



FIMA CORPORATION BERHAD (197401004110) (21185-P)
(Incorporated in Malaysia)

Condensed Consolidated Financial Statements
For the Third Quarter Ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019
(THE FIGURES HAVE NOT BEEN AUDITED)

	Note	Current Quarter		9 Months Cumulative	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
		31/12/19	31/12/18	31/12/19	31/12/18
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	61,197	53,349	172,566	174,958
Cost of sales		(46,109)	(27,165)	(119,060)	(106,637)
Gross profit		15,088	26,184	53,506	68,321
Interest income		1,539	1,112	4,952	4,185
Other income		1,953	852	2,281	995
Administrative expenses		(7,727)	(5,969)	(23,050)	(17,951)
Selling and marketing expenses		(911)	(797)	(2,440)	(2,188)
Other operating (expenses)/profit		(6,035)	(2,626)	(17,026)	13,452
Finance costs		(93)	(41)	(282)	(128)
Share of results from associate		579	1,132	1,592	2,493
Profit before tax	A9/A10	4,393	19,847	19,533	69,179
Income tax expense	B5	(1,627)	(5,060)	(6,530)	(11,522)
Profit net of tax		2,766	14,787	13,003	57,657
Other comprehensive income, net of tax					
Foreign currency translation gain		39	2,691	2,625	1,653
Total comprehensive income for the period		2,805	17,478	15,628	59,310
Profit attributable to:					
Equity holders of the Company		2,687	13,141	12,841	49,577
Non-controlling interests		79	1,646	162	8,080
Profit for the period		2,766	14,787	13,003	57,657
Total comprehensive income attributable to:					
Equity holders of the Company		2,718	15,293	14,941	50,899
Non-controlling interests		87	2,185	687	8,411
Total comprehensive income for the period		2,805	17,478	15,628	59,310
Earnings per share attributable to equity holders of the Company					
Basic/diluted earnings per share (sen)	B10	1.12	5.46	5.35	20.61

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial statements)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	As at 31/12/19	As at 31/03/19
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	198,558	195,033
Investment properties	58,033	59,163
Right-of-use assets	2,396	-
Goodwill on consolidation	510	510
Investment in associate	32,866	31,274
Deferred tax assets	6,570	6,635
	298,933	292,615
Current assets		
Biological assets	1,521	1,019
Inventories	72,360	63,316
Trade and other receivables	121,694	110,275
Due from related companies	1,204	525
Short term cash investments	141,108	148,122
Cash and bank balances	35,683	57,855
	373,570	381,112
TOTAL ASSETS	672,503	673,727
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	122,662	122,662
Treasury shares	(7,171)	(6,156)
Other reserves	(967)	(3,067)
Retained earnings	443,209	460,336
	557,733	573,775
Non-controlling interests	24,070	23,383
Total equity	581,803	597,158
Non-current liabilities		
Retirement benefit obligations	1,855	1,831
Lease obligations	14,831	14,868
Deferred tax liabilities	6,803	6,803
	23,489	23,502
Current liabilities		
Trade and other payables	48,038	36,839
Provisions	9,833	11,312
Tax payable	5,581	3,761
Due to related companies	1,125	512
Lease obligations	2,634	643
	67,211	53,067
Total liabilities	90,700	76,569
TOTAL EQUITY AND LIABILITIES	672,503	673,727
Net assets per share attributable to ordinary equity holders of the Company (RM)	2.32	2.39

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial statements)



FIMA CORPORATION BERHAD (197401004110) (21185-P)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019**

	<----- Attributable to Equity Holders of the Company ----->				<----- Non-Distributable ----->				Distributable	
	Share capital	Treasury shares	Other reserves	Foreign translation reserve	Equity contribution from parent	Retained earnings	Total	Non-controlling interests	Total equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 April 2018	122,662	(4,577)	(4,564)	(8,814)	4,250	432,872	546,393	18,958	565,351	
Total comprehensive income for the period	-	-	1,322	1,322	-	49,577	50,899	8,411	59,310	
Transactions with owners										
Acquisition of treasury shares	-	(1,419)	-	-	-	-	(1,419)	-	(1,419)	
Dividend paid	-	-	-	-	-	(30,051)	(30,051)	-	(30,051)	
Total transactions with owners	-	(1,419)	-	-	-	(30,051)	(31,470)	-	(31,470)	
At 31 December 2018	122,662	(5,996)	(3,242)	(7,492)	4,250	452,398	565,822	27,369	593,191	
At 1 April 2019	122,662	(6,156)	(3,067)	(7,317)	4,250	460,336	573,775	23,383	597,158	
Total comprehensive income for the period	-	-	2,100	2,100	-	12,841	14,941	687	15,628	
Transactions with owners										
Acquisition of treasury shares	-	(1,015)	-	-	-	-	(1,015)	-	(1,015)	
Dividend paid	-	-	-	-	-	(29,968)	(29,968)	-	(29,968)	
Total transactions with owners	-	(1,015)	-	-	-	(29,968)	(30,983)	-	(30,983)	
At 31 December 2019	122,662	(7,171)	(967)	(5,217)	4,250	443,209	557,733	24,070	581,803	

