

# **BATU KAWAN BERHAD**

196501000504 (6292-U)  
(Incorporated in Malaysia)

**Interim Financial Report  
for the First Quarter ended 31 December 2019**

Directors are pleased to announce the unaudited financial results of the Group for the first quarter ended 31 December 2019.

## Condensed Consolidated Statement of Profit or Loss For the first quarter ended 31 December 2019

(The figures have not been audited.)

	Individual Quarter			Cumulative Quarter		
	3 months ended			3 months ended		
	31 December			31 December		
	2019	2018	+ / (-)	2019	2018	+ / (-)
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	4,206,104	4,218,999	(0.3)	4,206,104	4,218,999	(0.3)
Operating expenses	(3,955,926)	(3,986,292)	(0.8)	(3,955,926)	(3,986,292)	(0.8)
Other operating income	105,353	169,528	(37.9)	105,353	169,528	(37.9)
Finance costs	(68,571)	(48,373)	41.8	(68,571)	(48,373)	41.8
Share of results of associates	3,003	3,786	(20.7)	3,003	3,786	(20.7)
Share of results of joint ventures	3,789	5,182	(26.9)	3,789	5,182	(26.9)
<b>Profit before taxation</b>	<b>293,752</b>	<b>362,830</b>	<b>(19.0)</b>	<b>293,752</b>	<b>362,830</b>	<b>(19.0)</b>
Income tax expense	(76,365)	(71,904)	6.2	(76,365)	(71,904)	6.2
<b>NET PROFIT FOR THE PERIOD</b>	<b>217,387</b>	<b>290,926</b>	<b>(25.3)</b>	<b>217,387</b>	<b>290,926</b>	<b>(25.3)</b>
Profit attributable to:						
Equity holders of the Company	103,432	136,667	(24.3)	103,432	136,667	(24.3)
Non-controlling interests	113,955	154,259	(26.1)	113,955	154,259	(26.1)
	217,387	290,926	(25.3)	217,387	290,926	(25.3)
Earnings per share for profit attributable to equity holders of the Company (sen)						
Basic	26.4	34.2		26.4	34.2	
Diluted	Not applicable	Not applicable		Not applicable	Not applicable	

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Report for the year ended 30 September 2019.

## Condensed Consolidated Statement of Other Comprehensive Income For the first quarter ended 31 December 2019

(The figures have not been audited.)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u>		<u>3 months ended</u>	
	<u>31 December</u>		<u>31 December</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Net profit for the period</b>	<b>217,387</b>	<b>290,926</b>	<b>217,387</b>	<b>290,926</b>
<b>Other comprehensive income that will be reclassified subsequently to profit or loss</b>				
Currency translation differences	13,463	32,227	13,463	32,227
<b>Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss</b>				
Net change in fair value of equity instruments	47,897	(695,570)	47,897	(695,570)
<b>Total other comprehensive income/ (loss) for the period</b>	<b>61,360</b>	<b>(663,343)</b>	<b>61,360</b>	<b>(663,343)</b>
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD</b>	<b>278,747</b>	<b>(372,417)</b>	<b>278,747</b>	<b>(372,417)</b>
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	133,412	(178,655)	133,412	(178,655)
Non-controlling interests	145,335	(193,762)	145,335	(193,762)
	<u>278,747</u>	<u>(372,417)</u>	<u>278,747</u>	<u>(372,417)</u>

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2019.

## Condensed Consolidated Statement of Financial Position As at 31 December 2019

(The figures have not been audited.)

	<b>At 31 December 2019</b>	<b>At 30 September 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	8,076,060	8,066,866
Right-of-use assets	158,610	-
Investment property	47,226	47,463
Prepaid lease payments	349,735	351,082
Inventories	1,112,135	1,108,296
Goodwill on consolidation	346,061	345,127
Intangible assets	21,387	22,081
Investments in associates	1,550,505	1,516,482
Investments in joint ventures	260,880	267,307
Other investments	647,212	568,733
Other receivable	243,864	247,772
Deferred tax assets	447,513	450,299
	<b>13,261,188</b>	<b>12,991,508</b>
<b>Current assets</b>		
Inventories	2,208,709	2,188,303
Biological assets	76,582	99,829
Trade and other receivables	2,218,559	2,151,467
Contract assets	23,378	14,867
Tax recoverable	106,855	114,107
Other investments	212,492	253,695
Derivative financial assets	117,866	34,013
Short term funds	1,902,864	1,659,207
Cash and cash equivalents	2,155,014	2,317,468
	<b>9,022,319</b>	<b>8,832,956</b>
<b>TOTAL ASSETS</b>	<b>22,283,507</b>	<b>21,824,464</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2019.

