from certain property, plant and equipment and land use rights have been made to right-of-use assets on the date of initial application.

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A2. Significant Accounting Policies (continued)

The table below shows the impact of changes to the condensed consolidated statement of financial position of the Group resulting from the adoption of MFRS 16 as at 1 April 2019:

	As at 31 March 2019 RM'000	Effects of adoption of MFRS 16 RM'000	As at 1 April 2019 RM'000
<u>Non-current assets:</u>			
- Property, plant and equipment	1,695,903	(71,653)	1,624,250
- Land use rights	140,625	(140,625)	-
- Right-of-use assets	-	234,043	234,043
<u>Non-current liabilities:</u>			
- Lease liabilities	-	20,630	20,630
<u>Current liabilities:</u>			
- Lease liabilities	-	1,135	1,135

The impact on the Group's financial performance upon adoption of MFRS 16 in the current financial period is as follows:

(i) Consolidated Statement of Comprehensive Income

Expenses which had included operating lease rentals within adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") are now replaced by interest expense on lease liabilities (included within "finance costs") and amortisation of rights-of-use assets (included within "depreciation and amortisation"); and

(ii) Consolidated Statement of Cash Flows

Operating lease rental outflows previously recorded within "net cash flows from operating activities" are now classified as "net cash flows from financing activities" for repayment of lease liabilities.

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A3. Audit Report

The audit report for the financial year ended 31 March 2019 was not subject to any modification or qualification.

A4. Seasonality or Cyclicity of Operations

The Group's performance is affected by the oil palms cropping pattern that normally starts in a trough in the first half of a calendar year before rising to a peak in the second half.

A5. Unusual Significant Items

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual in nature, size or incidence during the financial period under review.

A6. Material Changes in Estimates

There were no major changes in estimates that had a material effect on the results for the current quarter and financial period.

A7. Debt and Equity Securities

There were no cancellations, repurchases, resale and repayments of debt and equity securities for the quarter and financial period.

A8. Dividends Paid

Dividend paid during the financial period ended 31 December 2019 is as follows:

In respect of the financial year ended 31 March 2019 as reported in the directors' report of that year:

A single tier interim dividend of 2 sen per share paid on 17 July 2019	RM'000 <u>17,612</u>
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A9. Segmental Information

The principal activities of the Group are the cultivation of oil palms and milling of fresh fruit bunches. The operations are geographically located in Malaysia and Indonesia.

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A9. Segmental Information (continued)

	INDIVIDUAL QUARTER		change % +/-	CUMULATIVE PERIOD		change % +/-
	3 months ended 31/12/2019 RM'000	3 months ended 31/12/2018 RM'000		9 months ended 31/12/2019 RM'000	9 months ended 31/12/2018 RM'000	
Revenue and timing of revenue recognition:						
-Malaysia – Point in time	114,165	69,690	+63.8	252,108	239,532	+5.3
-Malaysia – Over time	-	-	-	-	-	-
<i>Total revenue from Malaysia</i>	<u>114,165</u>	<u>69,690</u>	+63.8	<u>252,108</u>	<u>239,532</u>	+5.3
-Indonesia – Point in time	123,647	73,179	+69.0	291,632	226,566	+28.7
-Indonesia – Over time	-	-	-	-	-	-
<i>Total revenue from Indonesia</i>	<u>123,647</u>	<u>73,179</u>	+69.0	<u>291,632</u>	<u>226,566</u>	+28.7
Total external revenue	<u>237,812</u>	<u>142,869</u>	+66.5	<u>543,740</u>	<u>466,098</u>	+16.7
Earnings before interest, tax, depreciation and amortisation (“EBITDA”):						
-Malaysia	18,277	19,639	-6.9	46,462	46,039	+0.9
-Indonesia	47,554	24,805	+91.7	80,868	33,285	+143.0
	<u>65,831</u>	<u>44,444</u>	+48.1	<u>127,330</u>	<u>79,324</u>	+60.5
-Finance costs	(3,224)	(17,914)		(19,194)	(53,522)	
-Depreciation and amortisation	(29,304)	(28,539)		(85,170)	(85,829)	
Loss before taxation	<u>33,303</u>	<u>(2,009)</u>	+1757.7	<u>22,966</u>	<u>(60,027)</u>	+138.3
Profit/(loss) before taxation:						
-Malaysia	8,175	8,697	-6.0	16,735	12,822	+30.5
-Indonesia	25,128	(10,706)	+334.7	6,231	(72,849)	+108.6
	<u>33,303</u>	<u>(2,009)</u>	+1757.7	<u>22,966</u>	<u>(60,027)</u>	+138.3
TOTAL ASSETS						
				As at 31 December 2019 RM'000	As at 31 March 2019 RM'000	
Malaysian Operations				750,744	720,333	
Indonesian Operations				1,667,954	1,534,997	
Unallocated assets				16,219	27,163	
				<u>2,434,917</u>	<u>2,282,493</u>	