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial statements)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019**

	9 months ended	
	31/12/19	31/12/18
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	19,533	69,179
Adjustments for:		
Depreciation for property, plant and equipment	9,039	9,930
Depreciation of investment properties	1,130	1,130
Depreciation of right-of-use assets	1,529	-
Impairment loss on trade and other receivables	726	27
Write back of impairment loss on trade and other receivables	(49)	(34)
Fair value changes on biological assets	(502)	1,289
Inventories written down/(back)	796	(1,251)
Net provision for retirement benefit obligations	50	(53)
Net reversal of provision for warranty	(1,479)	(1,482)
Gain on disposal of property, plant and equipment	(56)	(1)
Write back of impairment loss on property, plant and equipment	-	(23,631)
Share of results of associate	(1,592)	(2,493)
Interest expense	282	128
Interest income	(4,952)	(4,185)
Operating profit before working capital changes	24,455	48,553
Decrease in trade and other receivables	(11,360)	10,354
Increase in inventories	(9,335)	(30,742)
Decrease in related companies balances	(66)	(154)
Increase in trade and other payables	10,978	7,761
Cash generated from operations	14,672	35,772
Taxes paid	(4,645)	(8,189)
Retirement benefits paid	(63)	(45)
Net cash generated from operating activities	9,964	27,538
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12,624)	(16,092)
Proceeds from disposal of property, plant and equipment	56	1
Interest income received	4,952	4,185
Dividends received	-	13,303
Net investment in short term cash investments	7,014	(74,087)
Net cash used in investing activities	(602)	(72,690)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(29,968)	(30,051)
Repayment of lease obligations	(2,253)	(573)
Acquisition of treasury shares	(1,015)	(1,419)
Net cash used in financing activities	(33,236)	(32,043)



FIMA CORPORATION BERHAD (197401004110) (21185-P)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019 (CONT'D.)**

	9 months ended	
	31/12/19	31/12/18
	RM'000	RM'000
CASH AND CASH EQUIVALENTS		
Net decrease in cash and cash equivalents	(23,874)	(77,195)
Effect of exchange rate changes in cash and cash equivalents	1,702	953
Cash and cash equivalents balances at beginning of the period	57,855	165,596
Cash and cash equivalents at end of period	<u>35,683</u>	<u>89,354</u>
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	11,338	40,147
Deposits with licensed banks	<u>24,345</u>	<u>49,207</u>
Cash and cash equivalents	<u>35,683</u>	<u>89,354</u>

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial statements)

PART A - Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

The interim statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Securities.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2019. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2019.

A2. Changes in accounting policies

The significant accounting policies adopted are consistent with those of the statutory financial statements for the financial year ended 31 March 2019 except for the adoption of the following new and revised Malaysian Financial Reporting Standards ("MFRSs"), Amendments to MFRSs and IC Interpretations.

(a) Adoption of MFRSs, amendments to MFRSs and IC Interpretation

On 1 April 2019, the Group adopted the following new and amended MFRSs and IC Interpretation:

- MFRS 16: Leases
- Amendments to MFRS 9: Prepayment feature with compensation
- Amendments to MFRS 119: Plan amendment, curtailment or settlement
- Amendments to MFRS 128: Long term interest in associates and joint ventures
- Annual Improvements to MFRS Standards 2015 - 2017 Cycle
- IC Interpretation 23: Uncertainty over income tax treatments

The adoption of the above standards and interpretation did not have a significant impact on the financial statements in the period of initial application except as discussed below:

MFRS 16: Leases

MFRS 16 replaced MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee recognised a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees are required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors continued to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard affected primarily the accounting for the Group's non-cancellable operating leases. The Group recognised right-of-use assets and corresponding liabilities by applying the modified retrospective approach and not restate comparative amounts for the year prior to initial adoption. Right-of-use assets is measured at an amount equal to the lease liability amount on the date of transition.

