



KUALA LUMPUR KEPONG BERHAD

Company No. 197301001526 (15043-V)
(Incorporated in Malaysia)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2020

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REPORT OF THE DIRECTORS

The Directors of Kuala Lumpur Kepong Berhad have pleasure in submitting their Report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2020.

PRINCIPAL ACTIVITIES

The Company carries on the business of producing and processing palm products and natural rubber on its plantations. The Group's subsidiaries, associates and joint ventures are involved in the business of plantation, manufacturing, property development and investment holding.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Batu Kawan Berhad, which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 43 to the financial statements.

RESULTS

| | Group RM'000 | Company RM'000 |
|-------------------------------|-----------------|-------------------|
| Profit before taxation | 1,185,730 | 679,782 |
| Tax expense | (328,681) | (25,306) |
| Profit for the year | <u>857,049</u> | <u>654,476</u> |
| Attributable to: | | |
| Equity holders of the Company | 772,604 | 654,476 |
| Non-controlling interests | 84,445 | - |
| | <u>857,049</u> | <u>654,476</u> |

DIVIDENDS

The amounts paid or declared by way of dividends by the Company since the end of the previous financial year were:

- (i) a final single tier dividend of 35 sen per share amounting to RM372,738,000 in respect of the year ended 30 September 2019 was paid on 24 February 2020. The amount of RM306,071,000 was satisfied by the issuance of 13,513,093 new shares of the Company at the issue price of RM22.65 per share pursuant to the Dividend Reinvestment Plan ("DRP") and the balance via cash payment of RM66,667,000; and
- (ii) an interim single tier dividend of 15 sen per share amounting to RM161,772,000 in respect of the year ended 30 September 2020 was paid on 4 August 2020.

On 9 December 2020, the Directors declared the payment of a final single tier dividend of 35 sen per share amounting to RM377,468,000 for the year ended 30 September 2020 which will be paid on 2 March 2021. The entitlement date for the dividend shall be 22 February 2021.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the statements of changes in equity and Note 32 to the financial statements.

ISSUED AND PAID-UP CAPITAL

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM1,067,790,000 to RM1,373,861,000 by way of issuance of 13,513,093 ordinary shares at the issue price of RM22.65 per share arising from the DRP pertaining to the final single tier dividend of 35 sen per share in respect of the financial year ended 30 September 2019.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, the Company has not made any purchase of its own shares or re-sale of the treasury shares since the fresh mandate for the share buy back scheme approved by the shareholders of the Company at the Annual General Meeting ("AGM") held on 18 February 2020. Details of the shares bought back and retained as treasury shares are as follows:

| Month | No. of Shares Bought Back and Held as Treasury Shares | Per Share | | | Total Consideration RM'000 |
|---------------|--|-----------------------------|----------------------------|-----------------------------|----------------------------------|
| | | Highest Price Paid RM | Lowest Price Paid RM | Average Price Paid RM | |
| February 1999 | 1,208,000 | 5.90 | 5.10 | 5.58 | 6,823 |
| March 1999 | 1,131,000 | 5.25 | 4.72 | 4.86 | 5,559 |
| January 2002 | 200,000 | 5.30 | 5.30 | 5.30 | 1,065 |
| | <u>2,539,000</u> | | | | <u>13,447</u> |

REPORT OF THE DIRECTORS (Continued)

The mandate given by the shareholders will expire at the forthcoming AGM and an ordinary resolution will be tabled at the AGM for shareholders to grant a fresh mandate for another year.

DIRECTORS OF THE COMPANY

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

R. M. Alias
Tan Sri Dato' Seri Lee Oi Hian
Dato' Lee Hau Hian
Dato' Yeoh Eng Khoon
Tan Sri Azlan Bin Mohd Zainol
Quah Poh Keat
Anne Rodrigues
Lee Jia Zhang

DIRECTORS OF SUBSIDIARIES

The names of Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' SHAREHOLDINGS

The Directors holding office at the end of the financial year and the details of the Directors' shareholdings in the Company and its ultimate holding company as recorded in the Register of Directors' Shareholdings were as follows:

| Shares in the Company | Number of Shares | | | Balance at 30.9.2020 |
|--|-------------------------|-----------|------|-------------------------|
| | Balance at 1.10.2019 | Bought | Sold | |
| Direct interest | | | | |
| R. M. Alias | 337,500 | 5,215 | - | 342,715 |
| Tan Sri Dato' Seri Lee Oi Hian | 72,000 | 1,112 | - | 73,112 |
| Dato' Lee Hau Hian | 83,250 | 1,286 | - | 84,536 |
| Dato' Yeoh Eng Khoon | 335,000 | 5,176 | - | 340,176 |
| Anne Rodrigues | 1,500 | 23 | - | 1,523 |
| Deemed interest | | | | |
| R. M. Alias | 1,000 | - | - | 1,000 |
| Tan Sri Dato' Seri Lee Oi Hian | 501,372,027 | 7,747,469 | - | 509,119,496 |
| Dato' Lee Hau Hian | 501,372,027 | 7,747,469 | - | 509,119,496 |
| Dato' Yeoh Eng Khoon | 4,764,850 | 73,626 | - | 4,838,476 |
| Shares in the ultimate holding company, Batu Kawan Berhad | | | | |
| Direct interest | | | | |
| Tan Sri Dato' Seri Lee Oi Hian | 970,355 | 637,973 | - | 1,608,328 |
| Dato' Lee Hau Hian | 1,541,530 | 41,914 | - | 1,583,444 |
| Dato' Yeoh Eng Khoon | 315,000 | 8,564 | - | 323,564 |
| Anne Rodrigues | - | 2,000 | - | 2,000 |
| Lee Jia Zhang | 10,000 | 271 | - | 10,271 |
| Deemed interest | | | | |
| Tan Sri Dato' Seri Lee Oi Hian | 210,335,705 | 6,890,719 | - | 217,226,424 |
| Dato' Lee Hau Hian | 209,138,980 | 5,915,553 | - | 215,054,533 |
| Dato' Yeoh Eng Khoon | 21,802,250 | 303,224 | - | 22,105,474 |

By virtue of their deemed interests in the shares of the Company and its ultimate holding company, Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian are deemed to have an interest in the shares of all the subsidiaries and related corporations to the extent that the Company and the ultimate holding company have interests.

REPORT OF THE DIRECTORS (Continued)

Other than as disclosed above, no other Directors who held office at the end of the financial year has any shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the Group's financial statements or remuneration received or due and receivable by Directors or the fixed salary of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any deemed benefits that may accrue to certain Directors by virtue of normal trading transactions by the Group and the Company with related parties as disclosed in Note 39 to the financial statements.

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

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of the Group are covered under the Directors' and Officers' Liability Insurance Policy ("Policy") in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the Policy. The total amount of directors' and officers' liability insurance effected for the Directors and Officers of the Group was RM50 million.

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

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

- (i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year except as disclosed in Note 42 to the financial statements.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor have any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

REPORT OF THE DIRECTORS (Continued)

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 48 to the financial statements.

EVENT SUBSEQUENT TO REPORTING DATE

Event subsequent to reporting date is disclosed in Note 49 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 30 September 2020 are disclosed in Note 5 to the financial statements.

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

R. M. ALIAS
(Chairman)

TAN SRI DATO' SERI LEE OI HIAN
(Chief Executive Officer)

9 December 2020

STATEMENTS OF PROFIT OR LOSS

for the year ended 30 September 2020

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Revenue | 4 | 15,595,956 | 15,533,887 | 1,287,547 | 1,118,188 |
| Cost of sales | | (13,525,782) | (13,858,365) | (584,840) | (575,919) |
| Gross profit | | 2,070,174 | 1,675,522 | 702,707 | 542,269 |
| Other operating income | | 333,005 | 340,246 | 353,562 | 121,271 |
| Distribution costs | | (262,011) | (254,055) | (14,815) | (13,888) |
| Administration expenses | | (489,999) | (497,435) | (110,325) | (81,470) |
| Other operating expenses | | (246,423) | (283,249) | (55,434) | (43,435) |
| Operating profit | 5 | 1,404,746 | 981,029 | 875,695 | 524,747 |
| Finance costs | 6 | (242,598) | (165,668) | (195,913) | (115,315) |
| Share of profits of equity accounted associates, net of tax | | 32,569 | 14,786 | - | - |
| Share of losses of equity accounted joint ventures, net of tax | | (8,987) | (6,219) | - | - |
| Profit before taxation | | 1,185,730 | 823,928 | 679,782 | 409,432 |
| Tax expense | 9 | (328,681) | (173,195) | (25,306) | (6,061) |
| Profit for the year | | 857,049 | 650,733 | 654,476 | 403,371 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 772,604 | 617,505 | 654,476 | 403,371 |
| Non-controlling interests | | 84,445 | 33,228 | - | - |
| | | 857,049 | 650,733 | 654,476 | 403,371 |
| | | Sen | Sen | Sen | Sen |
| Basic/Diluted earnings per share | 10 | 72.0 | 58.0 | 61.0 | 37.9 |

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2020

| | Group | | Company | |
|---|-----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Profit for the year | 857,049 | 650,733 | 654,476 | 403,371 |
| Other comprehensive (loss)/Income that will be reclassified subsequently to profit or loss, net of tax | | | | |
| Currency translation differences | (24,890) | 40,584 | - | - |
| Share of other comprehensive gain in associates | 5,813 | - | - | - |
| | (19,077) | 40,584 | - | - |
| Other comprehensive (loss)/Income that will not be reclassified subsequently to profit or loss, net of tax | | | | |
| Net change in fair value of equity instruments | (21,865) | (868,262) | 5,867 | (316,215) |
| Share of other comprehensive loss in associates | (25,038) | - | - | - |
| Remeasurement of defined benefit plans | 10,808 | (46,212) | - | - |
| | (36,095) | (914,474) | 5,867 | (316,215) |
| Total other comprehensive (loss)/income for the year | (55,172) | (873,890) | 5,867 | (316,215) |
| Total comprehensive income/(loss) for the year | 801,877 | (223,157) | 660,343 | 87,156 |
| Attributable to: | | | | |
| Equity holders of the Company | 727,913 | (261,637) | 660,343 | 87,156 |
| Non-controlling interests | 73,964 | 38,480 | - | - |
| | 801,877 | (223,157) | 660,343 | 87,156 |

STATEMENTS OF FINANCIAL POSITION

as at 30 September 2020

| | Note | Group | | Company | |
|---|------|-------------------|-------------------|-------------------|-------------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Assets | | | | | |
| Property, plant and equipment | 12 | 7,656,584 | 7,749,121 | 1,645,332 | 1,825,221 |
| Right-of-use assets | 13 | 868,435 | - | 295,175 | - |
| Prepaid lease payments | 14 | - | 340,256 | - | 679 |
| Inventories | 15 | 1,096,046 | 1,108,296 | - | - |
| Goodwill on consolidation | 16 | 326,345 | 316,836 | - | - |
| Intangible assets | 17 | 22,324 | 22,081 | - | - |
| Investments in subsidiaries | 18 | - | - | 4,962,146 | 4,571,043 |
| Investments in associates | 19 | 1,544,951 | 1,489,210 | 33,225 | 33,225 |
| Investments in joint ventures | 20 | 145,783 | 156,818 | - | - |
| Other investments | 21 | 416,150 | 411,950 | 437,996 | 432,129 |
| Other receivable | 22 | 228,269 | 233,980 | - | - |
| Amounts owing by subsidiaries | 18 | - | - | 1,394,965 | 1,340,353 |
| Deferred tax assets | 23 | 367,758 | 437,027 | - | - |
| Total non-current assets | | 12,672,645 | 12,265,575 | 8,768,839 | 8,202,650 |
| Inventories | 15 | 1,972,866 | 2,124,084 | 54,813 | 63,996 |
| Biological assets | 24 | 126,922 | 98,262 | 27,826 | 16,243 |
| Trade receivables | 25 | 1,259,218 | 1,225,376 | 33,777 | 26,597 |
| Other receivables, deposits and prepayments | 26 | 874,628 | 827,108 | 153,322 | 35,176 |
| Amounts owing by subsidiaries | 18 | - | - | 51,570 | 180,385 |
| Contract assets | 27 | 10,276 | 14,867 | - | - |
| Tax recoverable | | 58,497 | 110,319 | 5,971 | 14,842 |
| Derivative financial assets | 28 | 98,309 | 33,967 | 1,305 | 1,767 |
| Short term funds | 29 | 919,957 | 1,659,171 | 770,616 | 1,506,551 |
| Cash and cash equivalents | 30 | 2,952,981 | 2,040,637 | 1,590,095 | 875,255 |
| Total current assets | | 8,273,654 | 8,133,791 | 2,689,295 | 2,720,812 |
| Total assets | | 20,946,299 | 20,399,366 | 11,458,134 | 10,923,462 |
| Equity | | | | | |
| Share capital | 31 | 1,373,861 | 1,067,790 | 1,373,861 | 1,067,790 |
| Reserves | 32 | 9,466,651 | 9,306,062 | 5,062,063 | 4,936,230 |
| | | 10,840,512 | 10,373,852 | 6,435,924 | 6,004,020 |
| Less: Cost of treasury shares | | (13,447) | (13,447) | (13,447) | (13,447) |
| Total equity attributable to equity holders of the Company | | 10,827,065 | 10,360,405 | 6,422,477 | 5,990,573 |
| Non-controlling interests | | 977,035 | 926,250 | - | - |
| Total equity | | 11,804,100 | 11,286,655 | 6,422,477 | 5,990,573 |
| Liabilities | | | | | |
| Deferred tax liabilities | 23 | 452,690 | 424,603 | 162,748 | 157,101 |
| Lease liabilities | 33 | 139,856 | - | 85,061 | - |
| Deferred income | 34 | 106,564 | 110,320 | - | - |
| Provision for retirement benefits | 35 | 545,568 | 538,480 | 30,008 | 23,994 |
| Borrowings | 36 | 5,110,442 | 5,169,833 | 4,600,000 | 4,600,000 |
| Total non-current liabilities | | 6,355,120 | 6,243,236 | 4,877,817 | 4,781,095 |
| Trade payables | 37 | 490,466 | 517,848 | 5,436 | 4,812 |
| Other payables | 38 | 722,383 | 841,743 | 119,255 | 94,255 |
| Amounts owing to subsidiaries | 18 | - | - | 2,964 | 22,623 |
| Contract liabilities | 27 | 85,531 | 91,239 | - | - |
| Deferred income | 34 | 8,419 | 8,196 | - | - |
| Lease liabilities | 33 | 32,439 | - | 14,353 | - |
| Borrowings | 36 | 1,310,848 | 1,348,993 | - | 30,000 |
| Tax payable | | 39,546 | 40,898 | - | - |
| Derivative financial liabilities | 28 | 97,447 | 20,558 | 15,832 | 104 |
| Total current liabilities | | 2,787,079 | 2,869,475 | 157,840 | 151,794 |
| Total liabilities | | 9,142,199 | 9,112,711 | 5,035,657 | 4,932,889 |
| Total equity and liabilities | | 20,946,299 | 20,399,366 | 11,458,134 | 10,923,462 |