## Condensed Consolidated Statement of Financial Position As at 31 December 2019

(The figures have not been audited.)

	<b>At 31 December 2019 RM'000</b>	<b>At 30 September 2019 RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	1,271,596	1,412,003
Contract liabilities	111,323	93,010
Deferred income	7,914	8,196
Lease liabilities	23,636	-
Borrowings	1,383,917	1,354,002
Tax payable	48,487	41,167
Derivative financial liabilities	137,397	20,558
Dividend payable	374,274	-
	<b>3,358,544</b>	<b>2,928,936</b>
<b>Net current assets</b>	<b>5,663,775</b>	<b>5,904,020</b>
<b>Non-current liabilities</b>		
Other payables	383	383
Deferred tax liabilities	446,716	444,586
Lease liabilities	135,287	-
Deferred income	109,576	110,320
Provision for retirement benefits	553,226	550,153
Borrowings	5,663,027	5,669,833
	<b>6,908,215</b>	<b>6,775,275</b>
<b>Total liabilities</b>	<b>10,266,759</b>	<b>9,704,211</b>
<b>Net assets</b>	<b>12,016,748</b>	<b>12,120,253</b>
<b>Equity attributable to owners of the Company</b>		
Share capital	435,951	435,951
Treasury shares	(626,064)	(623,059)
Reserves	5,806,933	5,850,081
	<b>5,616,820</b>	<b>5,662,973</b>
Non-controlling interests	6,399,928	6,457,280
<b>Total equity</b>	<b>12,016,748</b>	<b>12,120,253</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22,283,507</b>	<b>21,824,464</b>
Net assets per share attributable to equity holders of the Company (RM)	14.32	14.43

The Condensed Consolidated Statement of Financial Position should be read in conjunction with  
the Annual Report for the year ended 30 September 2019.

## Condensed Consolidated Statement of Changes in Equity For the first quarter ended 31 December 2019

(The figures have not been audited.)

	← Attributable to equity holders of the Company →									
	← Non-distributable →					Distributable			Non- controlling interested	Total equity
	Share capital	Treasury shares	Capital reserve*	Exchange fluctuation reserve	Fair value reserve	Retained earnings	Total	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
<b>At 1 October 2019</b>	435,951	(623,059)	658,546	(24,664)	540,171	4,676,028	5,662,973	6,457,280	12,120,253	
Total comprehensive income for the period	-	-	180	7,883	22,097	103,252	133,412	145,335	278,747	
Transactions with owners:										
Shares buy back	-	(3,005)	-	-	-	-	(3,005)	-	(3,005)	
Dividend payable - FY2019 final	-	-	-	-	-	(176,560)	(176,560)	-	(176,560)	
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	(197,714)	(197,714)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(4,973)	(4,973)	
	-	(3,005)	-	-	-	(176,560)	(179,565)	(202,687)	(382,252)	
<b>At 31 December 2019</b>	435,951	(626,064)	658,726	(16,781)	562,268	4,602,720	5,616,820	6,399,928	12,016,748	

\* Included in Capital Reserve is RM326,803,000 which is distributable.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with  
the Annual Report for the year ended 30 September 2019.

## Condensed Consolidated Statement of Changes in Equity For the first quarter ended 31 December 2019

(The figures have not been audited.)

	← Attributable to equity holders of the Company →								
	← Non-distributable →				Distributable				
	Share capital	Treasury shares	Capital reserve*	Exchange fluctuation reserve	Fair value reserve	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	
<b>At 1 October 2018</b>	435,951	(491,740)	652,645	(42,577)	936,191	4,591,330	6,081,800	6,836,872	12,918,672
Total comprehensive income/(loss) for the period	-	-	258	13,567	(328,948)	136,468	(178,655)	(193,762)	(372,417)
Transactions with owners:									
Redemption of redeemable preference shares	-	-	-	-	-	21	21	(21)	-
Shares buy back	-	(68,461)	-	-	-	-	(68,461)	-	(68,461)
Dividend payable - FY2018 final	-	-	-	-	-	(158,548)	(158,548)	-	(158,548)
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	(169,219)	(169,219)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(10,617)	(10,617)
	-	(68,461)	-	-	-	(158,527)	(226,988)	(179,857)	(406,845)
<b>At 31 December 2018</b>	<b>435,951</b>	<b>(560,201)</b>	<b>652,903</b>	<b>(29,010)</b>	<b>607,243</b>	<b>4,569,271</b>	<b>5,676,157</b>	<b>6,463,253</b>	<b>12,139,410</b>

\* Included in Capital Reserve is RM308,358,000 which is distributable.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with  
the Annual Report for the year ended 30 September 2019.