A2. Changes in accounting policies (cont'd.)

(a) Adoption of MFRSs, amendments to MFRSs and IC Interpretation (cont'd.)

MFRS 16: Leases (cont'd.)

In summary, upon the adoption of MFRS 16, the Group recognised the following balances as at 1 April 2019.

	Assets/ (Liabilities) RM'000
Right-of-use assets	3,925
Lease liabilities	<u>(3,925)</u>

In the profit and loss, expenses which were previously recognised as lease expenses in the cost of sales are now replaced by interest expense on lease liabilities (included within the finance costs line) and depreciation of right-of use assets. In the statement of cash flows, lease payments for the principal portion are now classified under financing activities compared to operating activities in the past.

(b) Standards and Interpretations issued but not yet effective

The Group has not early adopted the following new and amended MFRSs and IC Interpretation that are not yet effective:

	Effective for annual period beginning on or after
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest rate benchmark reform	1 January 2020
Amendments to MFRS 101: Definition of Material	1 January 2020
Amendments to MFRS 108: Definition of Material	1 January 2020
MFRS 17: Insurance contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sales or contribution of assets between an investor and its associate or joint venture	Deferred

The directors expect that the adoption of the above standards and interpretation will have no material impact on the financial statements in the period of initial application.

A3. Auditors' report on preceding annual financial statements

The financial statements of the Group for the financial year ended 31 March 2019 were not subject to any audit qualification.

A4. Seasonality or cyclicity of the interim operations

The production of security and confidential documents is influenced by cyclical changes in volume of certain products whilst the oil palm production and processing division is affected by seasonal crop production, weather conditions and fluctuating commodity prices.

A5. Unusual items

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence other than as disclosed in Note B8(2).

A6. Changes in estimates

There were no changes in estimates that have a material effect to the current quarter's results.

A7. Issuances, cancellation, repurchases, resale and repayment of debt and equity securities

Saved as disclosed below, there were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities for the current financial period to date.

During the current quarter, the Company repurchased 204,800 of its issued ordinary shares from the open market at an average price of RM1.76. The total transaction paid for the repurchase including transaction costs was RM360,107. Of the total 245,324,330 issued ordinary shares, 5,743,400 shares are held as treasury shares by the Company.

A8. Dividends paid

		9 months cumulative	
		31/12/19	31/12/18
		RM'000	RM'000
Interim Dividend			
2019	10% single-tier interim dividend (Paid on 28 December 2018)	-	12,011
2020	10% single-tier interim dividend (Paid on 30 December 2019)	11,983	-
Final Dividend			
2018	15% single-tier final dividend (Paid on 20 September 2018)	-	18,040
2019	15% single-tier final dividend (Paid on 30 September 2019)	17,985	-
		<u>29,968</u>	<u>30,051</u>

A9. Segmental information**(a) Segmental revenue and results for business segments**

	Quarter ended		9 months cumulative	
	31/12/19	31/12/18	31/12/19	31/12/18
	RM'000	RM'000	RM'000	RM'000
Revenue				
Production and trading of security and confidential documents	33,453	34,562	99,672	101,857
Oil palm production and processing	26,155	17,331	68,350	68,823
Property management	2,066	1,753	5,857	5,164
Others	14,400	26,309	25,325	56,629
	<u>76,074</u>	<u>79,955</u>	<u>199,204</u>	<u>232,473</u>
Eliminations	(14,877)	(26,606)	(26,638)	(57,515)
	<u>61,197</u>	<u>53,349</u>	<u>172,566</u>	<u>174,958</u>

A9. Segmental information (cont'd.)

(a) Segmental revenue and results for business segments (cont'd.)