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2020

| | ← Attributable to the equity holders of the Company → | | | | | | | Non-Controlling Interests | Total Equity |
|---|---|------------------|------------------------------|--------------------|-------------------|-----------------|-------------------|---------------------------|-------------------|
| | Share Capital | Capital Reserve | Exchange Fluctuation Reserve | Fair Value Reserve | Retained Earnings | Treasury Shares | Total | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 October 2018 | 1,067,790 | 1,136,915 | (39,509) | 1,496,757 | 7,518,404 | (13,447) | 11,166,910 | 878,638 | 12,045,548 |
| Net change in fair value of equity instruments | - | - | - | (868,262) | - | - | (868,262) | - | (868,262) |
| Realisation on fair value of equity instruments | - | - | - | 5,033 | (5,033) | - | - | - | - |
| Transfer of reserves | - | (10,605) | (181) | - | 10,786 | - | - | - | - |
| Remeasurement of defined benefit plans (Note 35) | - | - | - | - | (46,317) | - | (46,317) | 105 | (46,212) |
| Currency translation differences | - | 144 | 35,293 | - | - | - | 35,437 | 5,147 | 40,584 |
| Total other comprehensive (loss)/income for the year | - | (10,461) | 35,112 | (863,229) | (40,564) | - | (879,142) | 5,252 | (873,890) |
| Profit for the year | - | - | - | - | 617,505 | - | 617,505 | 33,228 | 650,733 |
| Total comprehensive (loss)/income for the year | - | (10,461) | 35,112 | (863,229) | 576,941 | - | (261,637) | 38,480 | (223,157) |
| Issuance of shares to non-controlling interests | - | - | - | - | - | - | - | 37,663 | 37,663 |
| Redemption of redeemable preference shares | - | 11,415 | - | - | (11,415) | - | - | - | - |
| Effect of changes in shareholdings in subsidiaries | - | - | - | - | (65,633) | - | (65,633) | 20,692 | (44,941) |
| Dividend - FY2018 final | - | - | - | - | (319,490) | - | (319,490) | - | (319,490) |
| - FY2019 interim | - | - | - | - | (159,745) | - | (159,745) | - | (159,745) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | (49,223) | (49,223) |
| Total transactions with owners of the Company | - | 11,415 | - | - | (556,283) | - | (544,868) | 9,132 | (535,736) |
| At 30 September 2019 | 1,067,790 | 1,137,869 | (4,397) | 633,528 | 7,539,062 | (13,447) | 10,360,405 | 926,250 | 11,286,655 |
| Net change in fair value of equity instruments | - | - | - | (21,865) | - | - | (21,865) | - | (21,865) |
| Realisation on fair value of equity instruments | - | - | - | (1,042) | 1,042 | - | - | - | - |
| Transfer of reserves | - | (2,115) | - | - | 2,115 | - | - | - | - |
| Share of comprehensive gain/(loss) in associates | - | - | 5,813 | - | (25,038) | - | (19,225) | - | (19,225) |
| Remeasurement of defined benefit plans (Note 35) | - | - | - | - | 11,418 | - | 11,418 | (610) | 10,808 |
| Currency translation differences | - | (7) | (15,012) | - | - | - | (15,019) | (9,871) | (24,890) |
| Total other comprehensive loss for the year | - | (2,122) | (9,199) | (22,907) | (10,463) | - | (44,691) | (10,481) | (55,172) |
| Profit for the year | - | - | - | - | 772,604 | - | 772,604 | 84,445 | 857,049 |
| Total comprehensive (loss)/income for the year | - | (2,122) | (9,199) | (22,907) | 762,141 | - | 727,913 | 73,964 | 801,877 |
| Issuance of shares to non-controlling interests | - | - | - | - | - | - | - | 14,896 | 14,896 |
| Redemption of redeemable preference shares | - | 187,246 | - | - | (187,246) | - | - | - | - |
| Effect of deemed disposal of shares in a subsidiary | - | - | 3,657 | - | - | - | 3,657 | (27,528) | (23,871) |
| Effect of changes in shareholdings in a subsidiary | - | - | 5,617 | - | (42,088) | - | (36,471) | 36,471 | - |
| Issuance of new shares pursuant to dividend reinvestment plan | 306,071 | - | - | - | - | - | 306,071 | - | 306,071 |
| Dividend - FY2019 final | - | - | - | - | (372,738) | - | (372,738) | - | (372,738) |
| - FY2020 interim | - | - | - | - | (161,772) | - | (161,772) | - | (161,772) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | (47,018) | (47,018) |
| Total transactions with owners of the Company | 306,071 | 187,246 | 9,274 | - | (763,844) | - | (261,253) | (23,179) | (284,432) |
| At 30 September 2020 | 1,373,861 | 1,322,993 | (4,322) | 610,621 | 7,537,359 | (13,447) | 10,827,065 | 977,035 | 11,804,100 |

Note 31

Note 32

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2020

| | 2020 RM'000 | 2019 RM'000 |
|---|------------------|------------------|
| Cash flows from operating activities | | |
| Profit before taxation | 1,185,730 | 823,928 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 564,889 | 548,139 |
| Depreciation of right-of-use assets | 47,741 | - |
| Amortisation of prepaid lease payments | - | 12,498 |
| Amortisation of intangible assets | 3,836 | 3,504 |
| Amortisation of deferred income | (8,182) | (8,188) |
| Impairment of property, plant and equipment | - | 99,419 |
| Impairment of prepaid lease payments | - | 32,235 |
| Impairment of other investments | 309 | - |
| Property, plant and equipment written off | 15,002 | 2,256 |
| Prepaid lease payments written off | - | 6,025 |
| Deferred income written off | - | (1,019) |
| Gain on disposal of property, plant and equipment | (1,739) | (2,065) |
| Surplus on government acquisition of land | (1,058) | (91,209) |
| Surplus on disposal of land | (83,655) | (2,513) |
| Surplus on deemed disposal of a subsidiary | (21,147) | - |
| Retirement benefits provision | 48,985 | 47,782 |
| Impairment of trade receivables | 7,403 | 7,524 |
| Trade receivables written off | - | 123 |
| Reversal of impairment of trade receivables | (5,486) | (6,757) |
| Impairment of other receivables | 1,011 | 1,814 |
| Other receivables written off | 4,169 | 335 |
| Impairment of plasma project receivables | 10,346 | - |
| Plasma project receivables written off | 1,569 | - |
| Write down of inventories to net realisable value | 37,416 | 61,978 |
| Write back of slow moving inventories | (2,800) | (3,000) |
| Write back of inventories previously written down to net realisable value | (13,095) | (7,624) |
| Finance costs | 236,592 | 165,668 |
| Lease interest expense | 6,006 | - |
| Dividend income | (30,218) | (49,973) |
| Interest income | (114,853) | (67,792) |
| Exchange loss/(gain) | 22,960 | (28,826) |
| Net change in fair value of derivatives | 12,938 | (8,153) |
| Net change in fair value of biological assets | (31,467) | 2,175 |
| Net change in fair value of debt instruments | 117 | (1,151) |
| Share of profits of equity accounted associates, net of tax | (32,569) | (14,786) |
| Share of losses of equity accounted joint ventures, net of tax | 8,987 | 6,219 |
| Operating profit before working capital changes | 1,869,737 | 1,528,566 |
| Working capital changes: | | |
| Property development costs | (13,640) | (2,256) |
| Inventories | 211,133 | 103,825 |
| Biological assets | 2,754 | 638 |
| Trade and other receivables | (96,497) | (122,304) |
| Contract assets | 4,591 | 33,870 |
| Trade and other payables | (157,037) | 17,470 |
| Contract liabilities | (5,945) | 36,397 |
| Deferred income | 4,500 | 907 |
| Cash generated from operations | 1,819,596 | 1,597,113 |
| Interest paid | (240,582) | (165,976) |
| Tax paid | (206,582) | (244,426) |
| Retirement benefits paid | (42,844) | (32,148) |
| Net cash generated from operating activities | 1,329,588 | 1,154,563 |

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2020 (Continued)

| | 2020 RM'000 | 2019 RM'000 |
|--|------------------|--------------------|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (666,665) | (630,915) |
| Purchase of right-of-use assets | (199,358) | - |
| Payments of prepaid lease | - | (8,562) |
| Property development expenditure | (21,545) | (7,889) |
| Subscription of shares in an associate | - | (7,500) |
| Purchase of additional shares in an associate | (41,484) | - |
| Purchase of shares from non-controlling interests | - | (46,429) |
| Purchase of other investments | (12,868) | (335,863) |
| Purchase of intangible assets | (2,689) | (3,405) |
| Proceeds from disposal of property, plant and equipment | 5,239 | 33,774 |
| Compensation from government on land acquired | 1,508 | 92,578 |
| Proceeds from disposal of land | 84,055 | - |
| Proceeds from partial disposal of shares in subsidiaries | - | 1,373 |
| Proceeds from deemed disposal of a subsidiary, net of cash disposed (Note B) | (3,441) | - |
| Proceeds from disposal of other investments | 3,149 | 83,780 |
| Decrease/(Increase) in short term funds | 735,077 | (1,462,285) |
| Increase in other receivable | (4,878) | (5,154) |
| Dividends received from associates | 27,590 | 10,288 |
| Dividends received from investments | 29,994 | 63,625 |
| Interest received | 91,269 | 50,157 |
| Net cash generated from/(used in) investing activities | <u>24,953</u> | <u>(2,172,427)</u> |
| Cash flows from financing activities | | |
| Term loans received | 7,284 | 245,468 |
| Issuance of Islamic medium term notes | - | 2,000,000 |
| Repayment of term loans | (135,070) | (175,642) |
| Payments of lease liabilities | (33,015) | - |
| Payments of lease interest | (5,516) | - |
| Net (repayment)/drawdown of short term borrowings | (16,681) | 155,551 |
| Dividends paid to shareholders of the Company | (228,439) | (479,235) |
| Dividends paid to non-controlling interests | (47,018) | (49,223) |
| Issuance of shares to non-controlling interests | 14,896 | 37,663 |
| Net cash (used in)/generated from financing activities | <u>(443,559)</u> | <u>1,734,582</u> |
| Net increase in cash and cash equivalents | 910,982 | 716,718 |
| Cash and cash equivalents at beginning of year | 1,919,780 | 1,188,741 |
| Currency translation differences on opening balances | (6,986) | 14,321 |
| Cash and cash equivalents at end of year (Note A) | <u>2,823,776</u> | <u>1,919,780</u> |
| Notes to the consolidated statement of cash flows | | |
| A. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Deposits with licensed banks (Note 30) | 1,406,333 | 1,230,973 |
| Fixed income trust funds (Note 30) | 1,010,498 | 328,811 |
| Cash and bank balances (Note 30) | 536,150 | 480,853 |
| Bank overdrafts (Note 36) | (129,205) | (120,857) |
| | <u>2,823,776</u> | <u>1,919,780</u> |
| B. Analysis of deemed disposal of shares in a subsidiary | | |
| Property, plant and equipment | 8 | - |
| Net current assets | 2,716 | - |
| Non-controlling interests | (27,528) | - |
| Exchange translation difference | 3,657 | - |
| Total assets and liabilities of a subsidiary disposed | (21,147) | - |
| Surplus on deemed disposal of shares in a subsidiary | 21,147 | - |
| Total sale consideration | - | - |
| Less: Cash and cash equivalents of a subsidiary disposed | (3,441) | - |
| Cash outflow on deemed disposal of shares in a subsidiary | <u>(3,441)</u> | <u>-</u> |

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2020 (Continued)

C. Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows

| | Lease Liabilities RM'000 | Term Loans RM'000 | Islamic Medium Term Notes RM'000 | Short Term Borrowings RM'000 | Total RM'000 |
|---|--------------------------------|----------------------|--|------------------------------------|-----------------|
| At 1 October 2018 | - | 647,736 | 2,600,000 | 946,443 | 4,194,179 |
| Cash flows | | | | | |
| Term loans received | - | 245,468 | - | - | 245,468 |
| Issuance of Islamic medium term notes | - | - | 2,000,000 | - | 2,000,000 |
| Repayment of term loans | - | (175,642) | - | - | (175,642) |
| Net drawdown of short term borrowings | - | - | - | 155,551 | 155,551 |
| Non-cash flows | | | | | |
| Currency translation differences | - | (21,115) | - | (472) | (21,587) |
| At 30 September 2019 / 1 October 2019 as previously stated | - | 696,447 | 4,600,000 | 1,101,522 | 6,397,969 |
| Effect on adoption of MFRS 16 | 193,207 | - | - | - | 193,207 |
| As restated | 193,207 | 696,447 | 4,600,000 | 1,101,522 | 6,591,176 |
| Cash flows | | | | | |
| Term loans received | - | 7,284 | - | - | 7,284 |
| Repayment of term loans | - | (135,070) | - | - | (135,070) |
| Net repayment of short term borrowings | - | - | - | (16,681) | (16,681) |
| Payments of lease liabilities | (33,015) | - | - | - | (33,015) |
| Payments of lease interest | (5,516) | - | - | - | (5,516) |
| Non-cash flows | | | | | |
| Addition of new lease | 15,332 | - | - | - | 15,332 |
| Lease interest expense | 6,006 | - | - | - | 6,006 |
| Currency translation differences | (3,719) | 24,846 | - | 13,737 | 34,864 |
| At 30 September 2020 | 172,295 | 593,507 | 4,600,000 | 1,098,578 | 6,464,380 |