A10. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment for the current quarter and reporting period.

A11. Significant Subsequent Events to the date of the Statement of Financial Position

There was no significant event subsequent to the date of the unaudited statements of financial position.

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A12. Changes in the Composition of the Group

There were no other changes in the composition of the Group for the current quarter and financial period.

A13. Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets as at 31 December 2019.

A14. Capital Commitments

Capital commitments not provided for in the unaudited financial statements as at 31 December 2019 are as follows:

Property, plant, equipment and land use rights:	RM'000
- Approved and contracted for	25,315
- Approved but not contracted for	116,095
	<u>141,410</u>

A15. Fair Value of Financial Instruments

The following hierarchies were applied to determine the fair value of all the financial instruments carried at fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2019, the Group measured and recognised the derivative financial instruments for the crude palm oil pricing swap and interest rate swap contracts at fair value. It was classified by the level of fair value measurement hierarchy as follows:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Current Liability:</u>				
Derivative financial instruments	-	19,710	-	19,710
<u>Non-Current Liability:</u>				
Derivative financial instruments	-	229	-	229

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B Bursa Securities Listing Requirements (Part A of Appendix 9B)

Current quarter under review – Q3-FY2020

Corresponding quarter of the preceding year – Q3-FY2019

Immediate preceding quarter – Q2-FY2020

Current financial period – Period FY2020

Corresponding financial period – Period FY2019

B1. Review of Performance

The results of the Group are tabulated below:

	Individual Quarter		change % +/-	Cumulative Period		change % +/-
	Current year quarter 31/12/2019 RM'000	Preceding year quarter 31/12/2018 RM'000		Current period 31/12/2019 RM'000	Preceding period 31/12/2018 RM'000	
Revenue:						
-Malaysia	114,165	69,690	+63.8	252,108	239,532	+5.3
-Indonesia	123,647	73,179	+69.0	291,632	226,566	+28.7
	237,812	142,869	+66.5	543,740	466,098	+16.7
EBITDA:						
-Malaysia	18,277	19,639	-6.9	46,462	46,039	+0.9
-Indonesia	47,554	24,805	+91.7	80,868	33,285	+143.0
	65,831	44,444	+48.1	127,330	79,324	+60.5
Profit/(loss) before taxation:						
-Malaysia	8,175	8,697	-6.0	16,735	12,822	+30.5
-Indonesia	25,128	(10,706)	+334.7	6,231	(72,849)	+108.6
	33,303	(2,009)	+1757.7	22,966	(60,027)	+138.3

Individual Quarter -- Q3-FY2020 vs Q3-FY2019

For Q3-FY2020, the Group recorded a 66.5% increase in revenue as compared to Q3-FY2019 due to higher sales volume and commodity prices. The overall FFB production of the Group in Q3-FY2020 improved as production in the Indonesian operations increased by 33.1% with the change in the cropping pattern. The CPO prices increased significantly during the quarter, thereby resulting in fair value losses of RM24.401 million on the Group's crude palm oil pricing swap contracts (Q3-FY2019: Gains of RM5.658 million).

During the current quarter, the Rupiah strengthened against the US Dollar and the Japanese Yen. This resulted in net foreign exchange gains of RM13.389 million (Q3-FY2019: Gains of RM18.019 million) on the foreign currency denominated borrowings. The net foreign exchange gains or losses which are reported as net other income and finance costs amounted to gains of RM10.680 million (Q3-FY2019: Gains of RM28.572 million) and gains of RM2.709 million (Q3-FY2019: Losses of RM10.553 million) respectively during the current quarter.