	Quarter ended		9 months cumulative	
	31/12/19	31/12/18	31/12/19	31/12/18
	RM'000	RM'000	RM'000	RM'000
Profit before tax				
Production and trading of security and confidential documents	4,155	9,594	17,379	24,484
Oil palm production and processing	583	8,981	2,197	42,631
Property management	324	459	1,288	1,099
Others	13,371	25,990	22,621	55,101
	18,433	45,024	43,485	123,315
Share of results of associate	579	1,132	1,592	2,493
	19,012	46,156	45,077	125,808
Eliminations	(14,619)	(26,309)	(25,544)	(56,629)
	4,393	19,847	19,533	69,179

(b) Geographical segments

	Quarter ended		9 months cumulative	
	31/12/19	31/12/18	31/12/19	31/12/18
	RM'000	RM'000	RM'000	RM'000
Revenue				
Malaysia	50,835	62,776	133,150	163,925
Indonesia	25,239	17,179	66,054	68,548
	76,074	79,955	199,204	232,473
Eliminations	(14,877)	(26,606)	(26,638)	(57,515)
	61,197	53,349	172,566	174,958
Profit before tax				
Malaysia	17,056	37,078	38,818	79,942
Indonesia	1,956	9,078	6,259	45,866
	19,012	46,156	45,077	125,808
Eliminations	(14,619)	(26,309)	(25,544)	(56,629)
	4,393	19,847	19,533	69,179

	Quarter ended/9 months cumulative			
	31/12/19		31/12/18	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Malaysia	710,136	94,355	757,474	172,627
Indonesia	112,542	16,663	120,912	19,682
	822,678	111,018	878,386	192,309
Eliminations	(150,175)	(20,318)	(198,032)	(108,141)
Group	672,503	90,700	680,354	84,168

A10. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Quarter ended		9 months cumulative	
	31/12/19	31/12/18	31/12/19	31/12/18
	RM'000	RM'000	RM'000	RM'000
Other income				
Management fees	-	-	-	10
Gain on disposal of property, plant and equipment	-	1	56	1
Others	1,953	926	2,225	984
Operating expenses				
Depreciation	3,855	2,504	11,698	11,060
Foreign exchange gain	(82)	(1,344)	(8)	(2,111)
Impairment loss on trade and other receivables	675	-	726	27
Write back of impairment loss on trade and other receivables	(47)	(10)	(49)	(34)
Fair value changes on biological assets	(356)	155	(502)	1,289
Inventories written (back)/down	(142)	(163)	796	(1,251)
Net provision for retirement benefit obligations	11	(53)	50	(53)
Net reversal of provision for warranty	(460)	(494)	(1,479)	(1,482)
Write back of impairment loss on property, plant and equipment	-	-	-	(23,631)

A11. Subsequent events

There were no material events subsequent to the end of the current quarter.

A12. Changes in the composition of the Group

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

A13. Changes in contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets since 31 March 2019 other than as disclosed in Note B8.

A14. Capital commitments

	As at
	31/12/19
	RM'000
Property, plant and equipment:	
Approved and contracted for	3,061

A15. Acquisition of property, plant and equipment

As at the end of the financial year to date, the Group has acquired the following assets.

	Current year to date 31/12/19
	RM'000
Buildings	372
Plant and machinery	3,761
Factory and office renovations	3
Equipment, furniture and fittings and motor vehicles	1,755
Bearer plants and infrastructure	6,160
Work in progress	573
	<u>12,624</u>

A16. Related party transactions

	Current year to date 31/12/19
	RM'000
Penultimate Holding Company	
Kumpulan Fima Berhad	
Rental income receivable	640
Management fees payable	1,136
Service receivable	67
Fellow Subsidiary	
Fima Instanco Sdn Bhd	
Rental income receivable	135
Service receivable	120
Related by virtue of common shareholder of the Company	
Nationwide Express Courier Services Berhad	
Rental income receivable	58
Purchases made - Delivery services	66
Related by virtue of director/(s) of the Company and/or Group having substantial interest	
TD Technologies Sdn. Bhd.	
Service payable	136
First Zanzibar Sdn. Bhd.	
Service payable	229
PT Pohon Emas Lestari	
Purchase of fresh fruit bunches	<u>4,249</u>

A17. Inventories

During the quarter, there was no significant write down or write back of inventories other than as disclosed in Note A10 above.

**PART B - Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
Chapter 9, Appendix 9B, Part A**

B1. Review of performance

	Year to date		Variance	
	31/12/19	31/12/18		
	RM'000	RM'000	RM'000	%
Group				
Revenue	172,566	174,958	(2,392)	(1.4)
Profit before tax and write back *	19,533	45,548	(26,015)	(57.1)
Profit before tax	19,533	69,179	(49,646)	(71.8)
Profit after tax	13,003	57,657	(44,654)	(77.4)
Profit attributable to equity holders of the Company	12,841	49,577	(36,736)	(74.1)

* The amount is before the significant write back of impairment loss on property, plant and equipment amounting RM23.6 million pursuant to the Mahkamah Agung's decision as disclosed in Note B8(2).