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS OF THE COMPANY

for the year ended 30 September 2020

| | 2020 RM'000 | 2019 RM'000 |
|--|----------------|----------------|
| Cash flows from operating activities | | |
| Profit before taxation | 679,782 | 409,432 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 72,263 | 77,653 |
| Depreciation of right-of-use assets | 18,626 | - |
| Amortisation of prepaid lease payments | - | 21 |
| Property, plant and equipment written off | 4,954 | 146 |
| Gain on disposal of property, plant and equipment | (288) | (446) |
| Surplus on government acquisition of land | (1,058) | (91,209) |
| Surplus on disposal of land | (288,411) | - |
| Retirement benefits provision | 12,093 | 2,097 |
| Exchange (gain)/loss | (43,169) | 24,241 |
| Net change in fair value of biological assets | (11,583) | 1,297 |
| Net change in fair value of derivatives | 14,527 | (1,663) |
| Write down of inventories | 6,683 | 5,608 |
| Finance costs | 191,713 | 115,315 |
| Lease interest expense | 4,200 | - |
| Dividend income | (297,477) | (284,437) |
| Interest income | (119,466) | (71,348) |
| Impairment of advances to subsidiaries | - | 2,661 |
| Amount owing by a subsidiary written off | 307 | - |
| Operating profit before working capital changes | 243,696 | 189,368 |
| Working capital changes: | | |
| Inventories | 2,500 | (11,839) |
| Trade and other receivables | (117,909) | (11,084) |
| Trade and other payables | 25,729 | (5,517) |
| Cash generated from operations | 154,016 | 160,928 |
| Interest paid | (191,850) | (114,472) |
| Income tax paid | (6,342) | (21,250) |
| Retirement benefits paid | (6,079) | (2,271) |
| Net cash (used in)/generated from operating activities | (50,255) | 22,935 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (100,197) | (114,084) |
| Subscription of shares in subsidiaries | (657,945) | (54,600) |
| Subscription of shares in an associate | - | (7,500) |
| Proceeds from disposal of property, plant and equipment | 291,230 | 453 |
| Compensation from government on land acquired | 1,423 | 92,578 |
| Redemption of redeemable preference shares by a subsidiary | 182,246 | 84,150 |
| Loan repayments from/(to) subsidiaries | 180,943 | (113,055) |
| Decrease/(Increase) in short term funds | 735,935 | (1,372,505) |
| Dividends received from subsidiaries | 277,560 | 254,918 |
| Dividends received from associates | 4,264 | 6,288 |
| Dividends received from investments | 17,406 | 21,375 |
| Interest received | 108,604 | 71,720 |
| Net cash generated from/(used in) investing activities | 1,041,469 | (1,130,262) |

STATEMENT OF CASH FLOWS OF THE COMPANY

for the year ended 30 September 2020 (Continued)

| | 2020 RM'000 | 2019 RM'000 |
|--|------------------|------------------|
| Cash flows from financing activities | | |
| Issuance of Islamic medium term notes | - | 2,000,000 |
| Net (repayment)/drawdown of short term borrowings | (30,000) | 30,000 |
| Dividends paid to shareholders of the Company | (228,439) | (479,235) |
| Payments of lease liabilities | (13,735) | - |
| Payments of lease interest | (4,200) | - |
| Net cash (used in)/generated from financing activities | <u>(276,374)</u> | <u>1,550,765</u> |
| Net increase in cash and cash equivalents | 714,840 | 443,438 |
| Cash and cash equivalents at beginning of year | 875,255 | 431,817 |
| Cash and cash equivalents at end of year (Note A) | <u>1,590,095</u> | <u>875,255</u> |

Note to the statement of cash flows
A. Cash and cash equivalents

Cash and cash equivalents consist of:

Deposits with licensed banks (Note 30)

Fixed income trust funds (Note 30)

Cash and bank balances (Note 30)

| | 2020 RM'000 | 2019 RM'000 |
|--|------------------|----------------|
| Deposits with licensed banks (Note 30) | 937,630 | 787,141 |
| Fixed income trust funds (Note 30) | 650,345 | 85,925 |
| Cash and bank balances (Note 30) | 2,120 | 2,189 |
| | <u>1,590,095</u> | <u>875,255</u> |

B. Reconciliation of liabilities from financing activities to the statement of financial position and statement of cash flows

| | Lease Liabilities RM'000 | Islamic Medium Term Notes RM'000 | Short Term Borrowings RM'000 | Total RM'000 |
|---|--------------------------------|--|------------------------------------|------------------|
| At 1 October 2018 | - | 2,600,000 | - | 2,600,000 |
| Cash flows | | | | |
| Issuance of Islamic medium term notes | - | 2,000,000 | - | 2,000,000 |
| Net drawdown of short term borrowings | - | - | 30,000 | 30,000 |
| At 30 September 2019 / 1 October 2019 as previously stated | - | 4,600,000 | 30,000 | 4,630,000 |
| Effect on adoption of MFRS 16 | 111,248 | - | - | 111,248 |
| As restated | <u>111,248</u> | <u>4,600,000</u> | <u>30,000</u> | <u>4,741,248</u> |
| Cash flows | | | | |
| Repayment of short term borrowings | - | - | (30,000) | (30,000) |
| Payments of lease liabilities | (13,735) | - | - | (13,735) |
| Payments of lease interest | (4,200) | - | - | (4,200) |
| Non-cash flows | | | | |
| Addition of new lease | 1,901 | - | - | 1,901 |
| Lease interest expense | 4,200 | - | - | 4,200 |
| At 30 September 2020 | <u>99,414</u> | <u>4,600,000</u> | <u>-</u> | <u>4,699,414</u> |

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business is located at Bangunan Mayban Trust Ipoh, Level 9, No. 28, Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan.

The consolidated financial statements as at and for the year ended 30 September 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures.

The Company is principally engaged in the business of producing and processing palm products and natural rubber on its plantations while the principal activities of the Group entities are shown in Note 43 to the financial statements.

The Company is a subsidiary of Batu Kawan Berhad, a company incorporated in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of Companies Act 2016 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRS during the financial year. The following new MFRSs, Amendments to the MFRSs and IC Interpretation issued by the Malaysian Accounting Standards Board ("MASB") and effective for annual periods beginning on or after 1 January 2019 were adopted by the Group during the financial year:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 3, MFRS 11, MFRS 112 and MFRS 123 Annual Improvements to MFRS Standards 2015-2017 Cycle

The Group had early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* on 1 June 2020 and elected to apply the practical expedient to all rent concession relating to leases with similar characteristics and similar circumstances.

Adoption of the above accounting standards did not have any material effect on the financial performance or position of the Group except for the adoption of MFRS 16 as disclosed in Note 47.

The following are accounting standards and amendments that have been issued by the MASB but have not been applied by the Group.

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Definition of a Business*
- Amendments to MFRS 101 and MFRS 108 *Definition of Material*
- Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*

Amendments to MFRS effective for annual periods beginning on or after 17 August 2020

- Amendments to MFRS 4 *Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9*

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2021

- Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2022

- Annual Improvements to MFRS Standards 2018-2020
- Amendments to MFRS 3 *Reference to the Conceptual Framework*
- Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

MFRS and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*

Amendments to MFRS effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group does not expect the adoption of the above standards and amendments to have a significant impact on the financial statements.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis other than as disclosed in Note 3.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Notes 12, 13, 16 and 18 for measurement of the recoverable amounts of goodwill on consolidation, property, plant and equipment, right-of-use assets and cost of investment.

3. SIGNIFICANT ACCOUNTING POLICIES

Summarised below are the significant accounting policies of the Group. The accounting policies have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

3.1 Basis of consolidation

(a) Subsidiaries

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

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

Investments in subsidiaries, which are eliminated on consolidation, are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(b) Business combinations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

(c) Acquisitions of non-controlling interests

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

(d) Goodwill

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

Goodwill is tested for impairment at least annually or more frequently when there is objective evidence of impairment.

In respect of equity accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates and joint ventures.

(e) Loss of control

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

(f) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method, unless it is classified as held for sale or distribution. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition results and reserves of associates is included in the consolidated financial statements and is based on the latest audited and published interim reports in respect of listed companies and latest audited financial statements and unaudited management financial statements in respect of unlisted companies.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(g) Joint ventures

Joint ventures are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns and the Group has rights only to the net assets of the arrangements.

The Group accounts for its interest in the joint ventures using the equity method. Investments in joint ventures are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(h) Non-controlling interests

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

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

(i) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

(a) Foreign currency transactions

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments which are recognised in other comprehensive income.

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

(b) Operations denominated in functional currencies other than RM

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 October 2006 which are reported using the exchange rates at the dates of acquisitions. The income and expenses of the foreign operations are translated to RM at the average exchange rates for the year.

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3.3 Property, plant and equipment

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

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

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

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

Bearer plants are living plants that are used in the production or supply of agricultural produce, which are expected to bear produce for more than one period and have remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Costs include plantation expenditures incurred from the stage of land clearing up to the stage of maturity. New planting expenditure and replanting expenditure are recognised as bearer plants and measured at cost less accumulated amortisation and accumulated impairment losses, if any.

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Bearer plants are amortised using the straight-line method over the estimated productive years. Freehold land has unlimited useful life and is not amortised. Immature bearer plants and capital work-in-progress are not amortised or depreciated. Amortisation or depreciation commences when the bearer plants mature or when the capital work-in-progress assets are ready for their intended use.

The principal depreciation/amortisation rates for the current and comparative periods are as follows:

| | |
|---------------------------|-------------------------|
| Bearer plants | - 5% per annum |
| Buildings | - 2% to 40% per annum |
| Plant and machinery | - 2% to 40% per annum |
| Vehicles | - 6.7% to 25% per annum |
| Equipment, fittings, etc. | - 2½% to 50% per annum |

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

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

3.4 Leases

(a) Operating leases

Leases were classified as operating leases when the Group does not assume substantially all the risks and rewards of the ownership and the leased assets were not recognised on the statements of financial position in the previous years.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease in the previous years.

(b) Prepaid lease payments

Leases of land which in substance were an operating lease, short term leasehold land and land use rights were classified as prepaid lease payments which were amortised over the lease period ranging from 14 to 88 years for the previous periods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(c) Right-of-use assets and lease liabilities

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right-of-use to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (i) there is an identified asset;
- (ii) the Group obtains substantially all the economic benefits from use of the asset; and
- (iii) the Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that result from the use of the asset.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable MFRSs rather than MFRS 16.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in the lease term results in a remeasurement of lease liabilities.

All leases are accounted for by recognising right-of-use assets and lease liabilities except for:

- (i) leases of low value assets; and
- (ii) leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case) **this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.** Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- (i) amounts expected to be payable under any residual value guarantee;
- (ii) the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and
- (iii) any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- (i) lease payments made at or before commencement of the lease;
- (ii) initial direct costs incurred; and
- (iii) the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the revised discount rate which is the **interest rate implicit in the lease for the remaining lease term, if the rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment**, if the interest rate implicit in the lease cannot be readily determined. The carrying value of the lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining revised lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- (i) if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- (ii) in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- (iii) if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect partial of the full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Right-of-use assets are amortised on a straight-line basis over the shorter of the lease terms and their useful life.

Depreciation periods for the current and comparative periods are as follows:

| | |
|---------------------|------------------|
| Leasehold land | - 2 to 931 years |
| Land use rights | - 5 to 46 years |
| Building | - 2 to 30 years |
| Plant and machinery | - 2 to 8 years |
| Others | - 2 to 5 years |

3.5 Biological assets

(a) Agriculture produce

The agriculture produce growing on bearer plants of the Group comprises fresh fruit bunches ("FFB") prior to harvest and are measured at fair value less costs to sell under biological assets. Any gains or losses arising from changes in fair value less costs to sell of the produce are recognised within cost of sales in profit or loss.

Management has deliberated on the oil content of such unharvested FFB and concluded that since the oil content of unharvested FFB accrues exponentially only from 15 days prior to harvest, such unharvested FFB more than 15 days prior to harvest are excluded from valuation as their fair values are considered negligible. Therefore, quantity of unharvested FFB up to 15 days prior to harvest is used for valuation purpose. The fair value of unharvested FFB is determined based on market approach, which takes into consideration the market prices of FFB and crude palm oil, where appropriate, adjusted to the estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell.

(b) Growing crops and livestock

Growing crops are measured at fair value which is based on the costs incurred to the end of the reporting period for these crops. As at the end of the reporting period, the yield of the crops and the future economic benefits which will flow from the crops are not fully determinable and costs incurred in relation to the crops are considered to be reasonable approximation of fair value at the date.

Livestock is measured at fair value less point-of-sale cost, with any change therein recognised in profit or loss. Fair value is based on the market price of livestock of similar age, breed and genetic make-up. Point-of-sale costs include all costs that would be necessary to sell the livestock.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3.6 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets are recognised initially at their fair values plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

The Group categorises financial assets as follows:

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

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

(b) Financial assets at fair value through other comprehensive income ("FVOCI")

Financial assets at FVOCI category comprises investments in equity securities instruments that are not held for trading.

Financial assets measured at FVOCI are subsequently measured at fair values with the gain or loss recognised in other comprehensive income. On derecognition, the cumulative gain or loss recognised in other comprehensive income is not subsequently transferred to profit or loss.

(c) Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

All financial assets, except for those measured at fair value through profit or loss and those measured at FVOCI, are subject to review for impairment (Note 3.12(a)).

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

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

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

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

3.7 Embedded derivatives

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

3.8 Intangible assets

These assets consist mainly of trade marks and patents which are stated at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Trade marks - 5 to 15 years

Patents - 7 to 20 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3.9 Inventories

(a) Land held for property development

Land held for property development shall be classified as non-current asset where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

The change in the classification of land held for property development to current assets shall be at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Land held for property development is measured at the lower of cost and net realisable value.

(b) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs are stated in the statement of financial position at the lower of cost and net realisable value.

The excess of revenue recognised in the statement of profit or loss and other comprehensive income over billings to purchasers is shown as accrued billings and the excess of billings to purchasers over revenue recognised in the statement of profit or loss and other comprehensive income is shown as progress billings.

(c) Developed properties held for sale, inventories of produce, stores and materials and nursery

Inventories of developed properties held for sale, which are held for sale, are stated at the lower of costs and net realisable value. Costs consist of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

Inventories of produce, stores and materials are measured at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring these inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories of nursery consist of seedlings remaining in the nursery for eventual field planting and are stated at the lower of costs and net realisable value. Cost of seeds and seedlings includes the cost of treatment and cultivation.

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

3.10 Short term funds

Short term funds represent funds placed in highly liquid money market instruments which are readily convertible to known amount of cash and have an insignificant risk of changes in fair value with original maturities of more than three months.

3.11 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and fixed income trust funds which are readily convertible to known amount of cash and have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of its short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

3.12 Impairment

(a) Financial assets

The Group recognises an allowance for expected credit loss ("ECL") for all debt financial assets not held at fair value through profit or loss. ECL is based on the difference between the contractual cash flows due in accordance with the contracts and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the original effective interest rate of the assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Impairment losses for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime ECL. During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables.

The Group considers available, reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating/assessment
- External credit rating/assessment (where available)
- Actual or expected significant changes in the operating results of the debtor (where available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation
- Significant increase in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor

Impairment for other receivables, financial guarantee contracts, amounts owing by subsidiaries and joint ventures are recognised based on the general approach within MFRS 9 using ECL model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which credit risk has not increased significantly since initial recognition of the financial asset, 12-month ECL along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime ECL along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment delays more than 30 days past due in making contractual payments and past due information.