With the favourable commodity prices and positive currency movement, the overall financial performance of the Group improved significantly from that of Q3-FY2019.

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B1. Review of Performance (continued)

Individual Quarter -- Q3-FY2020 vs Q3-FY2019 (continued)

The performance by geographical segments are summarised as follows:

- (a) Revenue for the Malaysian operations was higher due to higher sales volume and commodity prices. However, profit before tax and EBITDA were marginally lower due to the fair value losses incurred on the crude palm oil pricing swap contracts; and
- (b) Revenue for the Indonesian operations was higher due to the higher sales volume and commodity prices. As a result, the financial performance of the Indonesian operations improved significantly.

Cumulative Period -- Period FY 2020 vs Period FY 2019

The revenue of the Group was higher than that of the Period FY2019 due to the higher sales volumes. FFB production was higher than that of the Period FY2019 due to the peak crop cycle in both the Malaysian and Indonesian operations. Despite the fair value losses on the crude palm oil pricing swap contracts, the impact from the higher FFB production coupled with the strengthening of the Rupiah against the US Dollar and the Japanese Yen resulted in a significant improvement in the overall financial performance of the Group as compared to the Period FY2019.

The Group's net foreign exchange gains of RM13.572 million (Period FY 2019: Losses of RM35.515 million) on the US Dollar and the Japanese Yen denominated borrowings which are reported as net other income and finance costs amounted to gains of RM13.572 million (Period FY2019: losses of RM2.381 million) and nil (Period FY2019: losses of RM33.134 million) respectively.

The performance by geographical segment is summarised as follows:

- (a) Revenue for the Malaysian operations was higher mainly due to higher sales volumes. Higher FFB production was achieved as a result of the crop recovery from the 2015/2016 EL Nino lagged effect and peak cropping cycle. Due to the significant increase in CPO prices, Malaysian operations recorded the fair value losses of RM22.037 million (Period FY2019: gains of RM7.570 million) on the crude palm oil pricing swap contracts. However, higher profit before tax and marginally better EBITDA were reported for the Period FY 2020 due to the contribution from the higher FFB production; and
- (b) Revenue for the Indonesian operations was higher due to higher sales volume and commodity prices. The overall better financial performance of Indonesian operations was contributed by the favourable currency movement on its US Dollar and Japanese Yen denominated borrowings and higher FFB production, coupled with better commodity prices during the Period FY 2020.

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B1. Review of Performance (continued)

The relevant details pertaining to the results above are as follows:

	Individual Quarter			var % +/-	Cumulative Period		var % +/-
	Current year quarter 31/12/2019	Preceding year quarter 31/12/2018			Current period 31/12/2019	Preceding period 31/12/2018	
	Malaysian Operations						
Own FFB production (mt)	135,080	146,302	-7.7	356,512	315,336	+13.1	
Outside FFB crops (mt)	48,911	58,825	-16.9	123,960	131,630	-5.8	
CPO production (mt)	36,395	39,272	-7.3	95,360	89,015	+7.1	
PKO production (mt)	3,622	4,052	-10.6	9,607	8,702	+10.4	
CPO sales (mt)	40,814	27,947	+46.0	102,201	91,240	+12.0	
PKO sales (mt)	3,785	3,749	+1.0	9,493	8,339	+13.8	
CPO price per mt (RM)	2,437	1,928	+26.4	2,146	2,204	-2.6	
PKO price per mt (RM)	2,819	2,891	-2.5	2,465	3,240	-23.9	
Indonesian Operations							
Own FFB production (mt)	174,879	131,370	+33.1	450,516	411,642	+9.4	
Outside FFB crops (mt)	75,742	24,644	+207.3	207,966	89,831	+131.5	
CPO production (mt)	40,753	23,885	+70.6	108,708	76,138	+42.8	
PKO production (mt)	2,563	1,681	+52.5	6,613	5,484	+20.6	
Own FFB sales (mt)	76,028	57,378	+32.5	196,141	179,055	+9.5	
CPO sales (mt)	37,506	28,678	+30.8	101,845	75,200	+35.4	
PKO sales (mt)	2,506	1,850	+35.5	7,007	4,852	+44.4	
FFB price per mt (RM)	426	327	+30.3	391	384	+1.8	
CPO price per mt (RM)	2,160	1,693	+27.6	1,951	1,881	+3.7	
PKO price per mt (RM)	1,901	3,015	-36.9	1,996	3,169	-37.0	
Closing Exchange Rates							
	As at 31/12/2019			As at 31/12/2018			
RM : Rupiah	1 : 3,390			1 : 3,509			
US Dollar : RM	1 : 4.101			1 : 4.146			
US Dollar : Rupiah	1 : 13,901			1 : 14,481			
Japanese Yen : Rupiah	100 : 12,797			100 : 13,111			