The Group recorded lower revenue by RM2.4 million primarily due to lower revenue contribution from manufacturing and plantation divisions. The Group profit before tax and write back has reduced from RM45.6 million last year to RM19.5 million this year mainly due to higher operating cost in plantation division.

The performances of each business divisions are as follows:

	Year to date		Variance	
	31/12/19	31/12/18		
	RM'000	RM'000	RM'000	%
Production and trading of security and confidential documents				
Revenue	99,672	101,857	(2,185)	(2.1)
Profit before tax	17,379	24,484	(7,105)	(29.0)

Revenue from this segment was consistent as compared to corresponding period last year with minimal decrease of 2.1% or RM2.2 million.

On the back of unfavourable sales mix coupled with higher inventories written down, the pretax profit decreased by RM7.1 million as compared to corresponding period last year.

	Year to date		Variance	
	31/12/19	31/12/18		
	RM'000	RM'000	RM'000	%
Oil palm production and processing				
Revenue	68,350	68,823	(473)	(0.7)
Profit before tax and write back *	2,197	19,000	(16,803)	(88.4)
Profit before tax	2,197	42,631	(40,434)	(94.8)

* The amount is before the significant write back of impairment loss on property, plant and equipment amounting RM23.6 million pursuant to the Mahkamah Agung's decision as disclosed in Note B8(2).

Below are the key operating statistics for the segment:

	Year to date		Variance	
	31/12/19	31/12/18		
				%
Indonesia				
Fresh fruit bunch (FFB) produced (mt)	108,718	120,758	(12,040)	(10.0)
FFB yield/ha (mt)	17.26	19.01	(1.75)	(9.2)
Cost of FFB produced (RM/mt)	290.79	206.58	(84.21)	(40.8)
Crude palm oil (CPO) produced (mt)	30,817	35,698	(4,881)	(13.7)
CPO extraction rate (%)	21.88	22.60	(0.72)	(3.2)
Sales quantity (mt)				
CPO	32,978	29,998	2,980	9.9
Crude palm kernel oil (CPKO)	-	3,065	(3,065)	(100.0)
Average CIF selling price, net of duty (RM/mt)				
CPO	2,003	1,964	39	2.0
CPKO	-	3,141	(3,141)	(100.0)

B1. Review of performance (cont'd.)

	Year to date		Variance	%
	31/12/19	31/12/18		
Malaysia				
Fresh fruit bunch (FFB) produced (mt)	5,885	786	5,099	648.7
FFB yield/ha (mt)	6.19	7.24	(1.05)	(14.5)
Palm profiles (ha)				
Mature	7,248.8	6,923.4		
Immature	1,435.1	1,954.3		
Total planted area	8,683.9	8,877.7		

Revenue for this segment was consistent as compared to corresponding period last year with minimal decrease of 0.7% or RM0.5 million. Despite this, the division recorded significantly lower profit before tax and impairment by RM16.8 million this year mainly due to lower yield, higher operational cost and no CPKO sales for the first three quarters.

Plantation estates in Malaysia which are presently in the development process registered a total pretax loss of RM4.1 million (last year: RM3.2 million).

	Year to date		Variance	%
	31/12/19	31/12/18		
	RM'000	RM'000	RM'000	%
Property Management				
Revenue	5,857	5,164	693	13.4
Profit before tax	1,288	1,099	189	17.2

The division recorded higher revenue by RM0.7 million or 13.4% as compared to corresponding period last year mainly due to additional revenue from engineering consultation services amounting to RM0.6 million. In line with the increase in revenue, the division recorded an improved pretax profit by RM0.2 million or 17.2% compared to the corresponding period last year.