The probabilities of non-payments by other receivables, financial guarantee contracts, amounts owing by subsidiaries and joint ventures are adjusted by forward looking information and multiplied by the amounts of the expected losses arising from defaults to determine the 12-month or lifetime ECL for the other receivables, financial guarantee contracts, amounts owing by subsidiaries and joint ventures.

It requires management to exercise significant judgement in determining the probabilities of default by other receivables, financial guarantee contracts, amounts owing by subsidiaries and joint ventures, appropriate forward looking information and significant increase in credit risk.

(b) Other assets

The carrying amounts of other assets (other than inventories, biological assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

3.13 Financial liabilities

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognised initially at their fair values plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liabilities.

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the term of a debt instrument.

Financial guarantee contracts are recognised as financial liabilities at the time the guarantees are issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantee is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

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

3.14 Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

3.15 Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(b) Unfunded defined benefit plans

(i) The Group provides for retirement benefits for eligible employees in Malaysia on unfunded defined benefit basis in accordance with the terms of the unions' collective agreements. Full provision has been made for retirement benefits payable to all eligible employees based on the last drawn salaries at the end of the reporting period, the length of service to date and the rates set out in the said agreements.

The present value of these unfunded defined benefit obligations as required by MFRS 119 *Employee Benefits* has not been used in arriving at the provision, as the amount involved is insignificant to the Group. Accordingly, no further disclosure as required by the standard is made.

(ii) Subsidiaries in Indonesia provide for retirement benefits for eligible employees on unfunded defined benefit basis in accordance with the Labour Law in Indonesia. The obligations of the defined benefit plans are calculated as the present values of obligations at end of the reporting period using the projected unit credit method which is based on the last drawn salaries at the end of the reporting period, age and the length of service.

Service and interest costs are recognised in profit or loss. Remeasurements of the defined benefit plans which comprise actuarial gains and losses are recognised in other comprehensive income in the year in which they occur.

(iii) A subsidiary in Germany provides for retirement benefits for its eligible employees on unfunded defined benefit basis. The obligations of the defined benefit plans are determined annually by an independent qualified actuary. The discount rate is determined using the yield of first class corporate bonds at the valuation date and in the same currency in which the benefits are expected to be paid.

Service and interest costs are recognised immediately in profit or loss. Remeasurements of the defined benefit plans which comprise actuarial gains and losses are recognised in other comprehensive income.

(c) Funded defined benefit plan

The subsidiaries in Switzerland operate a funded defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the subsidiary.

The calculation of the funded defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) **Short term employee benefits**

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

3.16 Equity instruments

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

(a) **Ordinary shares**

Ordinary shares are classified as equity.

(b) **Treasury shares**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

3.17 Contingent liabilities

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

3.18 Revenue and other income

(a) **Revenue from contracts with customers**

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring goods or services promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) **Sale of goods**

The Group's revenue is derived mainly from its plantation and manufacturing operations. In the plantation operations, the Group sells agricultural produce such as crude palm oil, fresh fruit bunches, palm kernel, refined palm oil related products, rubber, etc. In the manufacturing operations, revenue is derived mainly from sales of oleochemicals and non-oleochemicals products.

Revenue from sales of goods are recognised (net of discount and taxes collected on behalf) at the point in time when control of the goods has been transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to a location specified by the customer and acceptance of the goods by the customer, or upon delivery of the goods on board vessels or tankers for onward delivery to the customers.

Contracts where control of goods transfer to the customer upon delivery of the goods on board vessels or tankers are often bundled with freight services. In such contracts, sale of goods and provision of freight are accounted for as separate performance obligations as the customer can benefit from the sale of goods and shipping services on its own or with the use of other resources. The transaction price is allocated to each performance obligation based on the stand-alone selling prices of the goods and services.

The Group has taken advantage of the practical expedients not to account for significant financial components where the time difference between receiving consideration and transferring control of promised goods or services to the customer is one year or less.

(ii) **Property development**

Contracts with customers may include multiple promises to customers and are therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each separate performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The revenue from property development is measured at the fixed transaction price agreed under sale and purchase agreement ("SPA"). When the Group determines that it is not probable that the Group will collect the consideration to which the Group is entitled to in exchange for the properties, the Group will defer the recognition of revenue from such sales of properties and consideration received from the customer is recognised as contract liability. For such properties, the Group recognises revenue when it becomes probable that the Group will collect consideration to which it will be entitled to in exchange for the properties sold.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for work performance completed to date.

The promised properties are specifically identified by its plot, lot and parcel number and its attributes (such as size and location) as attached in its layout plan in the SPA. The purchasers could enforce its rights to the promised properties if the Group seeks to sell the unit to another purchaser. The contractual restriction on the Group's ability to direct the promised properties for another use is substantive and therefore the promised properties sold to the purchasers do not have an alternative use to the Group. The Group has the right to payment for performance completed to date, is entitled to continue to transfer to the customer the development units promised, and has the right to complete the construction of the properties and enforce its rights to full payment.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue over time using the input method, which is based on the contract costs incurred to date to the estimated total costs for the contract.

For sale of completed properties, the Group recognises revenue when the control of the properties has been transferred to the purchasers, being when the properties have been handed over to the purchasers (i.e. upon delivery of vacant possession).

(iii) **Services**

Revenue from services rendered is recognised in profit or loss when the services are rendered.

(b) **Other revenue**

(i) **Dividend income**

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

(ii) **Interest income**

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iii) **Rental income**

Rental income is recognised based on the accruals basis.

(iv) **Government grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

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

In the case of the Group, revenue comprises sales to third parties only.

3.19 Research and development expenditure

All general research and development expenditure is recognised in profit or loss in the year in which the expenditure is incurred except where a clearly-defined project is undertaken and it is probable that the development expenditure will give rise to future economic benefits. Such development expenditure is capitalised and amortised on a straight-line basis over the life of the project from the date of commencement of full scale commercial business operations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3.20 Borrowing costs

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

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

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

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

3.21 Earnings per share

The Group presents basic earnings per share data for its shares.

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares in issue during the year.

Diluted earnings per share, if any, is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares in issue during the year adjusted for the effects of dilutive potential ordinary shares.

3.22 Operating segments

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

3.23 Fair value measurements

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

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) the condition and location of the asset; and
- (b) restrictions, if any, on the sale or use of the asset.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. REVENUE

| | Group | | Company | |
|---|-------------------|-------------------|------------------|------------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Revenue from contracts with customers | | | | |
| Sale of goods | | | | |
| Palm products | 6,916,375 | 6,250,774 | 787,274 | 674,839 |
| Rubber | 83,201 | 87,466 | 83,201 | 87,466 |
| Manufacturing | 8,171,997 | 8,736,938 | - | - |
| Others | 88,269 | 142,944 | 129 | 98 |
| | 15,259,842 | 15,218,122 | 870,604 | 762,403 |
| Property development | 154,884 | 170,359 | - | - |
| Rendering of services | 1,395 | 1,182 | - | - |
| | 15,416,121 | 15,389,663 | 870,604 | 762,403 |
| Other revenue | | | | |
| Rental income from storage of bulk liquid | 34,764 | 26,459 | - | - |
| Interest income from financial assets not at fair value through profit or loss | 114,853 | 67,792 | 119,466 | 71,348 |
| Dividend income (Note 8) | 30,218 | 49,973 | 297,477 | 284,437 |
| | 179,835 | 144,224 | 416,943 | 355,785 |
| | 15,595,956 | 15,533,887 | 1,287,547 | 1,118,188 |
| Timing of recognition of revenue from contracts with customers | | | | |
| At point in time | 15,287,874 | 15,259,955 | 870,604 | 762,403 |
| Over time | 128,247 | 129,708 | - | - |
| | 15,416,121 | 15,389,663 | 870,604 | 762,403 |

Disaggregation of revenue from contracts with customers which has been presented based on geographical location of customers is set out in Note 44.

5. OPERATING PROFIT

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Operating profit is arrived at after charging and (crediting) the following: | | | | |
| Auditors' remuneration | | | | |
| - BDO PLT | | | | |
| current year | 837 | 831 | 295 | 295 |
| non-audit work | 13 | 10 | 2 | 10 |
| - overseas affiliates of BDO International | | | | |
| current year | 1,140 | 1,219 | - | - |
| under provision in prior year | 114 | 8 | - | - |
| audit related work | - | 15 | - | - |
| non-audit work | 123 | - | - | - |
| - other auditors | | | | |
| current year | 1,117 | 1,150 | - | - |
| under provision in prior year | 7 | 42 | - | - |
| audit related work | 29 | 29 | - | - |
| non-audit work | 15 | 30 | - | - |
| Lease rentals | | | | |
| - land and buildings | - | 28,015 | - | 1,394 |
| - plant and machinery | - | 41,307 | - | - |
| Depreciation of property, plant and equipment (Note 12) | 564,889 | 548,139 | 72,263 | 77,653 |
| Depreciation of right-of-use assets (Note 13) | 47,741 | - | 18,626 | - |
| Amortisation of prepaid lease payments (Note 14) | - | 12,498 | - | 21 |
| Amortisation of intangible assets (Note 17) | 3,836 | 3,504 | - | - |
| Net change in fair value of biological assets (Note 24) | (31,467) | 2,175 | (11,583) | 1,297 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Impairment of | | | | |
| - property, plant and equipment (Note 12) | - | 99,419 | - | - |
| - prepaid lease payments (Note 14) | - | 32,235 | - | - |
| - other investments | 309 | - | - | - |
| - plasma project receivables (Note 22) | 10,346 | - | - | - |
| - trade receivables (Note 25) | 7,403 | 7,524 | - | - |
| - other receivables (Note 26) | 1,011 | 1,814 | - | - |
| - advances to subsidiaries | - | - | - | 2,661 |
| Amount owing by a subsidiary written off | - | - | 307 | - |
| Property, plant and equipment written off | 15,002 | 2,256 | 4,954 | 146 |
| Prepaid lease payments written off | - | 6,025 | - | - |
| Personnel expenses (excluding key management personnel) | | | | |
| - salaries | 1,267,445 | 1,220,162 | 229,886 | 233,143 |
| - employer's statutory contributions | 126,720 | 123,381 | 16,264 | 15,911 |
| - defined contribution plans | 14,466 | 13,707 | - | - |
| Research and development expenditure | 15,734 | 17,166 | 14,142 | 13,687 |
| Retirement benefits provision (Note 35) | 48,985 | 47,782 | 12,093 | 2,097 |
| Write down of inventories to net realisable value (Note 15) | 37,416 | 61,978 | 6,683 | 5,608 |
| Write off of | | | | |
| - plasma project receivables | 1,569 | - | - | - |
| - trade receivables | - | 123 | - | - |
| - other receivables | 4,169 | 335 | - | - |
| Reversal of impairment of trade receivables (Note 25) | (5,486) | (6,757) | - | - |
| Write back of slow moving inventories (Note 15) | (2,800) | (3,000) | - | - |
| Write back of inventories previously written down to net realisable value (Note 15) | (13,095) | (7,624) | - | - |
| Amortisation of deferred income (Note 34) | (8,182) | (8,188) | - | - |
| Deferred income written off (Note 34) | - | (1,019) | - | - |
| Gain on disposal of property, plant and equipment | (1,739) | (2,065) | (288) | (446) |
| Surplus on government acquisition of land | (1,058) | (91,209) | (1,058) | (91,209) |
| Surplus on disposal of land | (83,655) | (2,513) | (288,411) | - |
| Net loss/(gain) in foreign exchange | 9,783 | (65,594) | (41,658) | 24,344 |
| Rental income from land and buildings | (2,538) | (1,930) | (2,542) | (1,367) |
| Gain on redemption of fixed income trust funds | (2,219) | (1,591) | (224) | (201) |

6. FINANCE COSTS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Interest expense/Profit payment of financial liabilities that are not at fair value through profit or loss | | | | |
| Interest expense | | | | |
| Term loans | 14,200 | 14,357 | 280 | 529 |
| Lease liabilities | 6,006 | - | 4,200 | - |
| Bank overdraft and other interest | 31,240 | 36,837 | - | - |
| Inter-company interest | - | - | 281 | 312 |
| | 51,446 | 51,194 | 4,761 | 841 |
| Profit payment on Islamic medium term notes | 191,152 | 114,474 | 191,152 | 114,474 |
| | 242,598 | 165,668 | 195,913 | 115,315 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

| | Group and Company | |
|----------------------------|-------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Short term benefits | | |
| Directors' remuneration | | |
| Fees provided | 1,875 | 1,882 |
| Other emoluments | 13,973 | 10,217 |
| Benefits-in-kind | 85 | 137 |
| | 15,933 | 12,236 |

Key management personnel comprises Directors of the Group entities, who have authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

8. DIVIDEND INCOME

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Gross dividends from: | | | | |
| Equity instruments | | | | |
| Investment in unquoted shares | 3,426 | 1,695 | 2,354 | 1,695 |
| Investment in shares quoted in Malaysia | 210 | 477 | - | - |
| Investment in shares quoted outside Malaysia | 10,899 | 42,722 | - | 17,243 |
| Fixed income trust funds | 15,683 | 5,079 | 9,639 | 2,165 |
| Unquoted subsidiaries | - | - | 281,010 | 256,818 |
| Unquoted associates | - | - | 4,474 | 6,516 |
| | 30,218 | 49,973 | 297,477 | 284,437 |

9. TAX EXPENSE

| | Group | | Company | |
|--|----------------|-----------------|----------------|-----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Components of tax expense | | | | |
| Current tax expense | | | | |
| Malaysian taxation | 113,737 | 89,533 | 24,516 | 11,150 |
| Overseas taxation | 138,652 | 106,927 | 4,446 | 3,080 |
| | 252,389 | 196,460 | 28,962 | 14,230 |
| (Over)/Under provision of tax expense in respect of previous years | | | | |
| Malaysian taxation | (7,252) | (18,593) | (9,303) | (15,875) |
| Overseas taxation | 1,212 | 12,009 | - | - |
| | (6,040) | (6,584) | (9,303) | (15,875) |
| | 246,349 | 189,876 | 19,659 | (1,645) |
| Deferred tax | | | | |
| Origination and reversal of temporary differences | 48,968 | (15,290) | 5,647 | 7,706 |
| Relating to changes in tax rate | 36,450 | (1,731) | - | - |
| (Over)/Under provision in respect of previous years | (3,086) | 340 | - | - |
| | 82,332 | (16,681) | 5,647 | 7,706 |
| | 328,681 | 173,195 | 25,306 | 6,061 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | Group | | Company | |
|--|------------------|----------------|------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Reconciliation of effective tax expense | | | | |
| Profit before taxation | 1,185,730 | 823,928 | 679,782 | 409,432 |
| Taxation at Malaysian income tax rate of 24% (2019: 24%) | 284,575 | 197,743 | 163,148 | 98,264 |
| Effect of different tax rates | (15,885) | (14,372) | - | - |
| Withholding tax on foreign dividend and interest income | 22,440 | 22,239 | 4,446 | 3,080 |
| Expenses not deductible for tax purposes | 60,058 | 93,713 | 17,190 | 21,475 |
| Tax exempt and non-taxable income | (60,434) | (99,439) | (146,781) | (97,598) |
| Tax incentives | (4,275) | (4,756) | (3,394) | (3,285) |
| Deferred tax assets not recognised during the year | 6,918 | 2,144 | - | - |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (14,316) | (19,011) | - | - |
| Expiry of tax losses | 27,632 | - | - | - |
| Tax effect on associates' and joint ventures' results | (5,660) | (2,056) | - | - |
| Recognition of deferred tax assets not taken up previously | (3,960) | (532) | - | - |
| Effect of changes in tax rates on deferred tax | 36,450 | (1,731) | - | - |
| Over provision of tax expense in respect of previous years | (6,040) | (6,584) | (9,303) | (15,875) |
| (Over)/Under provision of deferred tax in respect of previous years | (3,086) | 340 | - | - |
| Others | 4,264 | 5,497 | - | - |
| Tax expense | 328,681 | 173,195 | 25,306 | 6,061 |

The Company is able to distribute dividends out of its entire distributable reserves under the single tier company income tax system.

10. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company of RM772,604,000 (2019: RM617,505,000) for the Group and RM654,476,000 (2019: RM403,371,000) for the Company by the weighted average number of 1,073,088,316 (2019: 1,064,965,692) shares of the Company in issue during the year.

Diluted earnings per share equals basic earnings per ordinary share.

11. DIVIDENDS

| | Group and Company | |
|--|-------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Dividends recognised in the current year are: | | |
| Final single tier dividend of 35 sen per share for the financial year ended 30 September 2019 was paid on 24 February 2020 (2019: final single tier dividend of 30 sen per share for the financial year ended 30 September 2018 was paid on 5 March 2019) | 372,738 | 319,490 |
| Interim single tier dividend of 15 sen per share for the financial year ended 30 September 2020 was paid on 4 August 2020 (2019: interim single tier dividend of 15 sen per share for the financial year ended 30 September 2019 was paid on 6 August 2019) | 161,772 | 159,745 |
| | 534,510 | 479,235 |

The final dividend for the financial year ended 30 September 2019 of RM372,738,000, which was paid on the number of outstanding shares in issue and fully paid of 1,064,965,692 (2019: 1,064,965,692), was paid on 24 February 2020, RM306,071,000 of which was satisfied by the issuance of 13,513,093 new shares of the Company pursuant to the Dividend Reinvestment Plan and the balance via cash payment of RM66,667,000.

Interim dividend is paid on the number of outstanding shares in issue and fully paid of 1,078,478,785 (2019: 1,064,965,692).

A final single tier dividend of 35 sen (2019: 35 sen) per share amounting to RM377,468,000 (2019: RM372,738,000) has been declared by the Directors in respect of the financial year ended 30 September 2020. This dividend will be recognised in subsequent financial period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. PROPERTY, PLANT AND EQUIPMENT

| Group Cost | Freehold | Long Term | Bearer | | Plant and | | Equipment, | Capital | Total |
|--|----------------|----------------|------------------|------------------|------------------|----------------|----------------|------------------|-------------------|
| | Land | Leasehold | Plants | Buildings | Machinery | Vehicles | Fittings, Etc | Work-In-Progress | |
| | RM'000 | Land | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 October 2018 | 943,721 | 251,476 | 3,655,707 | 1,387,485 | 5,209,758 | 401,778 | 568,310 | 186,082 | 12,604,317 |
| Reclassification | - | - | 76,492 | 42,608 | 80,832 | 916 | (61,810) | (139,038) | - |
| Additions | - | - | 324,457 | 30,511 | 109,907 | 31,144 | 16,223 | 123,754 | 635,996 |
| Disposals | (17,917) | - | (3,452) | (16,005) | (7,465) | (7,275) | (771) | - | (52,885) |
| Written off | - | - | (36,908) | (5,212) | (14,478) | (9,846) | (15,170) | (529) | (82,143) |
| Currency translation differences | (21,624) | (316) | 111,112 | 17,684 | (71,489) | 9,087 | 11,433 | 1,277 | 57,164 |
| At 30 September 2019 / 1 October 2019 as previously stated | 904,180 | 251,160 | 4,127,408 | 1,457,071 | 5,307,065 | 425,804 | 518,215 | 171,546 | 13,162,449 |
| Effect on adoption of MFRS 16 | - | (251,160) | - | - | - | - | - | - | (251,160) |
| As restated | 904,180 | - | 4,127,408 | 1,457,071 | 5,307,065 | 425,804 | 518,215 | 171,546 | 12,911,289 |
| Reclassification | - | - | - | 30,200 | 109,340 | 377 | 12,747 | (152,664) | - |
| Additions | 16,363 | - | 287,855 | 18,775 | 55,213 | 20,340 | 24,283 | 248,778 | 671,607 |
| Disposals | (1,017) | - | (2,112) | - | (6,526) | (9,015) | (346) | - | (19,016) |
| Transfer to land held for property development | (446) | - | (2,233) | - | - | - | - | - | (2,679) |
| Deemed disposal of a subsidiary | - | - | - | - | - | - | (28) | - | (28) |
| Written off | - | - | (39,300) | (5,040) | (30,210) | (21,021) | (13,191) | (1,758) | (110,520) |
| Currency translation differences | 25,877 | - | (108,862) | (11,672) | 87,978 | (7,518) | (3,804) | 244 | (17,757) |
| At 30 September 2020 | 944,957 | - | 4,262,756 | 1,489,334 | 5,522,860 | 408,967 | 537,876 | 266,146 | 13,432,896 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Group | Freehold Land RM'000 | Long Term Leasehold Land RM'000 | Bearer Plants RM'000 | Buildings RM'000 | Plant and Machinery RM'000 | Vehicles RM'000 | Equipment, Fittings, Etc RM'000 | Capital Work-In-Progress RM'000 | Total RM'000 |
|---|-------------------------|------------------------------------|-------------------------|---------------------|-------------------------------|--------------------|------------------------------------|------------------------------------|------------------|
| Accumulated depreciation/ amortisation and impairment losses | | | | | | | | | |
| At 1 October 2018 | | | | | | | | | |
| Accumulated depreciation/ amortisation | - | 68,903 | 1,153,913 | 623,144 | 2,236,435 | 329,624 | 323,003 | - | 4,735,022 |
| Accumulated impairment losses | - | 7,871 | - | 3,414 | 98,742 | - | 2,697 | - | 112,724 |
| Reclassification | - | 76,774 | 1,153,913 | 626,558 | 2,335,177 | 329,624 | 325,700 | - | 4,847,746 |
| Depreciation/Amortisation charge | - | - | - | 5,274 | (5,217) | 6 | (63) | - | - |
| Impairment loss | - | 2,952 | 142,107 | 58,095 | 288,601 | 23,029 | 38,436 | - | 553,220 |
| Disposals | - | - | 97,043 | 2,235 | 103 | - | 38 | - | 99,419 |
| Written off | - | - | (2,692) | (4,470) | (4,933) | (6,940) | (766) | - | (19,801) |
| Currency translation differences | - | - | (36,675) | (4,530) | (14,060) | (9,767) | (14,855) | - | (79,887) |
| Currency translation differences | - | (49) | 29,727 | 6,168 | (32,842) | 7,730 | 1,897 | - | 12,631 |
| At 30 September 2019 / 1 October 2019 as previously stated | | | | | | | | | |
| Accumulated depreciation/ amortisation | - | 71,828 | 1,285,179 | 684,357 | 2,467,985 | 343,682 | 347,654 | - | 5,200,685 |
| Accumulated impairment losses | - | 7,849 | 98,244 | 4,973 | 98,844 | - | 2,733 | - | 212,643 |
| Effect on adoption of MFRS 16 | - | (79,677) | - | - | - | - | - | - | (79,677) |
| As restated | - | - | 1,383,423 | 689,330 | 2,566,829 | 343,682 | 350,387 | - | 5,333,651 |
| Reclassification | - | - | 3 | 528 | 67 | 6 | (604) | - | - |
| Depreciation/Amortisation charge | - | - | 151,024 | 61,360 | 296,057 | 23,153 | 38,237 | - | 569,831 |
| Disposals | - | - | (1,327) | - | (3,646) | (8,385) | (332) | - | (13,690) |
| Transfer to land held for property development | - | - | (1,592) | - | - | - | - | - | (1,592) |
| Deemed disposal of a subsidiary | - | - | - | - | - | - | (20) | - | (20) |
| Written off | - | - | (35,383) | (3,704) | (22,576) | (20,917) | (12,938) | - | (95,518) |
| Currency translation differences | - | - | (31,478) | (7,882) | 29,742 | (6,451) | (281) | - | (16,350) |
| At 30 September 2020 | | | | | | | | | |
| Accumulated depreciation/ amortisation | - | - | 1,367,291 | 734,600 | 2,767,623 | 331,088 | 371,715 | - | 5,572,317 |
| Accumulated impairment losses | - | - | 97,379 | 5,032 | 98,850 | - | 2,734 | - | 203,995 |
| | - | - | 1,464,670 | 739,632 | 2,866,473 | 331,088 | 374,449 | - | 5,776,312 |
| Carrying amounts | | | | | | | | | |
| At 1 October 2018 | 943,721 | 174,702 | 2,501,794 | 760,927 | 2,874,581 | 72,154 | 242,610 | 186,082 | 7,756,571 |
| At 30 September 2019 | 904,180 | 171,483 | 2,743,985 | 767,741 | 2,740,236 | 82,122 | 167,828 | 171,546 | 7,749,121 |
| At 30 September 2020 | 944,957 | - | 2,798,086 | 749,702 | 2,656,387 | 77,879 | 163,427 | 266,146 | 7,656,584 |

Depreciation/Amortisation charge for the year is allocated as follows:

Recognised in statement of profit or loss (Note 5)

Capitalised in bearer plants

| | 2020 RM'000 | 2019 RM'000 |
|--|----------------|----------------|
| Recognised in statement of profit or loss (Note 5) | 564,889 | 548,139 |
| Capitalised in bearer plants | 4,942 | 5,081 |
| | 569,831 | 553,220 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Impairment testing

Property, plant and equipment are tested for impairment by comparing the carrying amounts with their recoverable amounts. The recoverable amounts of property, plant and equipment are determined based on value in use calculations using cash flow projections from the financial budgets and forecasts approved by management covering periods ranging from five years to twenty two years.

There are three subsidiaries which used cash flow projections covering periods of fifteen to twenty two years due to long period of gestation of their businesses.

The key assumptions for the impairment testing are disclosed in Note 16.

Impairment testing on a cash generating unit ("CGU") in Liberia

As at 30 September 2020, the carrying amounts of the property, plant and equipment and right-of-use assets of the CGU in Liberia of the Group amounted to RM351.2 million (net of impairment losses of RM99.4 million) and RM17.4 million (net of impairment losses of RM32.2 million) respectively.

The recoverable amount of this CGU in Liberia was based on the value in use calculation which was higher than the carrying amounts of the CGU.

The values assigned to the key assumptions used in the value in use calculation represent management's assessment of future trends in the plantation industry relevant to the CGU and are based on internal and external sources of data, where available. However, the recoverable amount is sensitive to changes in certain key assumptions which are disclosed in Note 16. The sensitivity analysis of each of these key assumptions assuming all other variables are held constant are as follows:

Sensitivity analysis

| | |
|---|------------|
| Decrease of USD115/mt in selling price of crude palm oil | Break even |
| Decrease of 3.89 mt/ha in fresh fruit bunches yield | Break even |
| Decrease of 3.98 percentage point in crude palm oil extraction rate | Break even |
| Increase of 6.18 percentage point in pre-tax discount rate | Break even |

Headroom

Impairment loss

For the financial year ended 30 September 2019, the impairment loss of the Group on property, plant and equipment amounted to RM99,419,000 together with impairment loss of RM32,235,000 (Note 14) on prepaid lease payments was due to cessation of plantation operations of an estate in Liberia. High Carbon Stock and High Conservation Value assessments have shown that there was limited plantable area in this estate and was no longer feasible to continue operations thereon.