## Condensed Consolidated Statement of Cash Flows As at 31 December 2019

(The figures have not been audited.)

	3 months ended 2019	31 December 2018
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	293,752	362,830
Adjustments for:		
Non-cash items	173,908	65,281
Non-operating items	25,364	20,766
Operating cash flows before changes in working capital	493,024	448,877
Changes in working capital		
Net change in current assets	(61,907)	(86,893)
Net change in current liabilities	(156,792)	9,448
Cash flows generated from operations	274,325	371,432
Interest received	1,529	1,582
Interest paid	(36,715)	(39,929)
Tax paid	(55,624)	(72,376)
Retirement benefits paid	(11,630)	(7,495)
<b>Net cash flows generated from operating activities</b>	<b>171,885</b>	<b>253,214</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(163,003)	(133,178)
Payments of prepaid lease	(1,668)	(541)
Property development expenditure	(2,752)	(3,248)
Subscription of shares in joint ventures	(1,068)	(898)
Purchase of other investments	(3,567)	(270,451)
Purchase of intangible assets	(127)	(1,774)
Proceeds from disposal of property, plant and equipment	2,452	1,106
Compensation from government on land acquired	-	22,997
Proceeds from disposal of other investments	46,263	287,975
Repayment from/(Advance to) associates	1,139	(1,796)
Advance to joint ventures	(2,136)	-
Advance to investee companies	(10,939)	(12,608)
(Increase)/Decrease in short term funds	(245,223)	70,876
Dividends received	24,222	25,296
Interest received	12,725	13,862
<b>Net cash flows used in investing activities</b>	<b>(343,682)</b>	<b>(2,382)</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2019.



## Condensed Consolidated Statement of Cash Flows As at 31 December 2019

(The figures have not been audited.)

	<b>3 months ended 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>		
Repayment of term loans	(6,049)	(3,254)
Lease payments	(5,601)	-
Net drawdown of short term borrowings	19,414	89,317
Dividends paid to non-controlling interests	(4,973)	(10,617)
Shares buy back	(3,005)	(68,461)
Decrease in other receivables	5,721	4,381
<b>Net cash flows generated from financing activities</b>	<b>5,507</b>	<b>11,366</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(166,290)	262,198
Effects of exchange rate changes	(4,905)	5,865
Cash and cash equivalents at 1 October	2,196,611	1,472,952
<b>Cash and cash equivalents at 31 December</b>	<b>2,025,416</b>	<b>1,741,015</b>
Cash and cash equivalents at 31 December is represented by:		
Cash and cash equivalents	2,155,014	1,878,538
Borrowings - Bank overdraft	(129,598)	(137,523)
	<b>2,025,416</b>	<b>1,741,015</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2019.

## Notes to Interim Financial Report

### A. Explanatory Notes as required by Malaysian Financial Reporting Standard (“MFRS”) 134

#### A1. Statement of compliance

The interim financial report is unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard (“MFRS”) 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Main Market Listing Requirements.

#### A2. Accounting policies

The Interim Financial Report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2019. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 30 September 2019 except for the adoption of the following standards, interpretation and amendments to MFRSs:

#### ***MFRS, Interpretation and Amendments to MFRSs 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 *Definition of a Business (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

The application of the above standards has no significant effect to the financial statements of the Group except for MFRS 16 *Leases* as disclosed 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*. The Group has adopted MFRS 16 with the date of initial application of 1 October 2019. The Group elected to use the modified retrospective method and to apply a number of practical expedients as provided in MFRS 16.

Under the modified retrospective method, prior year comparative information was not restated and the cumulative effects of initial application of MFRS 16 were recognised as an adjustment to the opening balance of right-of-use (“ROU”) assets and lease liabilities as at 1 October 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 and IC Interpretation 4.

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases, if any, at the date of initial application.

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 were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 October 2019.

The associated right-of-use ("ROU") assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 October 2019.