B2. Material change in profit before taxation for the quarter reported as compared with the preceding quarter

	Q3	Q2	Variance	%
	FY 2020	FY 2020		
	RM'000	RM'000	RM'000	%
Group				
Revenue	61,197	55,499	5,698	10.3
Profit before tax	4,393	9,336	(4,943)	(52.9)
Profit after tax	2,766	5,711	(2,945)	(51.6)
Profit attributable to equity holders of the Company	2,687	6,036	(3,349)	(55.5)

The performances of each business divisions are as follows:

	Q3	Q2	Variance	%
	FY 2020	FY 2020		
	RM'000	RM'000	RM'000	%
Production and trading of security and confidential documents				
Revenue	33,453	36,040	(2,587)	(7.2)
Profit before tax	4,155	8,784	(4,629)	(52.7)

Revenue from production of security and confidential documents decreased by RM2.6 million or 7.2% in the third quarter of the year as compared to the preceding quarter mainly due to decrease volume of certain confidential documents. On the back of lower revenue and unfavourable sales mix, a pretax profit of RM4.2 million was posted, a decrease of 52.7% over the previous quarter.

B2. Material change in profit before taxation for the quarter reported as compared with the preceding quarter (cont'd.)

	Q3 FY 2020 RM'000	Q2 FY 2020 RM'000	Variance	
			RM'000	%
Oil palm production and processing				
Revenue	26,155	17,938	8,217	45.8
Profit before tax	583	397	186	46.9

	Q3 FY 2020	Q2 FY 2020	Variance	
Crude palm oil (CPO) produced (mt)	10,035	10,533	(498)	(4.7)
Sales Quantity (mt)				
Crude palm oil (CPO)	11,909	9,032	2,877	31.9
Average CIF selling price, net of duty (RM/mt)				
CPO	2,119	1,898	221	11.6

Revenue from this segment for the current quarter of RM26.2 million was RM8.2 million or 45.8% higher than the preceding quarter, mainly due to higher sales volume and price of CPO. Despite this, minimal increment of RM0.2 million on the profit before tax was recorded mainly due to higher operational cost and higher provision for doubtful debts.

B3. Prospects

The production and trading of security and confidential documents segment will continue to put concerted efforts to establish new strategic alliances to develop new products and solutions to complement its existing products.

The overall performance of the oil palm production and processing is very much influenced by the direction of palm oil prices and our estates' yield. Nevertheless, we will remain focus in improving our efficiency in oil processing and optimising production cost.

B4. Variance of actual profit from forecast profit

The Group did not issue any profit forecast and/or guarantees to the public.

B5. Taxation

	Current quarter 31/12/19 RM'000	Current year to date 31/12/19 RM'000
Tax charge	1,627	6,530

The effective tax rate on the Group's profit to date is higher than statutory tax rate mainly due to under provision in prior year tax expense.

B6. Corporate proposals

(a) Status of corporate proposal

There are no corporate proposal announced but not completed at the date of the report.

(b) Utilisation of proceeds raised from any corporate proposal

Not applicable.

B7. Lease obligations

	As at	As at
	31/12/19	31/12/18
	RM'000	RM'000
Current:		
Obligations under finance leases	643	611
Obligations under operating leases	1,991	-
	<u>2,634</u>	<u>611</u>
Non-current:		
Obligations under finance leases	14,383	15,289
Obligations under operating leases	448	-
	<u>14,831</u>	<u>15,289</u>
	<u>17,465</u>	<u>15,900</u>

The leases obligations are in respect of the following:

- (a) A 99 year land lease granted to subsidiary, Gabungan Warisan Sdn Bhd to develop approximately 249.8 ha of land in Kuala Krai, Kelantan Darul Naim. The lease will expire on 2 July 2112.
- (b) Sub-leases granted to subsidiaries, Taka Worldwide Trading Sdn Bhd and Etika Gangsa Sdn Bhd over 2 parcels of land measuring approximately 404.6 ha, deemed suitable for oil palm cultivation, situated in Mukim Relai, Jajahan Gua Musang, Kelantan for a term of 66 years expiring 5 March 2075, with an option to renew for a further period of 33 years.
- (c) A 60 year lease granted to subsidiary, R.N.E. Plantation Sdn Bhd over 1 plot of agricultural land measuring 2,000 ha located at Sungai Siput, Daerah Kuala Kangsar, Perak. The lease will expire on 3 August 2075, with an option to renew for a further period of 30 years.
- (d) A 30 year lease granted to subsidiary, Percetakan Keselamatan Nasional Sdn Bhd over 1 parcel of land measuring 1.46 ha located at Jalan Chan Sow Lin, Kuala Lumpur. The lease will expire on 30 April 2020 and are in progress for its extension.
- (e) A 4 year lease granted to subsidiary, PT Nunukan Jaya Lestari over 1 barge with 3,000mt capacity. The lease will expire on 11 April 2021.