Contribution to the Sabah state sales tax and statutory payment of cess to the Malaysian Palm Oil Board ("MPOB") were as follows:

	Individual Quarter			var % +/-	Cumulative Period		var % +/-
	Current year quarter 31/12/2019	Preceding year quarter 31/12/2018			Current period 31/12/2019	Preceding period 31/12/2018	
	RM'000	RM'000			RM'000	RM'000	
Malaysian Operations							
Sabah sales tax	7,388	3,923	+88.3	16,548	14,744	+12.2	
MPOB Cess:							
-Palm Oil Price Stabilisation Fund Order 2001	80	86	-7.0	210	195	+7.7	
MPOB Cess:							
-Research & Development, Licensing, Enforcement and Marketing Cess Order 2002	440	477	-7.8	1,155	1,075	+7.4	
Total	7,908	4,486	+76.3	17,913	16,014	+11.9	

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B2. Material Changes in the Quarterly Results Compared to the Results of Immediate Preceding Quarter

The results of the Group are tabulated below:

	Individual Quarter		change % +/-
	Current year quarter 31/12/2019 RM'000	Immediate preceding quarter 30/09/2019 RM'000	
Revenue:			
- Malaysia	114,165	72,568	+57.3
- Indonesia	123,647	100,293	+23.3
	237,812	172,861	+37.6
EBITDA:			
- Malaysia	18,277	15,987	+14.3
- Indonesia	47,554	16,408	+189.8
	65,831	32,395	+103.2
Profit/(loss) before taxation:			
- Malaysia	8,175	6,168	+32.5
- Indonesia	25,128	(11,122)	+325.9
	33,303	(4,954)	+772.2

The revenue for the Q3-FY2020 was higher than Q2-FY2020 due to higher sales volume and commodity prices. During the quarter, the Group recorded fair value losses on crude palm oil pricing swap of RM24.401 million (Q2-FY2020: Losses of RM1.405 million) as a result of the significant upward movement in the commodity prices. However, the financial performance of the Group improved due to the higher FFB production coupled with higher commodity prices and the favourable impact of currency movements on its foreign currency denominated borrowings.

During the quarter, net foreign exchange gains on the US Dollar and Japanese Yen denominated borrowings of RM13.389 million were recorded (Q2-FY2020: Gains of RM0.015 million). These net foreign exchange gains which are reported as net other income and finance costs amounted to gains of RM10.680 million (Q2-FY2020: Gains of RM2.724 million) and gains of RM2.709 million (Q2-FY2020: Losses of RM2.709 million) respectively during the current quarter.

The performance by geographical segments are summarised as follows:

- (a) The Malaysian operations recorded higher revenue due to higher sales volume and higher commodity prices. The fair value losses on crude palm oil pricing swap were resulted from the significant upward movement in the commodity market during the quarter. Overall, the impact from the higher commodity price and FFB production were greater than the impact on the fair value losses on crude palm oil pricing swaps, resulting in higher EBITDA and profit before taxation during the current quarter; and
- (b) The Indonesian operations recorded higher revenue due to higher commodity prices. The higher FFB production coupled with higher commodity prices and favourable currency movements on its foreign currency denominated borrowings resulted in significant improvements to the financial performance of the Indonesian operations during the current quarter.