The Group has elected not to recognise lease liabilities and ROU for short term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense in profit or loss over its lease terms.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

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

#### **Effect on adoption of MFRS 16**

	Increase RM'000
Impact to the Group financial statement as at 1 October 2019:	
<b>Assets</b>	
Right-of-use assets	164,139
<b>Liabilities</b>	
Lease liabilities	163,797

#### **A3. Seasonal and cyclical operations**

The Group's plantation operations are affected by seasonal crop production, weather conditions and fluctuations in commodity prices.

#### **A4. Unusual items**

There were no items affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

#### **A5. Material changes in estimates**

There were no significant changes in the amounts of estimates reported in prior interim periods or prior financial years that have a material effect in the current interim period.

#### **A6. Issuance and repayment of debt and equity securities**

There were no issuances and repayments of debt securities, share buybacks, share cancellations or resale of treasury shares for the financial year to-date except for share buybacks of 191,200 shares in the Company from the open market. The average price paid for the shares repurchased was RM15.65 per share and the total consideration paid, including transaction costs, was RM3,004,526. The shares bought back were financed by internally generated funds and held as treasury shares.

#### **A7. Dividends paid**

No dividend has been paid during the current quarter ended 31 December 2019 (31 December 2018: Nil).

**A8. Segment information**

Segment information is presented in respect of the Group's reportable segments which are based on the Group's management and internal reporting structure.

## a) Segment revenue and results

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>3 months ended</b>						
<b>31 December 2019</b>						
Revenue						
External revenue	2,014,096	2,028,486	52,221	111,301	-	4,206,104
Inter-segment revenue	223,229	10	-	104,597	(327,836)	-
Total revenue	<u>2,237,325</u>	<u>2,028,496</u>	<u>52,221</u>	<u>215,898</u>	<u>(327,836)</u>	<u>4,206,104</u>
Results						
Operating results	173,263	112,347	12,895	66,956	(9,930)	355,531
Finance costs	(4,410)	(13,689)	(31)	(60,371)	9,930	(68,571)
Share of results of associates	1,961	301	711	30	-	3,003
Share of results of joint ventures	(1,075)	-	-	4,864	-	3,789
Segment results	<u>169,739</u>	<u>98,959</u>	<u>13,575</u>	<u>11,479</u>	<u>-</u>	<u>293,752</u>
Profit before taxation						<u>293,752</u>
<b>3 months ended</b>						
<b>31 December 2018</b>						
Revenue						
External revenue	1,709,187	2,317,205	39,809	152,798	-	4,218,999
Inter-segment revenue	251,657	-	-	53,462	(305,119)	-
Total revenue	<u>1,960,844</u>	<u>2,317,205</u>	<u>39,809</u>	<u>206,260</u>	<u>(305,119)</u>	<u>4,218,999</u>
Results						
Operating results	124,142	138,724	10,629	139,794	(11,054)	402,235
Finance costs	(4,981)	(14,386)	-	(40,060)	11,054	(48,373)
Share of results of associates	2,498	858	501	(71)	-	3,786
Share of results of joint ventures	6,733	-	-	(1,551)	-	5,182
Segment results	<u>128,392</u>	<u>125,196</u>	<u>11,130</u>	<u>98,112</u>	<u>-</u>	<u>362,830</u>
Profit before taxation						<u>362,830</u>

b) Segment assets

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 31 December 2019</b>					
Operating assets	7,162,113	6,765,910	1,517,067	4,472,664	19,917,754
Associates	95,403	11,269	73,115	1,370,718	1,550,505
Joint ventures	147,729	-	-	113,151	260,880
Segment assets	7,405,245	6,777,179	1,590,182	5,956,533	21,729,139
Tax assets					554,368
Total assets					22,283,507
<b>At 30 September 2019</b>					
Operating assets	6,847,543	6,801,703	1,506,728	4,320,295	19,476,269
Associates	92,944	10,928	72,403	1,340,207	1,516,482
Joint ventures	152,044	-	-	115,263	267,307
Segment assets	7,092,531	6,812,631	1,579,131	5,775,765	21,260,058
Tax assets					564,406
Total assets					21,824,464

c) Segment liabilities

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 31 December 2019</b>					
Segment liabilities	1,641,841	2,257,303	120,863	5,377,275	9,397,282
Tax liabilities					495,203
Dividend payable					374,274
Total liabilities					10,266,759
<b>At 30 September 2019</b>					
Segment liabilities	1,553,599	2,164,235	119,719	5,380,905	9,218,458
Tax liabilities					485,753
Total liabilities					9,704,211

**A9. Material events subsequent to end of period**

In the interval between the end of the reporting period and the date of this report, no material events have arisen which have not been reflected in the interim report.