B8. Changes in material litigation

- (1) On 30 July 2018, the Company announced that its wholly owned subsidiary, Percetakan Keselamatan Nasional Sdn. Bhd. ("the Plaintiff"), has on the same day, commenced a High Court action against Datasonic Technologies Sdn. Bhd. ("the Defendant").

The claim is for a sum of RM24,975,000 (excluding interest and cost), being the amount due and owing by the Defendant to the Plaintiff for 1.5 million Malaysian passport booklets which were supplied by the Plaintiff to the Defendant.

At the request of the Defendant during the case management on 3 October 2018, the Plaintiff agreed to attempt mediation with the aim of arriving at an amicable resolution. The mediation took place on 17 October 2018 and 19 October 2018. However, the parties could not reach a resolution.

The next case management has been fixed for 6 April 2020. The matter has been fixed for trial on 13, 14, 27 and 28 August 2020.

This civil suit is not expected to have any material impact on the financial and operational position of the Company.

B8. Changes in material litigation (cont'd.)

- (2) (a) On 21 October 2016, the Company announced that its Indonesian subsidiary, PT Nunukan Jaya Lestari ("PTNJL") has instituted legal proceedings to challenge the order issued by the Menteri Agraria dan Tata Ruang/Kepala Badan Pertanahan Nasional ("Defendant") ("Ministerial Order") to revoke PT NJL's land title Hak Guna Usaha No. 01/Nunukan Barat ("HGU") with immediate effect.

The Ministerial Order was on the basis that the HGU was improperly issued due to administrative irregularities performed by certain officers of the Badan Pertanahan Nasional Provinsi Kalimantan Timur at the time of the issuance of the HGU in 2003, resulting in parts of the area within the HGU to overlap with forestry areas. PTNJL's planted area affected by the Ministerial Order measures 3,691.9 hectare.

On 21 October 2016, PTNJL filed an application in the State Administrative Court in Jakarta, Indonesia seeking an order to annul the Ministerial Order. Simultaneously, in the said application, PTNJL has also sought an order from PTUN to postpone the enforcement of the Ministerial Order pending full and final determination of the matter by the Indonesian courts. The Defendant, together with a third party intervener, PT Adindo Hutani Lestari, have filed a defence against the said suit.

On 13 June 2017, the State Administrative Court dismissed the application filed by PTNJL to annul the Ministerial Order. Subsequently on 24 July 2017, PTNJL filed an appeal to the Pengadilan Tinggi Tata Usaha Negara Jakarta to appeal against the decision of the State Administrative Court.

The Pengadilan Tinggi Tata Usaha Negara Jakarta vide its written decision dated 11 December 2017 (which was received by the Company's solicitors on 2 January 2018 and subsequently forwarded to the Company on 3 January 2018):

- (i) has partly allowed PTNJL's appeal against the State Administrative Court's decision, with costs;
- (ii) has declared that the Ministerial Order revoking PTNJL's HGU to be void, save for the areas overlapping with forestry areas/third party interests measuring 5,138 hectares; and
- (iii) has ordered the Defendant to revoke the Ministerial Order save for the areas overlapping with forestry areas/third party interests measuring 5,138 hectares.

Pursuant to Pengadilan Tinggi Tata Usaha Negara Jakarta's decision dated 11 December 2017, PTNJL has filed its statement of appeal on 10 January 2018 and appeal on 23 January 2018 to the Mahkamah Agung Republik Indonesia ("Mahkamah Agung") in respect of the decision of the Pengadilan Tinggi Tata Usaha Negara Jakarta.

Mahkamah Agung, vide its written decision dated 21 August 2018, has allowed PTNJL's appeal and ruled that the Ministerial Order revoking PTNJL's HGU be annulled. The Mahkamah Agung also ordered the Defendant, to simultaneously:

- (i) issue an order cancelling PTNJL's HGU rights over the areas overlapping with third party interests measuring 3,500 hectares; and
- (ii) issue a new HGU certificate in favour of PTNJL for an area measuring 16,474.130 hectares, (which is 19,974.130 hectares less the 3,500 hectares referred to in paragraph (i) above).