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B2. Material Changes in the Quarterly Results Compared to the Results of Immediate Preceding Quarter (continued)

The relevant details pertaining to the results above are as follows:

	Individual Quarter		var % +/-
	Current year quarter 31/12/2019	Immediate preceding quarter 30/09/2019	
Malaysian Operations			
Own FFB production (mt)	135,080	117,497	+15.0
Outside FFB crops (mt)	48,911	40,107	+22.0
CPO production (mt)	36,395	31,777	+14.5
PKO production (mt)	3,622	3,290	+10.1
CPO sales (mt)	40,814	31,732	+28.6
PKO sales (mt)	3,785	3,398	+11.4
CPO price per mt (RM)	2,437	1,983	+22.9
PKO price per mt (RM)	2,819	2,239	+25.9
Indonesian Operations			
Own FFB production (mt)	174,879	147,929	+18.2
Outside FFB crops (mt)	75,742	74,935	+1.1
CPO production (mt)	40,753	37,239	+9.4
PKO production (mt)	2,563	2,086	+22.9
Own FFB sales (mt)	76,028	64,251	+18.3
CPO sales (mt)	37,506	41,314	-9.2
PKO sales (mt)	2,506	2,500	+0.2
FFB price per mt (RM)	426	364	+17.0
CPO price per mt (RM)	2,160	1,740	+24.1
PKO price per mt (RM)	1,901	1,814	+4.8
Closing Exchange Rates			
	As at 31/12/2019	As at 30/09/2019	
RM : Rupiah	1 : 3,390	1 : 3,378	
US Dollar : RM	1 : 4.101	1 : 4.191	
US Dollar : Rupiah	1 : 13,901	1 : 14,174	
Japanese Yen : Rupiah	100 : 12,797	100 : 13,136	

B3. Prospects for the Current Financial Year

The Group expects crop production in the final quarter of the financial year to reduce as the cropping pattern moves to the normal trough. Notwithstanding the Group continuing to face cost pressures arising mainly from wage increases, the continuation of the prevailing commodity prices and foreign exchange rates particularly that of the Rupiah against the US Dollar and the Japanese Yen are expected to contribute to an improved performance for the financial year.

B4. Variance of Actual Profit from Forecast Profit

Not applicable.

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B5. Income Tax

The income tax expense of the group for the financial period under review is as follows:

	INDIVIDUAL QUARTER 3 MONTHS ENDED 31 DECEMBER		CUMULATIVE PERIOD 9 MONTHS ENDED 31 DECEMBER	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax:				
- Malaysian income tax	7,964	2,827	11,865	7,824
Deferred tax:				
- Origination/(reversal) of temporary differences	3,893	(2,267)	(2,193)	(9,464)
	11,857	560	9,672	(1,640)

The effective tax rate of the Group is impacted by non-deductibility of certain expenses for tax purposes at the overseas subsidiaries.

B6. Corporate Proposals

At the close of the quarter, there were no corporate proposals that were pending completion.

B7. Group Borrowings

The particulars of the Group's borrowings as at 31 December 2019 are as follows:

Short term borrowings	RM'000	
<u>Unsecured:</u>		
- Short term advance facility	82,016	
<u>Secured:</u>		
- Term loans	16,000	
	98,016	
Long term borrowings		
<u>Secured:</u>		
- Term loans	754,581	
	852,597	
Total borrowings	852,597	
Local and foreign currency borrowings included in the above are as follows:		
	Foreign currency '000	
	RM'000 Equivalent	
US Dollar	144,000	590,514
Japanese Yen	5,247,200	198,083
Ringgit Malaysia		64,000
		852,597

The term loans are secured by way of corporate guarantees by the Company.

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B8. Changes in Material Litigation

There was no material litigation since 31 March 2019.

B9. Dividend Payable

The Directors do not recommend any interim dividend for the current quarter and financial period.