The impairment losses were included in other operating expenses.

| Company Cost | Freehold | Long Term | Bearer | Buildings | Plant and Machinery | Vehicles | Equipment, Fittings, Etc | Capital | Total |
|---|----------|-----------|-----------|-----------|---------------------|----------|--------------------------|------------------|-----------|
| | Land | Leasehold | Plants | | | | | Work-In-Progress | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 October 2018 | 821,254 | 238,211 | 1,114,635 | 180,844 | 251,798 | 97,356 | 78,581 | 8,485 | 2,791,164 |
| Reclassification | - | - | - | 7,857 | (5,952) | 8 | 6,026 | (7,939) | - |
| Additions | - | - | 80,586 | 9,355 | 6,142 | 10,513 | 5,050 | 4,653 | 116,299 |
| Disposals | (613) | - | (3,452) | - | - | (1,791) | (3) | - | (5,859) |
| Written off | - | - | - | (1,512) | (5,475) | (3,756) | (1,262) | (9) | (12,014) |
| At 30 September 2019/ 1 October 2019 | 820,641 | 238,211 | 1,191,769 | 196,544 | 246,513 | 102,330 | 88,392 | 5,190 | 2,889,590 |
| as previously stated | 820,641 | 238,211 | 1,191,769 | 196,544 | 246,513 | 102,330 | 88,392 | 5,190 | 2,889,590 |
| Effect on adoption of MFRS 16 | - | (238,211) | - | - | - | - | - | - | (238,211) |
| As restated | 820,641 | - | 1,191,769 | 196,544 | 246,513 | 102,330 | 88,392 | 5,190 | 2,651,379 |
| Reclassification | - | - | - | 287 | 255 | - | 319 | (861) | - |
| Additions | - | - | 75,415 | 3,351 | 7,364 | 4,121 | 4,282 | 8,195 | 102,728 |
| Disposals | (1,463) | - | (4,330) | - | - | (2,005) | - | - | (7,798) |
| Written off | - | - | (7,008) | (1,780) | (3,047) | (2,875) | (3,976) | (719) | (19,405) |
| At 30 September 2020 | 819,178 | - | 1,255,846 | 198,402 | 251,085 | 101,571 | 89,017 | 11,805 | 2,726,904 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Company | Freehold Land RM'000 | Long Term Leasehold Land RM'000 | Bearer Plants RM'000 | Buildings RM'000 | Plant and Machinery RM'000 | Vehicles RM'000 | Equipment, Fittings, Etc RM'000 | Capital Work-In-Progress RM'000 | Total RM'000 |
|---|-------------------------|------------------------------------|-------------------------|---------------------|-------------------------------|--------------------|------------------------------------|------------------------------------|------------------|
| Accumulated depreciation | | | | | | | | | |
| At 1 October 2018 | - | 35,201 | 487,043 | 125,182 | 205,945 | 80,577 | 66,904 | - | 1,000,852 |
| Depreciation/ | | | | | | | | | |
| Amortisation charge | - | 3,037 | 45,240 | 7,499 | 11,143 | 6,958 | 5,991 | - | 79,868 |
| Reclassification | - | - | - | 5,279 | (5,279) | - | - | - | - |
| Disposals | - | - | (2,692) | - | - | (1,791) | - | - | (4,483) |
| Written off | - | - | - | (1,500) | (5,357) | (3,753) | (1,258) | - | (11,868) |
| At 30 September 2019/ 1 October 2019 as previously stated | - | 38,238 | 529,591 | 136,460 | 206,452 | 81,991 | 71,637 | - | 1,064,369 |
| Effect on adoption of MFRS 16 | - | (38,238) | - | - | - | - | - | - | (38,238) |
| As restated | - | - | 529,591 | 136,460 | 206,452 | 81,991 | 71,637 | - | 1,026,131 |
| Depreciation/ | | | | | | | | | |
| Amortisation charge | - | - | 44,175 | 8,280 | 10,660 | 6,605 | 5,074 | - | 74,794 |
| Disposals | - | - | (2,906) | - | - | (1,996) | - | - | (4,902) |
| Written off | - | - | (3,130) | (1,520) | (2,978) | (2,874) | (3,949) | - | (14,451) |
| At 30 September 2020 | - | - | 567,730 | 143,220 | 214,134 | 83,726 | 72,762 | - | 1,081,572 |
| Carrying amounts | | | | | | | | | |
| At 1 October 2018 | 821,254 | 203,010 | 627,592 | 55,662 | 45,853 | 16,779 | 11,677 | 8,485 | 1,790,312 |
| At 30 September 2019 | 820,641 | 199,973 | 662,178 | 60,084 | 40,061 | 20,339 | 16,755 | 5,190 | 1,825,221 |
| At 30 September 2020 | 819,178 | - | 688,116 | 55,182 | 36,951 | 17,845 | 16,255 | 11,805 | 1,645,332 |

| | 2020 RM'000 | 2019 RM'000 |
|---|----------------|----------------|
| Depreciation/Amortisation charge for the year is allocated as follows: | | |
| Recognised in statement of profit or loss (Note 5) | 72,263 | 77,653 |
| Capitalised in bearer plants | 2,531 | 2,215 |
| | 74,794 | 79,868 |

Certain property, plant and equipment of the Group with a total carrying amount of RM131,674,000 (2019: RM129,845,000) as at end of the financial year ended 30 September 2020 were charged to banks as security for borrowings (Note 36).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RIGHT-OF-USE ASSETS

| Group | Leasehold Land RM'000 | Land Use Right RM'000 | Building RM'000 | Plant and Machinery RM'000 | Others RM'000 | Total RM'000 |
|----------------------------------|-----------------------------|-----------------------------|--------------------|----------------------------------|------------------|------------------|
| Cost | | | | | | |
| At 1 October 2019 | | | | | | |
| As previously stated | - | - | - | - | - | - |
| Effect on adoption of MFRS 16 | 719,195 | 136,486 | 34,409 | 26,274 | 630 | 916,994 |
| As restated | 719,195 | 136,486 | 34,409 | 26,274 | 630 | 916,994 |
| Additions | 199,358 | 1,691 | 7,070 | 6,206 | 365 | 214,690 |
| Currency translation differences | (5,811) | (4,161) | 13 | 836 | 23 | (9,100) |
| At 30 September 2020 | 912,742 | 134,016 | 41,492 | 33,316 | 1,018 | 1,122,584 |

Accumulated depreciation and impairment losses

| | | | | | | |
|----------------------------------|----------------|---------------|---------------|--------------|------------|----------------|
| At 1 October 2019 | | | | | | |
| Accumulated depreciation | | | | | | |
| As previously stated | - | - | - | - | - | - |
| Effect on adoption of MFRS 16 | 147,508 | - | - | - | - | 147,508 |
| As restated | 147,508 | - | - | - | - | 147,508 |
| Accumulated impairment losses | | | | | | |
| As previously stated | - | - | - | - | - | - |
| Effect on adoption of MFRS 16 | 59,948 | - | - | - | - | 59,948 |
| As restated | 59,948 | - | - | - | - | 59,948 |
| Depreciation charge | 15,834 | 12,697 | 12,476 | 6,466 | 268 | 47,741 |
| Currency translation differences | (1,018) | (181) | (8) | 154 | 5 | (1,048) |
| At 30 September 2020 | 162,348 | 12,516 | 12,468 | 6,620 | 273 | 194,225 |
| Accumulated depreciation | 162,348 | 12,516 | 12,468 | 6,620 | 273 | 194,225 |
| Accumulated impairment losses | 59,924 | - | - | - | - | 59,924 |
| | 222,272 | 12,516 | 12,468 | 6,620 | 273 | 254,149 |

Carrying amounts

| | | | | | | |
|----------------------|----------------|----------------|---------------|---------------|------------|----------------|
| At 30 September 2020 | 690,470 | 121,500 | 29,024 | 26,696 | 745 | 868,435 |
|----------------------|----------------|----------------|---------------|---------------|------------|----------------|

| Company | Leasehold Land RM'000 | Land Use Right RM'000 | Building RM'000 | Others RM'000 | Total RM'000 |
|-------------------------------|-----------------------------|-----------------------------|--------------------|------------------|-----------------|
| Cost | | | | | |
| At 1 October 2019 | | | | | |
| As previously stated | - | - | - | - | - |
| Effect on adoption of MFRS 16 | 239,715 | 106,800 | 4,448 | - | 350,963 |
| As restated | 239,715 | 106,800 | 4,448 | - | 350,963 |
| Additions | - | 1,691 | 16 | 194 | 1,901 |
| At 30 September 2020 | 239,715 | 108,491 | 4,464 | 194 | 352,864 |

Accumulated depreciation

| | | | | | |
|-------------------------------|---------------|---------------|--------------|----------|---------------|
| At 1 October 2019 | | | | | |
| As previously stated | - | - | - | - | - |
| Effect on adoption of MFRS 16 | 39,063 | - | - | - | 39,063 |
| As restated | 39,063 | - | - | - | 39,063 |
| Depreciation charge | 3,057 | 14,490 | 1,075 | 4 | 18,626 |
| At 30 September 2020 | 42,120 | 14,490 | 1,075 | 4 | 57,689 |

Carrying amounts

| | | | | | |
|----------------------|----------------|---------------|--------------|------------|----------------|
| At 30 September 2020 | 197,595 | 94,001 | 3,389 | 190 | 295,175 |
|----------------------|----------------|---------------|--------------|------------|----------------|

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Restriction imposed by lease

The lease agreements for the leasehold land do not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land with third party interest(s) without the prior consent of the lessor.

Impairment testing

Impairment testing on right-of-use assets similar to that of property, plant and equipment as disclosed in Note 12.

14. PREPAID LEASE PAYMENTS

| | 2020 RM'000 | 2019 RM'000 |
|---|----------------|----------------|
| Group | | |
| Land leases at cost | | |
| At beginning of the year as previously stated | 468,035 | 457,666 |
| Effect on adoption of MFRS 16 | (468,035) | - |
| As restated | - | 457,666 |
| Additions | - | 8,562 |
| Written off | - | (6,104) |
| Currency translation differences | - | 7,911 |
| At end of the year | - | 468,035 |
| Accumulated amortisation and impairment losses | | |
| At beginning of the year as previously stated | | |
| Accumulated amortisation | 75,680 | 62,787 |
| Accumulated impairment losses | 52,099 | 19,759 |
| | 127,779 | 82,546 |
| Effect on adoption of MFRS 16 | (127,779) | - |
| As restated | - | 82,546 |
| Amortisation charge | - | 12,498 |
| Impairment loss (Note 5) | - | 32,235 |
| Written off | - | (79) |
| Currency translation differences | - | 579 |
| At end of the year | | |
| Accumulated amortisation | - | 75,680 |
| Accumulated impairment losses | - | 52,099 |
| | - | 127,779 |
| Carrying amounts | - | 340,256 |
| Company | | |
| Land leases at cost | | |
| At beginning of the year as previously stated | 1,504 | 1,504 |
| Effect on adoption of MFRS 16 | (1,504) | - |
| At beginning of the year as restated/At end of the year | - | 1,504 |
| Accumulated amortisation | | |
| At beginning of the year as previously stated | 825 | 804 |
| Effect on adoption of MFRS 16 | (825) | - |
| As restated | - | 804 |
| Amortisation charge | - | 21 |
| At end of the year | - | 825 |
| Carrying amounts | - | 679 |

Impairment testing

Impairment testing on prepaid lease payments was similar to that of property, plant and equipment as disclosed in Note 12.

The key assumptions for the impairment testing are disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. INVENTORIES

| | Group | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Non-current | | | | |
| Land held for property development | 1,096,046 | 1,108,296 | - | - |
| Current | | | | |
| Property development costs | 193,868 | 144,761 | - | - |
| Developed properties held for sale, inventories of produce, stores and materials and nursery | 1,778,998 | 1,979,323 | 54,813 | 63,996 |
| | 1,972,866 | 2,124,084 | 54,813 | 63,996 |
| | 3,068,912 | 3,232,380 | 54,813 | 63,996 |

(a) Land held for property development

| | Group | |
|---|------------------|------------------|
| | 2020 RM'000 | 2019 RM'000 |
| Freehold land at cost | | |
| At beginning of the year | 1,068,286 | 1,068,286 |
| Additions | 16,558 | - |
| Transfer from property, plant and equipment | 1,087 | - |
| Transfer to property development cost | (4,535) | - |
| At end of the year | 1,081,396 | 1,068,286 |
| Development expenditure at cost | | |
| At beginning of the year | 40,010 | 32,121 |
| Additions | 4,987 | 7,889 |
| Transfer to property development cost | (30,347) | - |
| At end of the year | 14,650 | 40,010 |
| Total | 1,096,046 | 1,108,296 |

(b) Property development costs

| | Group | |
|---|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Property development costs comprise: | | |
| Land costs | 25,868 | 25,868 |
| Development costs | 622,087 | 523,772 |
| | 647,955 | 549,640 |
| Transfer from land held for property development: | | |
| Land costs | 4,535 | - |
| Development costs | 30,347 | - |
| | 34,882 | - |
| Costs incurred during the year: | | |
| Land costs | 8,032 | - |
| Development costs | 90,507 | 98,315 |
| | 98,539 | 98,315 |
| | 781,376 | 647,955 |
| Costs recognised as an expense in profit or loss: | | |
| Previous years | (441,769) | (353,591) |
| Current year | (77,718) | (88,178) |
| Transfer of developed properties held for sale to inventories | (68,021) | (61,425) |
| | 193,868 | 144,761 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(c) Developed properties held for sale, inventories of produce, store and materials and nursery

| | Group | | Company | |
|---|------------------|------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| At cost | | | | |
| Inventories of produce | 135,759 | 192,778 | 35,372 | 37,716 |
| Finished goods | 387,451 | 430,105 | - | - |
| Work-in-progress | 370,230 | 470,155 | - | - |
| Developed properties held for sale | 24,821 | 33,749 | - | - |
| Stores and materials | 489,587 | 592,876 | 12,772 | 14,985 |
| Nursery | 27,127 | 28,773 | 6,350 | 7,849 |
| | 1,434,975 | 1,748,436 | 54,494 | 60,550 |
| At net realisable value | | | | |
| Inventories of produce | 23,936 | 37,469 | 319 | 3,446 |
| Finished goods | 235,174 | 141,944 | - | - |
| Work-in-progress | 84,704 | 51,265 | - | - |
| Developed properties held for sale | 209 | 209 | - | - |
| | 344,023 | 230,887 | 319 | 3,446 |
| | 1,778,998 | 1,979,323 | 54,813 | 63,996 |
| Recognised in profit or loss | | | | |
| Inventories recognised as cost of sales | 12,714,768 | 12,883,653 | 524,464 | 507,504 |
| Write down of inventories to net realisable value | 37,416 | 61,978 | 6,683 | 5,608 |
| Write back of slow moving inventories | (2,800) | (3,000) | - | - |
| Write back of inventories previously written down to net realisable value | (13,095) | (7,624) | - | - |

The Group writes down its obsolete or slow moving inventories based on assessments of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories.

Inventories previously written down to net realisable values are reversed during the financial year as the inventories were sold above the carrying amounts.

16. GOODWILL ON CONSOLIDATION

| | Group | |
|----------------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Cost | | |
| At beginning of the year | 316,836 | 315,304 |
| Currency translation differences | 9,509 | 1,532 |
| At end of the year | 326,345 | 316,836 |

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit identified according to the Group's business segments as follows:

| | Group | |
|----------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Plantation | 135,243 | 137,058 |
| Manufacturing | 191,099 | 179,775 |
| Property development | 3 | 3 |
| | 326,345 | 316,836 |

Impairment testing

Goodwill is tested for impairment by comparing the carrying amounts with the recoverable amounts of the cash generating units ("CGU"). The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections from the financial budgets and forecasts approved by management covering a period of 5 years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Key assumptions used in the value in use calculations are:

- (i) the pre-tax discount rates which are the weighted average cost of capital adjusted for specific risks relating to relevant segments. The average discount rates used ranged from 5.8% to 10.9% (2019: 4.5% to 12.2%);
- (ii) the growth rate used for the plantation companies is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of productions whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and
- (iii) profit margins are projected based on historical profit margin achieved.

In assessing the value in use, the management is of the view that no foreseeable changes in any of the above key assumptions would cause the carrying amounts of the respective CGUs to materially exceed their recoverable amounts.