The amount of write back relating to the impairment of property, plant and equipment previously affected by the Ministerial Order was RM23,631,000 which has been reflected in the previous financial year.

On 20 February 2019, the Company announced that PTNJL has received notice (which was received by PTNJL's solicitors on 18 February 2019 and subsequently forwarded to the Company on 19 February 2019) that the Defendant has filed an application for judicial review together with its judicial review memorandum at the Mahkamah Agung on 8 February 2019. The Defendant is seeking to set aside the Mahkamah Agung's written decision dated 21 August 2018 on grounds that the court had among others misapplied the law to the relevant facts in arriving at the decision. PTNJL has on 18 March 2019 filed a counter memorandum at the Mahkamah Agung in response to the said application.

On 27 November 2019, the Company announced that the judicial review application against PTNJL, was allowed by the Mahkamah Agung vide its written decision which was received by PTNJL's solicitors on 27 November 2019.

B8. Changes in material litigation (cont'd.)

- (2) (b) On 28 November 2019, PTNJL has filed a civil suit in the Pengadilan Negeri Jakarta Selatan against the Defendant and PT Adindo Hutani Lestari ("AHL") (collectively, "Defendants"). The President Republik Indonesia and Menteri Lingkungan Hidup dan Kehutanan Republik Indonesia ("Menteri Kehutanan") have been named as co-defendants in the said suit.

PTNJL is seeking legal recognition of its rights over HGU; an injunction to:

- (i) order Badan Pertahanan Nasional and Menteri Kehutanan to issue permit, recommendation, or approval for PTNJL to undertake its plantation activities;
- (ii) bar AHL from preventing PTNJL from undertaking its plantation activities within the HGU areas which overlap with AHL's operating permits/interests; and
- (iii) restrain Menteri Kehutanan from issuing any new licences permits or approvals to any parties on or within the HGU.

PTNJL is also seeking an order from the court to stay the enforcement of the Ministerial Order dated 25 July 2016 pending full and final determination of the matter by the Indonesian courts.

- (c) On 23 January 2020, PTNJL has filed an application at the Jakarta State Administrative Court (or Pengadilan Tata Usaha Negara Jakarta) for judicial review of the Mahkamah Agung's decision that was delivered to PTNJL on 27 November 2019 which ruled in favour of Menteri Agraria dan Tata Ruang/Kepala Badan Pertanahan Nasional.
- (3) Following the termination of the Tenancy Agreement by Malaysia Airports Holding Berhad ("MAHB") on 11 May 2000, the Company as the Principal Tenant had issued a termination notice dated 15 May 2000 to all its respective sub-tenants at Airtel Complex, Subang.

Pursuant to the above, on 28 September 2001, the Company was served a Writ of Summons dated 9 August 2001 from a tenant ("Plaintiff") claiming for a compensation sum of approximately RM2.12 million being their renovation costs and general damages. The Board had sought the opinion from the solicitors who were of the opinion that there should be no compensation payable to the Plaintiff as the demised premise was acquired by a relevant authority which was provided in the Tenancy Agreement between the Company and the Plaintiff.

On 11 November 2008, the Court had disposed off this matter summarily in favour of the plaintiff and on 4 March 2009, the Company had filed its Record of Appeal to the Court of Appeal to appeal against the decision. The Company had made full provision for the compensation claim of RM2.12 million during the financial year ended 31 March 2009.

On 27 September 2011, the Court of Appeal had allowed the Company's appeal against the decision handed down by the High Court and directed that the matter be remitted back to the High Court for a full trial. There has been no development since 27 September 2011.

B9. Dividend

For the current period under review, no dividend has been proposed and declared (preceding year corresponding period: nil).

B10. Earnings per share

	Quarter ended		9 months cumulative	
	31/12/19	31/12/18	31/12/19	31/12/18
Earnings				
Profit attributable to owners of the Company (RM'000)	<u>2,687</u>	<u>13,141</u>	<u>12,841</u>	<u>49,577</u>
Basic earnings per share				
Weighted average number of ordinary shares in issue	239,920,797	240,588,471	239,920,797	240,588,471
Basic earnings per share (sen)	<u>1.12</u>	<u>5.46</u>	<u>5.35</u>	<u>20.61</u>

BY ORDER OF THE BOARD

JASMIN BINTI HOOD (LS 0009071)

FADZIL AZAHA (MIA20995)

Company Secretaries

Kuala Lumpur

Date: 20 February 2020