**A10. Changes in composition of the Group**

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinued operations during the current quarter review except for the following:

Rubber Fibreboards Sdn Bhd ("RF"), a wholly-owned sub-subsidiary of the Group, was dissolved by way of a members' voluntary winding up on 30 October 2019. The winding up of RF will not have any material operational and financial impact on the net assets and earnings per share of the Group for the financial year ending 30 September 2020.

**A11. Changes in contingent liabilities and contingent assets**

There were no material changes in the contingent liabilities or contingent assets since the last annual financial statements for the year ended 30 September 2019.

## A12. Capital commitments

At the end of the reporting period/year, the Group's capital commitments were as follows:

	<b>At 31 December 2019 RM'000</b>	<b>At 30 September 2019 RM'000</b>
<b>Capital expenditure</b>		
Approved and contracted	373,971	364,210
Approved but not contracted	817,199	894,065
	<u>1,191,170</u>	<u>1,258,275</u>
<b>Joint venture</b>		
Share of capital commitment of a joint venture	72,970	79,427

## A13. Significant Related Party Transactions

The significant related party transactions set out below were carried out in the normal course of business and on terms and conditions not more materially different from those obtainable in transactions with unrelated parties.

	<b>Cumulative Quarter 3 months ended 31 December</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>
a) Transactions with associates and joint ventures:		
Sales of goods	58,058	71,221
Purchase of goods	305,217	316,818
Service charges paid	513	863
Research and development services paid	3,560	3,408

	<b>Cumulative Quarter</b>	
	<b>3 months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
b) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest:		
<b>Sales of goods</b>		
Chlor-Al Chemical Pte Ltd	2,387	1,685
Taiko Marketing (S) Pte Ltd	566	1,361
Taiko Marketing Sdn Bhd	63,007	67,329
<b>Storage tanks rental received</b>		
Taiko Marketing Sdn Bhd	992	999
<b>Purchases of goods</b>		
Borneo Taiko Clay Sdn Bhd	562	1,151
Bukit Katho Estate Sdn Bhd	1,145	937
Kampar Rubber & Tin Co Sdn Bhd	1,139	1,550
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	-	1,495
Malay Rubber Plantations (M) Sdn Bhd	1,460	1,339
PT Agro Makmur Abadi	16,375	11,510
PT Java Taiko Mineralindo	1,982	-
PT Safari Riau	8,945	5,042
Taiko Drum Industries Sdn Bhd	564	1,405
Taiko Marketing (S) Pte Ltd	4,526	10,459
Taiko Marketing Sdn Bhd	9,232	12,145
<b>Supply of contract labours and engineering works:</b>		
K7 Engineering Sdn Bhd	-	598
c) Transactions between subsidiaries and their non-controlling interests:		
<b>Sales of goods</b>		
Mitsubishi Corporation	10,535	11,455
Mitsui & Co Ltd	50,359	62,346
<b>Purchases of goods</b>		
Mitsubishi Gas Chemical Singapore Pte Ltd	3,768	3,551
PT Eka Dura Indonesia	12,341	-
PT Tanjung Sarana Lestari	398,946	359,764

**B. Explanatory Notes as required by the Bursa Securities' Listing Requirements**

**B1. Detailed analysis of performance**

**1<sup>st</sup> Quarter FY2020 vs 1<sup>st</sup> Quarter FY2019**

	<b>Quarter Ended</b>		<b>Changes %</b>
	<b>31 December</b>		
	<b>2019</b>	<b>2018</b>	
	<b>RM'000</b>	<b>RM'000</b>	
Revenue	4,206,104	4,218,999	(0.3)
Segment results:			
Plantation	169,738	128,392	32.2
Manufacturing	98,959	125,196	(21.0)
Property development	13,575	11,130	22.0
Investment holding/Others	11,480	98,112	(88.3)
Profit before taxation	293,752	362,830	(19.0)

The Group's revenue for the current quarter was marginally lower by 0.3% at RM4,206.10 million (1Q2019: RM4,219.00 million) while the Group's profit before taxation was 19.0% lower at RM293.75 million (1Q2019: RM362.83 million). Comments on the respective business segments are as follows:

Plantation's profit was 32.2% higher at RM169.74 million (1Q2019: RM128.39 million) with 17.8% higher revenue of RM2,014.10 million (1Q2019: RM1,709.19 million). The current quarter's profit was contributed by stronger CPO prices and fair value gain of RM12.80 million (1Q2019: RM8.32 million loss) on valuation of unharvested FFB. However, the increase in profit was offset by higher CPO production cost due to decline in FFB production by 8.8% to 1.04 million mt (1Q2019: 1.14 million mt) and unrealised loss of RM27.25 million (1Q2019: RM24.25 million unrealised gain) arising from fair value changes on outstanding derivative contracts.