17. INTANGIBLE ASSETS

| | Group | |
|---|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Cost | | |
| At beginning of the year | 75,630 | 74,284 |
| Additions | 2,689 | 3,405 |
| Currency translation differences | 4,855 | (2,059) |
| At end of the year | 83,174 | 75,630 |
| Accumulated amortisation and impairment losses | | |
| At beginning of the year | | |
| Accumulated amortisation | 46,422 | 43,796 |
| Accumulated impairment losses | 7,127 | 7,130 |
| Amortisation charge | 53,549 | 50,926 |
| Currency translation differences | 3,836 | 3,504 |
| At end of the year | 3,465 | (881) |
| Accumulated amortisation | 53,683 | 46,422 |
| Accumulated impairment losses | 7,167 | 7,127 |
| | 60,850 | 53,549 |
| Carrying amounts | 22,324 | 22,081 |

The amortisation of intangible assets amounting to RM3,836,000 (2019: RM3,504,000) is included in administration expenses.

These assets consist mainly of trade marks and patents.

18. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS OWING BY/TO SUBSIDIARIES

| | Company | |
|--|------------------|------------------|
| | 2020 RM'000 | 2019 RM'000 |
| Investments in subsidiaries | | |
| Unquoted shares at cost | 4,903,501 | 4,427,802 |
| Impairment in value of investments | | |
| At beginning/end of the year | (146,100) | (146,100) |
| | 4,757,401 | 4,281,702 |
| Capital contribution to subsidiaries | 204,745 | 289,341 |
| Total investments in subsidiaries | 4,962,146 | 4,571,043 |

The amounts due from certain subsidiaries are deemed as capital contribution to these subsidiaries as the repayment of these amounts are neither fixed nor expected.

No expected credit loss is recognised arising from the capital contribution to subsidiaries of the Company as the amount is negligible.

Details of the subsidiaries are shown in Note 43.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Impairment testing on cost of investment in KLK Agro Plantations Pte Ltd ("KLKAP"), a wholly-owned subsidiary
 KLKAP is the holding company of a plantation subsidiary in Liberia.

As at 30 September 2020, the recoverable amount of the Company's investment cost in KLKAP based on the value in use calculation of the plantation subsidiary in Liberia was higher than its carrying amount of RM510.1 million. However, based on the sensitivity analysis performed for the impairment testing as disclosed in Note 12, the recoverable amount of the Company's investment cost in KLKAP would be lower than its carrying amount by RM141.5 million.

The key assumptions for the impairment testing are disclosed in Note 16.

Amounts owing by subsidiaries

| | Company | |
|----------------------------------|------------------|------------------|
| | 2020 RM'000 | 2019 RM'000 |
| Non-current assets | 1,420,707 | 1,365,647 |
| Allowances for impairment losses | (25,742) | (25,294) |
| | 1,394,965 | 1,340,353 |
| Current assets | 51,570 | 180,385 |
| | 1,446,535 | 1,520,738 |

The movements in allowance for impairment losses of amounts owing by subsidiaries during the year were as follows:

| | Company | |
|----------------------------------|-----------------|-----------------|
| | 2020 RM'000 | 2019 RM'000 |
| At beginning of the year | (25,294) | (24,295) |
| Impairment losses | - | (2,661) |
| Currency translation differences | (448) | 1,662 |
| At end of the year | (25,742) | (25,294) |

An amount owing by a subsidiary amounted to RM307,000 (2019: Nil) was written off during the financial year.

The management reviewed the expected repayments from subsidiaries and hence classified certain amounts owing by subsidiaries as non-current.

Amounts owing by subsidiaries are trade and non-trade, unsecured, non-interest bearing and repayable within next twelve months except for a total amount of RM1,394,189,000 (2019: RM1,325,489,000) repayable after twelve months under non-current assets and RM5,781,000 (2019: RM146,405,000) under current assets, which are subject to interest charge ranging from 1.1% to 4.7% (2019: 1.4% to 6.3%) per annum and trade transactions which are subject to normal trade credit terms.

Amounts owing to subsidiaries

Amounts owing to subsidiaries are trade and non-trade, unsecured, payable within twelve months and non-interest bearing.

19. INVESTMENTS IN ASSOCIATES

| | Group | | Company | |
|---------------------------|------------------|------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Shares at cost | | | | |
| In quoted corporations | 1,381,630 | 1,315,361 | - | - |
| In unquoted corporations | 88,456 | 88,277 | 33,225 | 33,225 |
| | 1,470,086 | 1,403,638 | 33,225 | 33,225 |
| Post-acquisition reserves | 74,865 | 85,572 | - | - |
| | 1,544,951 | 1,489,210 | 33,225 | 33,225 |

(a) Material associate and summary of financial information

The Group regards Synthomer plc ("Synthomer") as a material associate. Synthomer is a public listed company in United Kingdom with financial year ending 31 December, and the financial statements are only published half-yearly, i.e. 30 June and 31 December.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summarised statement of financial position as at 30 June 2020:

| | 2020 RM'000 |
|--|------------------|
| Non-current assets | 8,320,173 |
| Current assets | 3,458,320 |
| Non-current liabilities | (6,212,188) |
| Current liabilities | (2,010,189) |
| Non-controlling interest | (116,065) |
| Net assets attributable to shareholders of Synthomer | <u>3,440,051</u> |

Summarised statement of comprehensive income for the 12-month period ended 30 June 2020:

| | 2020 RM'000 |
|----------------------------------|------------------|
| Revenue | <u>7,687,932</u> |
| Profit for the period | 129,557 |
| Other comprehensive loss | (108,591) |
| Total other comprehensive income | <u>20,966</u> |
| Dividend received from Synthomer | <u>18,326</u> |

The reconciliation of the above summarised financial information to the carrying amount of the Group's interests in Synthomer is as follows:

| | 2020 RM'000 |
|--|------------------|
| Net assets attributable to shareholders of Synthomer | <u>3,440,051</u> |
| Proportion of ownership interest held by the Group | 21.0% |
| Group's share of net assets | 721,723 |
| Goodwill | 661,560 |
| Carrying amount of Group's interests in Synthomer | <u>1,383,283</u> |

As at 30 September 2020 and 30 September 2019, the Group did not have any associate which was individually material to the Group, except for Synthomer.

The latest financial information of Synthomer as at 30 September 2019 was for 6-month period ended 30 June 2019, on which Synthomer had not become an associate of the Group. Hence, the comparative financial information of Synthomer was not disclosed.

(b) Other associates and summary of financial information

| | Group | |
|---|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Summary of financial information of other associates: | | |
| Non-current assets | 996,959 | 996,073 |
| Current assets | 530,451 | 627,165 |
| Non-current liabilities | (66,779) | (51,646) |
| Current liabilities | (233,024) | (310,649) |
| Non-controlling interest | (2,664) | (3,385) |
| Revenue | <u>749,376</u> | <u>972,027</u> |
| Profit for the year | 38,791 | 36,435 |
| Other comprehensive income | 140 | 237 |
| Total other comprehensive income | <u>38,931</u> | <u>36,672</u> |
| Dividends received from other associates | <u>9,264</u> | <u>10,288</u> |

Details of the associates are shown in Note 43.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. INVESTMENTS IN JOINT VENTURES

| | Group | |
|---------------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Shares at cost | | |
| In unquoted corporations | 59,257 | 59,257 |
| Amounts owing by joint ventures | 161,268 | 163,040 |
| | <u>220,525</u> | <u>222,297</u> |
| Post-acquisition reserves | (74,742) | (65,479) |
| | <u>145,783</u> | <u>156,818</u> |

The Group did not have any joint venture which was individually material to the Group as at 30 September 2020 and 30 September 2019.

| | Group | |
|---|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Summary of financial information of joint ventures: | | |
| Non-current assets | 130,893 | 163,614 |
| Current assets | 287,909 | 323,504 |
| Non-current liabilities | (273,703) | (271,933) |
| Current liabilities | (176,068) | (227,627) |
| Revenue | 1,256,733 | 1,057,874 |
| Loss for the year | (17,973) | (12,437) |

The amounts owing by joint ventures are deemed as capital contribution to the joint ventures as the repayments of these amounts are neither fixed nor expected.

No expected credit loss is recognised arising from amount owing by joint ventures as the amount is negligible.

Details of the joint ventures are shown in Note 43.

21. OTHER INVESTMENTS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Debt instrument at fair value through profit or loss | 13,747 | 13,966 | - | - |
| Equity instruments at fair value through other comprehensive income | 402,403 | 397,984 | 437,996 | 432,129 |
| | <u>416,150</u> | <u>411,950</u> | <u>437,996</u> | <u>432,129</u> |
| (a) Debt instrument at fair value through profit or loss | | | | |
| In an overseas quoted corporation | <u>13,747</u> | <u>13,966</u> | <u>-</u> | <u>-</u> |
| (b) Equity instruments at fair value through other comprehensive income | | | | |
| In unquoted corporations | 6,618 | 8,769 | 6,618 | 7,853 |
| In Malaysia quoted corporations | 12,340 | 13,242 | - | - |
| In overseas quoted corporations | 383,445 | 375,973 | 431,378 | 424,276 |
| | <u>402,403</u> | <u>397,984</u> | <u>437,996</u> | <u>432,129</u> |

22. OTHER RECEIVABLE

| | Group | |
|--|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Advances to plasma plantation projects | 238,177 | 233,980 |
| Allowance for impairment losses | (9,908) | - |
| | <u>228,269</u> | <u>233,980</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The movement in allowance for impairment losses of advances to plasma plantation projects during the year was:

| | Group | |
|----------------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Impairment losses | 10,346 | - |
| Currency translation differences | (438) | - |
| At end of the year | <u>9,908</u> | - |

Plantation subsidiaries in Indonesia have participated in the "Kredit Koperasi Primer untuk Anggotanya" scheme (herein referred to as plasma plantation projects) to provide financing and to assist in the development of oil palm plantation under this scheme for the benefit of the communities in the vicinity of their operations. The advances to plasma plantation projects are subject to interest charge of 8% (2019: 8%) per annum.

23. DEFERRED TAXATION

Recognised deferred tax assets and liabilities are attributable to the following:

| | Liabilities | | Assets | | Net | |
|-----------------------------------|----------------|----------------|------------------|------------------|----------------|-----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Group | | | | | | |
| Property, plant and equipment | 350,889 | 295,625 | (130,779) | (105,290) | 220,110 | 190,335 |
| Right-of-use assets | 27,572 | - | - | - | 27,572 | - |
| Biological assets | 18,922 | 14,034 | - | - | 18,922 | 14,034 |
| Unutilised tax losses | - | - | (70,271) | (99,020) | (70,271) | (99,020) |
| Provision for retirement benefits | - | - | (83,484) | (108,804) | (83,484) | (108,804) |
| Other items | 32,766 | 19,761 | (60,683) | (28,730) | (27,917) | (8,969) |
| Tax liabilities/(assets) | <u>430,149</u> | <u>329,420</u> | <u>(345,217)</u> | <u>(341,844)</u> | <u>84,932</u> | <u>(12,424)</u> |
| Set off of tax | 22,541 | 95,183 | (22,541) | (95,183) | - | - |
| Net tax liabilities/(assets) | <u>452,690</u> | <u>424,603</u> | <u>(367,758)</u> | <u>(437,027)</u> | <u>84,932</u> | <u>(12,424)</u> |
| Company | | | | | | |
| Property, plant and equipment | 170,832 | 162,622 | - | - | 170,832 | 162,622 |
| Right-of-use assets | 23,419 | - | - | - | 23,419 | - |
| Other items | 6,678 | 3,898 | (38,181) | (9,419) | (31,503) | (5,521) |
| Tax liabilities/(assets) | <u>200,929</u> | <u>166,520</u> | <u>(38,181)</u> | <u>(9,419)</u> | <u>162,748</u> | <u>157,101</u> |
| Set off of tax | (38,181) | (9,419) | 38,181 | 9,419 | - | - |
| Net tax liabilities | <u>162,748</u> | <u>157,101</u> | <u>-</u> | <u>-</u> | <u>162,748</u> | <u>157,101</u> |

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The components and movements in deferred tax liabilities and deferred tax assets (before offsetting) are as follows:

| | Property, Plant and Equipment RM'000 | Right-of-use Assets RM'000 | Biological Assets RM'000 | Other Taxable Temporary Differences RM'000 | Unutilised Tax Losses RM'000 | Unabsorbed Capital Allowances RM'000 | Provision for Retirement Benefits RM'000 | Other Deductible Temporary Differences RM'000 | Total RM'000 |
|---|---|----------------------------------|--------------------------------|--|---------------------------------------|---|--|---|-----------------|
| Group | | | | | | | | | |
| At 1 October 2018 | 274,645 | - | 14,619 | 14,493 | (68,176) | (79,927) | (57,499) | (59,727) | 38,428 |
| Recognised in profit or loss | 32,431 | - | (8,722) | 5,128 | (22,919) | (21,614) | (32,699) | 33,105 | (15,290) |
| Recognised in equity (Over)/Under provision in respect of previous years | - | - | - | - | - | - | (19,465) | - | (19,465) |
| Changes in tax rates | (299) | - | 7,642 | - | (4,894) | 267 | 31 | (2,407) | 340 |
| Currency translation differences | (1,731) | - | - | - | - | - | - | - | (1,731) |
| | (9,421) | - | 495 | 140 | (3,031) | (4,016) | 828 | 299 | (14,706) |
| At 30 September 2019/ 1 October 2019 as previously stated | 295,625 | - | 14,034 | 19,761 | (99,020) | (105,290) | (108,804) | (28,730) | (12,424) |
| Effect on adoption of MFRS 16 | (26,657) | 26,493 | - | - | - | 164 | - | - | - |
| As restated | 268,968 | 26,493 | 14,034 | 19,761 | (99,020) | (105,126) | (108,804) | (28,730) | (12,424) |
| Recognised in profit or loss | 58,680 | (1,529) | 6,090 | 10,728 | 32,074 | (46,754) | (4,359) | (5,962) | 48,968 |
| Recognised in equity Under/(Over) provision in respect of previous years | - | - | - | - | - | - | 4,768 | - | 4,768 |
| Changes in tax rates | 4,704 | 2,505 | (40) | 2,048 | (10,008) | 418 | 23,007 | (25,720) | (3,086) |
| Currency translation differences | 11,794 | 23 | (663) | - | 5,898 | 15,431 | 3,934 | 33 | 36,450 |
| | 6,743 | 80 | (499) | 229 | 785 | 5,252 | (2,030) | (304) | 10,256 |
| At 30 September 2020 | 350,889 | 27,572 | 18,922 | 32,766 | (70,271) | (130,779) | (83,484) | (60,683) | 84,932 |

Deferred tax assets include an amount of RM146,604,000 (2019: RM74,564,000) which relates to unutilised tax losses and unabsorbed capital allowances of certain subsidiaries that suffered losses in the current and previous financial years. The Group has concluded that the deferred tax assets are recoverable through estimated future taxable profits based on the approved business plans and budgets of these subsidiaries.