B10. Earnings/(Loss) per Share

	INDIVIDUAL QUARTER 3 MONTHS ENDED 31 DECEMBER		CUMULATIVE PERIOD 9 MONTHS ENDED 31 DECEMBER	
	2019	2018	2019	2018
<u>Basic earnings/(loss) per share</u>				
Net profit/(loss) for the period attributable to owners of the Company (RM'000)	20,063	(1,988)	12,964	(49,860)
Weighted average number of ordinary shares in issue ('000')	880,580	880,580	880,580	880,580
Basic earnings/(loss) per share (sen)	2.28	(0.23)	1.47	(5.66)

B11. Notes to the Condensed Statement of Comprehensive Income

	INDIVIDUAL QUARTER 3 MONTHS ENDED 31 DECEMBER		CUMULATIVE PERIOD 9 MONTHS ENDED 31 DECEMBER	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	969	1,025	3,384	3,410
Net gains/(losses) - net foreign exchange gains/(losses) from operations	10,680	28,572	13,572	(2,381)
Finance costs – net foreign exchange gains/(losses) on borrowings	2,709	(10,553)	-	(33,134)
Other income	946	656	2,544	2,979
Fair value (losses)/gains on crude palm oil pricing swap	(24,401)	5,658	(22,037)	7,570
Fair value gains/(losses) on interest rate swap	94	-	(414)	-
Finance costs - interest expense	(5,656)	(7,361)	(18,366)	(20,388)
Finance costs - lease expense	(277)	-	(828)	-
Depreciation and amortisation	(29,304)	(28,539)	(85,170)	(85,829)

The above disclosure is prepared in accordance with paragraph 16 of Appendix 9B of the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad. Except for the above, the rest of the items required for disclosures pursuant to paragraph 16 of MMLR are not applicable to the Group.

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B12. Derivative Financial Instruments

(a) Crude Palm Oil Pricing Swap Contracts

The Group entered into Crude Palm Oil (“CPO”) pricing swap contracts offered by certain reputable banks in Malaysia to mitigate the exposure to fluctuations in the price of CPO in accordance with the guidelines set by the Board of Directors.

As at the date of the statement of financial position, the outstanding notional volume and value of the CPO pricing swap contracts and their fair value are as follows:

CPO pricing swap contracts	Notional volume outstanding as at the date of statement of financial position (Metric tonnes)	Notional value outstanding as at the date of statement of financial position (RM’000)	Fair value of derivative financial asset/(liability) (RM’000)
- Less than 1 year	31,000	73,646	(19,456)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-

There is no change in the financial risk management and related accounting policy on the CPO pricing swaps since the end of the previous financial year.

(b) Interest Rate Swap Contracts

The Group entered into Interest Rate Swap (“IRS”) contracts offered by a reputable bank in Malaysia to mitigate the exposure to fluctuations in the interest rates of its US Dollar borrowings. The Group has entered into IRS to swap a portion of its US Dollar borrowings which is under floating rates to fixed rates.

As at the date of the statement of financial position, the outstanding notional value of the IRS contracts and their fair value are as follows:

Interest rate swap contracts	Base currency	Notional value outstanding as at the date of statement of financial position (RM’000)	Fair value of derivative financial asset/(liability) (RM’000)
- Less than 1 year	USD	163,625	(254)
- 1 year to 3 years	USD	163,625	(229)
- More than 3 years	-	-	-

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B13. Fair Value changes of Financial Instruments

The recognition of the total net fair value gains/(losses) on the derivative financial instruments during the current quarter and the current financial period are detailed as follows:

Type of derivatives	Current year quarter ended 31 December 2019 fair value gains/(losses) RM'000	Current financial period ended 31 December 2019 fair value gains/(losses) RM'000	Basis of fair value measurement	Reasons for the gains/losses
CPO pricing swaps	(24,401)	(22,037)	Price differentials between the average future CPO prices quoted on the Bursa Malaysia Derivative Exchange ("BMDE") and the fixed contracted CPO prices for specific contracted periods.	Fair value gain is recorded when the average future CPO prices quoted on the BMDE is lower than the contracted fixed CPO prices. Conversely, a fair value loss will be recorded when the average future CPO prices quoted on the BMDE are higher than the contracted fixed CPO prices.
Interest rate swaps	94	(414)	The difference between floating and fixed interest rates.	Fair value gain is recorded when the floating interest rates are higher than the fixed interest rates. Conversely, a fair value loss is recorded when the floating interest rates are lower than the fixed interest rates.