Manufacturing reported a 21.0% lower profit of RM98.96 million (1Q2019: RM125.20 million) with 12.5% drop in revenue to RM2,028.49 million (1Q2019: RM2,317.21 million).

The Oleochemical division registered a lower current quarter's profit of RM77.42 million (1Q2019: RM94.54 million) mainly due to unrealised loss arising from fair value changes on outstanding derivatives contracts which amounted to RM4.72 million (1Q2019: RM21.14 million unrealised gain). The Industrial Chemical division posted a 31.4% lower profit at RM20.10million (1Q2019: RM29.30 million) impacted by lower selling prices and higher energy cost.

Property Development recorded a 22.0% higher profit of RM13.58 million (1Q2019: RM11.13 million) with 31.1% higher revenue of RM52.22 million (1Q2019: RM39.81 million).

Investment holdings/Others' result mainly accounted for significantly lower Farming sector's profit at RM8.12 million (1Q2019: RM56.54 million) attributable to substantial drop in crop production over lower cropped area as a result of lower yield affected by extremely dry season, and lower foreign exchange currency gain of RM26.30 million (1Q2019: RM38.81 million gain) on translation of inter-company loans denominated in foreign currencies. Last year, there was a RM22.50 million surplus from government acquisition of plantation land.



**B2. Comparison of current quarter's results to the preceding quarter**  
**1<sup>st</sup> Quarter FY2020 vs 4<sup>th</sup> Quarter FY2019**

	<b>Quarter Ended</b>		<b>Changes %</b>
	<b>31</b>	<b>30</b>	
	<b>December 2019</b>	<b>September 2019</b>	
	<b>RM'000</b>	<b>RM'000</b>	
Revenue	4,206,104	3,922,332	7.2
Segment results:			
Plantation	169,738	133,412	27.2
Manufacturing	98,959	108,369	(8.7)
Property development	13,575	18,100	(25.0)
Investment holding/Others	11,480	6,175	85.9
Profit before taxation	293,752	266,056	10.4

For the current quarter, the Group's profit before taxation improved by 10.4% to RM293.75 million compared to RM266.06 million reported in the preceding quarter with revenue 7.2% higher at RM4,206.10 million (4Q2019: RM3,922.33 million). Comments on the respective business segments are as follows:

Plantation recorded a 27.2% increase in profit to RM169.74 million (4Q2019: RM133.41 million) from stronger CPO and PK selling prices and better profit from processing and trading operations, despite higher CPO production cost resulting from 3.70% decline in FFB production at 1.04 million mt (4Q2019: 1.08 million mt) and unrealised loss from changes in fair value on outstanding derivative contracts which amounted to RM27.25 million (4Q2019: RM312,000 unrealised gain).

Manufacturing's profit was 8.7% lower at RM98.96 million (4Q2019: RM108.37 million) with a 5.6% lower revenue at RM2,028.49 million (4Q2019: RM2,148.56 million).

The Oleochemical division recorded a lower profit of RM77.42 million (4Q2019: RM94.59 million) due to drop in sales volume affected by stiff market competition coupled with erosion in margins, particularly in Europe operations. On the other hand, the Industrial Chemical division posted a 36.7% higher profit of RM20.10 million (4Q2019: RM14.70 million) mainly from higher sales volume.

Property Development recorded a 25.0% lower profit of RM13.58 million (4Q2019: RM18.10 million) despite 5.9% higher revenue of RM52.22 million (4Q2019: RM49.29 million) due to recognition of profit from projects with lower margins.

Investment holdings/Others' result mainly accounted for foreign exchange currency gain of RM26.30 million (4Q2019: RM10.70 million loss) on translation of inter-company loans denominated in foreign currencies, and Farming sector recognised a RM8.12 million profit (4Q2019: RM8.30 million loss). In preceding quarter, there was a RM42.50 million surplus from government acquisition of plantation land.

### B3. Current year's prospects

The Group's Plantation profit is expected to improve for the financial year 2020 in view that CPO and PK prices have currently recovered from their low levels, in midst of declining CPO stocks and production.

The performance of the Group's Oleochemical division will be challenging due to higher raw material prices and keen competition. The Group's Industrial Chemical division is projected to achieve slightly lower profits than financial year 2019 due to currently lower prices and higher energy costs.

Overall, the Group expects a higher profit for the financial year 2020 subject to the uncertainties arising out of the recent global Coronavirus disease 2019 ("Covid-19") outbreak.

### B4. Variance of actual profit from forecast profit

The Group did not issue any forecast profit or profit guarantee during the current financial year to-date.

### B5. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax expenses				
Malaysian taxation	28,793	31,666	28,793	31,666
Overseas taxation	41,949	35,981	41,949	35,981
	<u>70,742</u>	<u>67,647</u>	<u>70,742</u>	<u>67,647</u>
Under/(Over) provision of taxation in respect of previous years				
Malaysian taxation	-	(269)	-	(269)
Overseas taxation	1,146	(167)	1,146	(167)
	<u>1,146</u>	<u>(436)</u>	<u>1,146</u>	<u>(436)</u>
Deferred tax				
Origination and reversal of temporary differences	(4,213)	6,366	(4,213)	6,366
Relating to changes in tax rates				
Under/(Over) provision in respect of previous years	8,690	(1,673)	8,690	(1,673)
	<u>4,477</u>	<u>4,693</u>	<u>4,477</u>	<u>4,693</u>
	<u>76,365</u>	<u>71,904</u>	<u>76,365</u>	<u>71,904</u>

### Reconciliation of effective taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	293,752	362,830	293,752	362,830
Taxation at Malaysia income tax rate of 24% (FY2019: 24%)	70,500	87,079	70,500	87,079
Effect of difference tax rates in foreign jurisdiction	(4,313)	(6,262)	(4,313)	(6,262)
Withholding tax on foreign dividend and interest income	5,804	9,582	5,804	9,582
Expenses not deductible for tax purposes	22,936	33,858	22,936	33,858
Tax exempt and non-taxable income	(23,482)	(36,988)	(23,482)	(36,988)
Tax incentives	(854)	(864)	(854)	(864)
Deferred tax assets/(liabilities) not recognised during the period	1,009	(1,452)	1,009	(1,452)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(4,882)	(13,064)	(4,882)	(13,064)
Tax effect on associates' and joint ventures' results	(1,631)	(1,753)	(1,631)	(1,753)
Under/(Over) provision of previous years tax expenses	1,146	(436)	1,146	(436)
Under/(Over) provision of previous years deferred tax	8,690	(1,673)	8,690	(1,673)
Others	1,442	3,877	1,442	3,877
Tax expense	76,365	71,904	76,365	71,904

### B6. Status of corporate proposals

There were no corporate proposals announced.

**B7. Group borrowings**

As at the end of the reporting period, the Group's borrowings were as follows:

	At 31 December 2019								
	Long Term		Short Term		Total Borrowings				
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination			
	'000	RM'000	'000	RM'000	'000	RM'000			
<b>Secured</b>									
Term Loans	Euro	5,751	26,392	Euro	1,240	5,688	Euro	6,991	32,080
Bankers' acceptance		-	-		-	11,153		-	11,153
<b>Unsecured</b>									
Bank overdraft		-	-	Euro	28,242	129,598	Euro	28,242	129,598
Revolving credit		-	-	Euro	5,000	22,944	Euro	5,000	22,944
		-	-	Rp	111,820,490	32,965	Rp	111,820,490	32,965
		-	-	Rmb	40,000	23,512	Rmb	40,000	23,512
		-	-	USD	3,400	13,913	USD	3,400	13,913
		-	-	GBP	45,000	244,372	GBP	45,000	244,372
		-	-	AUD	2,000	5,747	AUD	2,000	5,747
Trade financing		-	-	USD	70,561	288,735	USD	70,561	288,735
		-	-		-	165,527		-	165,527
Term loans	USD	75,000	307,171		-	-	USD	75,000	307,171
	Euro	50,000	229,464	Euro	25,500	117,018	Euro	75,500	346,482
Export credit refinancing		-	-		-	3,339		-	3,339
Bankers' acceptance		-	-		-	319,406		-	319,406
Islamic medium term notes		-	5,100,000		-	-		-	5,100,000
<b>Total</b>		-	5,663,027		-	1,383,917		-	7,046,944

	At 31 December 2018								
	Long Term		Short Term		Total Borrowings				
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination			
	'000	RM'000	'000	RM'000	'000	RM'000			
<b>Secured</b>									
Term Loans	Euro	7,300	34,627	Euro	1,436	6,810	Euro	8,736	41,437
<b>Unsecured</b>									
Bank overdraft		-	-	Euro	28,991	137,523	Euro	28,991	137,523
Revolving credit		-	-	Euro	10,000	47,437	Euro	10,000	47,437
		-	-	Rp	199,113,452	57,285	Rp	199,113,452	57,285
		-	-	Rmb	50,000	30,070	Rmb	50,000	30,070
		-	-	AUD	6,000	17,501	AUD	6,000	17,501
Trade financing		-	-	USD	79,436	328,467	USD	79,436	328,467
Term loans	USD	45,000	187,478		-	-	USD	45,000	187,478
	Euro	50,000	237,266	Euro	36,500	173,178	Euro	86,500	410,444
Export credit refinancing		-	-		-	216,813		-	216,813
Bankers' acceptance		-	-		-	337,366		-	337,366
Islamic medium term notes		-	3,100,000		-	-		-	3,100,000
<b>Total</b>		-	3,559,371		-	1,352,450		-	4,911,821

Exchange Rates Applied	At 31 December	
	2019	2018
USD / RM	4.0920	4.1350
Euro / RM	4.5888	4.7437
Rp1,000/RM	0.2948	0.2877
AUD/RM	2.8734	2.9168
RMB/RM	0.5878	0.6014
GBP/RM	5.4305	-

**B8. Derivative financial instruments**

The Group has entered into forward foreign exchange contracts as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign exchange on receipts and payments.

The commodity future contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the vegetable oil commodities.

As at 31 December 2019, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	<b>Contract / Notional value Net long/(short) RM'000</b>	<b>Fair value Net gains/(losses) RM'000</b>
a) Forward foreign exchange contracts:		
- Less than 1 year	(855,416)	15,751
- 1 year to 3 years	-	-
- More than 3 years	-	-
	<hr/>	<hr/>
b) Commodity futures contracts:		
- Less than 1 year	(182,502)	(35,283)
- 1 year to 3 years	-	-
- More than 3 years	-	-
	<hr/>	<hr/>

Derivative financial instruments are recognised at fair value on contract dates and are subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss.

For the current quarter ended 31 December 2019, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

**B9. Fair value changes of financial liabilities**

The Group does not have any financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

**B10. Material Litigation**

There was no pending material litigation as at the date of this report.

**B11. Dividend**

- a) The Directors do not recommend the payment of dividend for the first quarter ended 31 December 2019 (31 December 2018: Nil).
- b) Total dividend for the current financial year to-date is Nil (31 December 2018: Nil).

**B12. Earnings Per Share**

*Basic earnings per share*

The earnings per share is calculated by dividing the net profit for the period attributable to equity holders of the Company by the weighted average number of shares of the Company in issue during the period.

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u>		<u>3 months ended</u>	
	<u>31 December</u>		<u>31 December</u>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net profit for the period attributable to equity holders of the Company (RM'000)	103,432	136,667	103,432	136,667
Weighted average number of shares ('000)	392,394	399,680	392,394	399,680
Earnings per share (sen)	26.4	34.2	26.4	34.2

**B13. Audit report of preceding annual financial statements**

The auditors' report on the financial statements for the year ended 30 September 2019 was not subject to any qualifications.

**B14. Condensed Consolidated Statement of Profit or Loss**

Profit before taxation for the period is arrived at after charging/(crediting) the following items:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u>		<u>3 months ended</u>	
	<u>31 December</u>		<u>31 December</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	(36,061)	(19,712)	(36,061)	(19,712)
Dividend income	(7,135)	(7,884)	(7,135)	(7,884)
Other income	(105,353)	(169,528)	(105,353)	(169,528)
Interest expense	68,571	48,373	68,571	48,373
Depreciation and amortisation	163,189	148,588	163,189	148,588
Reversal of write-off of receivables	(25)	(658)	(25)	(658)
Provision for and write-off of inventories	2,621	19,603	2,621	19,603
(Surplus)/Deficit on disposal of quoted or unquoted investment	(19)	922	(19)	922
Surplus on disposal of land	(304)	(424)	(304)	(424)
Surplus arising from government acquisition of land	-	(22,489)	-	(22,489)
Foreign exchange gain	(27,315)	(36,892)	(27,315)	(36,892)
Loss/(Gain) on derivatives	39,661	(39,060)	39,661	(39,060)
Exceptional items	-	-	-	-

By Order of the Board

GOH SWEE ENG  
YAP MIOW KIEN  
CHIEW CINDY  
Company Secretaries

17 February 2020