| | Property, Plant and Equipment RM'000 | Right-of-use Assets RM'000 | Biological Assets RM'000 | Other Deductible Temporary Differences RM'000 | Total RM'000 |
|------------------------------|---|----------------------------------|--------------------------------|---|-----------------|
| Company | | | | | |
| At 1 October 2018 | 155,406 | - | 4,210 | (10,221) | 149,395 |
| Recognised in profit or loss | 7,216 | - | (312) | 802 | 7,706 |
| At 30 September 2019 | 162,622 | - | 3,898 | (9,419) | 157,101 |
| Recognised in profit or loss | 8,210 | 23,419 | 2,780 | (28,762) | 5,647 |
| At 30 September 2020 | 170,832 | 23,419 | 6,678 | (38,181) | 162,748 |

| | Group | |
|--|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| No deferred tax assets/(liabilities) have been recognised for the following items: | | |
| Unabsorbed capital allowances | 530,683 | 502,371 |
| Deductible temporary differences | 2,298 | 2,096 |
| Tax incentives | 63,640 | 64,991 |
| Unutilised tax losses | 386,265 | 364,006 |
| Property, plant and equipment | (899,942) | (808,334) |
| | 82,944 | 125,130 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The reinvestment allowance of a subsidiary amounting to RM18,008,000 (2019: RM17,626,000) will expire as follows:

| Year of expiry | Group | |
|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| 2025 | 17,626 | 17,626 |
| 2026 | 382 | - |
| | 18,008 | 17,626 |

Unutilised tax losses of RM48,481,000 (2019: RM50,534,000) will expire as follows under the respective tax legislation of countries in which certain subsidiaries domicile:

| Year of expiry | Group | |
|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| 2020 | - | 119 |
| 2021 | 1 | - |
| 2022 | 468 | - |
| 2023 | - | 370 |
| 2025 | 46,815 | 43,990 |
| 2026 | 1,197 | 6,055 |
| | 48,481 | 50,534 |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

Deferred tax liabilities have not been provided by a subsidiary on the taxable temporary differences as the subsidiary is unable to estimate reliably the commencement period of its pioneer status due to current market volatility which renders the achievability of future statutory income uncertain.

The Group has tax losses carried forward of RM672,991,000 (2019: RM756,421,000) which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above, which are subject to agreement by the tax authorities.

24. BIOLOGICAL ASSETS

| | Unharvested Fresh Fruit Bunches RM'000 | Livestock RM'000 | Growing Crops RM'000 | Total RM'000 |
|---|---|---------------------|----------------------------|-----------------|
| At fair value | | | | |
| Group | | | | |
| At 1 October 2018 | 59,561 | 5,509 | 36,397 | 101,467 |
| Changes in fair value less cost to sell | (4,333) | 2,158 | - | (2,175) |
| Increase in crop sowing | - | - | 37,140 | 37,140 |
| Increase due to purchases and births | - | 1,526 | - | 1,526 |
| Decrease due to sales | - | (3,815) | - | (3,815) |
| Transfer to profit or loss | - | - | (35,489) | (35,489) |
| Currency translation differences | 1,980 | (301) | (2,071) | (392) |
| At 30 September 2019 | 57,208 | 5,077 | 35,977 | 98,262 |
| Changes in fair value less cost to sell | 28,623 | 2,844 | - | 31,467 |
| Increase in crop sowing | - | - | 35,909 | 35,909 |
| Increase due to purchases and births | - | 1,519 | - | 1,519 |
| Decrease due to sales | - | (3,814) | - | (3,814) |
| Transfer to profit or loss | - | - | (36,368) | (36,368) |
| Currency translation differences | (2,240) | 293 | 1,894 | (53) |
| At 30 September 2020 | 83,591 | 5,919 | 37,412 | 126,922 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | Unharvested Fresh Fruit Bunches RM'000 |
|---|---|
| Company | |
| At 1 October 2018 | 17,540 |
| Changes in fair value less cost to sell | (1,297) |
| At 30 September 2019 | <u>16,243</u> |
| Changes in fair value less cost to sell | 11,583 |
| At 30 September 2020 | <u><u>27,826</u></u> |

The biological assets of the Group and of the Company comprise of:

(a) Unharvested fresh fruit bunches ("FFB")

During the financial year, the Group and the Company harvested approximately 3.9 million mt (2019: 4.1 million mt) and 1.0 million mt (2019: 1.1 million mt) of FFB respectively. The quantity of unharvested FFB of the Group and of the Company as at 30 September 2020 included in the fair valuation of unharvested FFB was 181,666 mt (2019: 175,402 mt) and 50,608 mt (2019: 42,986 mt) respectively.

If the FFB selling price changes by 5%, profit or loss for the Group and the Company would have equally increased or decreased by approximately RM5.0 million (2019: RM3.6 million) and RM1.5 million (2019: RM967,000) respectively.

(b) Livestock

Livestock mainly comprises of sheep and cattle.

During the financial year, the Group produced 10,253 (2019: 9,851) sheep and 209 (2019: 188) cattle. The quantity of sheep and cattle of the Group as at 30 September 2020 included in the fair valuation of livestock was 28,245 head (2019: 27,499 head) and 655 head (2019: 485 head) respectively.

(c) Growing crops

Growing crops mainly comprise of wheat, canola and barley.

During the financial year, the Group harvested 28,861 mt (2019: 58,880 mt) of wheat, 8,826 mt (2019: 11,680 mt) of canola and 20,520 mt (2019: 32,878 mt) of barley. Area of crops sown for the financial year were 19,809 hectares (2019: 16,070 hectares) for wheat, 7,876 hectares (2019: 8,778 hectares) for canola and 5,437 hectares (2019: 8,439 hectares) for barley.

The fair value of the Group and of the Company's biological assets, which are estimated using unobservable inputs, is categorised within Level 3 of the fair value hierarchy with the exception of livestock which are on Level 2 (inputs are observable indirectly). Fair value assessments have been completed consistently using the same valuation techniques.

There were no transfers between all 3 levels of the fair value hierarchy during the financial year (2019: no transfer in either directions).

None of the biological assets of the Group and of the Company as at 30 September 2020 and 2019 were pledged as securities for liabilities.

25. TRADE RECEIVABLES

| | Group | | Company | |
|---------------------------------|------------------|------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Trade receivables | 1,307,278 | 1,272,953 | 33,777 | 26,597 |
| Allowance for impairment losses | (48,060) | (47,577) | - | - |
| | <u>1,259,218</u> | <u>1,225,376</u> | <u>33,777</u> | <u>26,597</u> |

Included in the trade receivables are amounts owing by related parties of RM16,036,000 (2019: RM17,014,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The loss allowance as at end of the reporting period is determined as follows:

| | Gross RM'000 | Expected Credit Loss Rate % | Allowance for Impairment Loss RM'000 | Net RM'000 |
|----------------------------|------------------|--------------------------------------|--|------------------|
| Group | | | | |
| 2020 | | | | |
| Not past due | 1,116,460 | 1.3 | 14,306 | 1,102,154 |
| Past due 1 - 90 days | 158,166 | 4.5 | 7,139 | 151,027 |
| Past due more than 90 days | 32,652 | 81.5 | 26,615 | 6,037 |
| | 1,307,278 | 3.7 | 48,060 | 1,259,218 |
| 2019 | | | | |
| Not past due | 1,048,016 | 1.1 | 12,052 | 1,035,964 |
| Past due 1 - 90 days | 187,738 | 3.4 | 6,368 | 181,370 |
| Past due more than 90 days | 37,199 | 78.4 | 29,157 | 8,042 |
| | 1,272,953 | 3.7 | 47,577 | 1,225,376 |
| Company | | | | |
| 2020 | | | | |
| Not past due | 33,777 | - | - | 33,777 |
| 2019 | | | | |
| Not past due | 26,597 | - | - | 26,597 |

No expected credit loss is recognised arising from the trade receivables of the Company as the amount is negligible.

The allowance account in respect of trade receivables is used to record impairment losses which were included in other operating expenses. Unless the Group is satisfied that the recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The Group's and the Company's normal trade credit term ranges from 5 to 180 (2019: 7 to 180) days and 7 to 60 (2019: 7 to 60) days respectively. Other credit terms are assessed and approved on a case-by-case basis.

| | Group | |
|----------------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Beginning of the year | 47,577 | 47,494 |
| Impairment losses | 7,403 | 7,524 |
| Reversal of impairment | (5,486) | (6,757) |
| Impairment losses written off | (3,385) | (103) |
| Currency translation differences | 1,951 | (581) |
| At end of the year | 48,060 | 47,577 |

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Other receivables | 549,980 | 516,621 | 143,644 | 26,847 |
| Allowance for impairment losses | (2,803) | (1,812) | - | - |
| | 547,177 | 514,809 | 143,644 | 26,847 |
| Indirect tax receivables | 166,888 | 216,510 | - | - |
| Prepayments | 98,314 | 71,879 | 8,857 | 7,469 |
| Refundable deposits | 62,249 | 23,910 | 821 | 860 |
| | 874,628 | 827,108 | 153,322 | 35,176 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The movements in allowance for impairment losses of other receivables during the year were:

| | Group | |
|----------------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Beginning of the year | 1,812 | - |
| Impairment losses | 1,011 | 1,814 |
| Currency translation differences | (20) | (2) |
| At end of the year | <u>2,803</u> | <u>1,812</u> |

No expected credit loss is recognised arising from the other receivables of the Company as the amount is negligible.

27. CONTRACT ASSETS AND CONTRACT LIABILITIES

| | Group | |
|-----------------------------|-----------------|-----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Contract assets | | |
| Accrued billings | <u>10,276</u> | 14,867 |
| Contract liabilities | | |
| Progress billings | (2,177) | (1,688) |
| Advances from customers | <u>(83,354)</u> | <u>(89,551)</u> |
| | <u>(85,531)</u> | <u>(91,239)</u> |
| Total | <u>(75,255)</u> | <u>(76,372)</u> |

(a) Accrued billings, progress billings and advances from customers

Contract assets and contract liabilities represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billings to the customers. Contract liabilities are recognised as revenue when performance obligations are satisfied.

(b) The movements in the contract assets and (contract liabilities) are as follows:

| | Group | |
|--|-----------------|-----------------|
| | 2020 RM'000 | 2019 RM'000 |
| At beginning of the year | (76,372) | (6,105) |
| Net revenue recognised during the financial year | 242,094 | 240,508 |
| Net progress billings issued during the financial year | (159,964) | (205,918) |
| Cash received in advance | (80,767) | (105,014) |
| Currency translation differences | (246) | 157 |
| At end of the year | <u>(75,255)</u> | <u>(76,372)</u> |

(c) Unsatisfied performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have duration of more than one year.

| | Group | |
|---|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Revenue is expected to be recognised from contracts with customers: | | |
| Within one year | 43,311 | 44,792 |
| Between 1 to 2 years | 20,047 | 11,373 |
| Between 2 to 5 years | 443 | 164 |
| | <u>63,801</u> | <u>56,329</u> |

No expected credit loss is recognised arising from contract assets as the amount is negligible.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. DERIVATIVE FINANCIAL INSTRUMENTS

The Group classifies derivative financial instruments as financial assets or liabilities at fair value through profit or loss.

| | Contract/Notional Amount Net long/(short) RM'000 | Assets RM'000 | Liabilities RM'000 |
|--|---|------------------|-----------------------|
| Group | | | |
| 2020 | | | |
| Forward foreign exchange contracts | (1,301,395) | 24,576 | (5,519) |
| Commodities future contracts | (227,035) | 73,733 | (91,928) |
| Total derivative financial instruments | <u>98,309</u> | <u>98,309</u> | <u>(97,447)</u> |
| 2019 | | | |
| Forward foreign exchange contracts | (989,875) | 3,692 | (1,854) |
| Commodities future contracts | (108,565) | 30,275 | (18,704) |
| Total derivative financial instruments | <u>33,967</u> | <u>33,967</u> | <u>(20,558)</u> |
| Company | | | |
| 2020 | | | |
| Forward foreign exchange contracts | (20,851) | 985 | - |
| Commodities future contracts | (156,604) | 320 | (15,832) |
| Total derivative financial instruments | <u>1,305</u> | <u>1,305</u> | <u>(15,832)</u> |
| 2019 | | | |
| Forward foreign exchange contracts | (25,562) | - | (104) |
| Commodities future contracts | (122,231) | 1,767 | - |
| Total derivative financial instruments | <u>1,767</u> | <u>1,767</u> | <u>(104)</u> |

The forward foreign exchange contracts are entered into by the Group 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 currencies 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.

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

29. SHORT TERM FUNDS

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Deposits with licensed banks | <u>919,957</u> | 1,659,171 | <u>770,616</u> | 1,506,551 |

Short term funds represent funds placed in highly liquid money market instruments which are readily convertible to known amount of cash and have insignificant risk of changes in fair value with original maturities of more than three months.

The effective interest rates per annum of deposits with licensed banks at the end of the reporting dates were as follows:

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Deposits with licensed banks | 0.28% to 6.30% | 1.88% to 7.75% | 1.03% to 3.70% | 1.88% to 3.70% |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The maturities and repricing of deposits with licensed banks at the end of the reporting dates were as follows:

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Maturities above 3 months to 1 year | | | | |
| Deposits with licensed banks | 919,957 | 1,659,171 | 770,616 | 1,506,551 |

Deposits with licensed banks of the Group amounting to RM8,005,000 (2019: RM10,205,000) as at 30 September 2020 has been pledged for a banking facility granted to an outside party for the purpose of the "Kredit Koperasi Primer untuk Anggotanya" scheme in Indonesia.

No expected credit loss is recognised arising from short term funds as the amount is negligible.

30. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|------------------------------|------------------|----------------|------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Deposits with licensed banks | 1,406,333 | 1,230,973 | 937,630 | 787,141 |
| Fixed income trust funds | 1,010,498 | 328,811 | 650,345 | 85,925 |
| Cash and bank balances | 536,150 | 480,853 | 2,120 | 2,189 |
| | 2,952,981 | 2,040,637 | 1,590,095 | 875,255 |

Deposits with licensed banks and investment in fixed income trust funds in Malaysia represent short term investments in highly liquid money market. These investments are readily convertible to cash and have insignificant risk of changes in value with original maturities of three months or less.

Included in the Group's cash and bank balances as at 30 September 2020 was RM92,969,000 (2019: RM96,600,000) held under Housing Development Accounts. The utilisation of this fund is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

The effective interest rates per annum of deposits with licensed banks and fixed income trust funds at the end of the reporting dates were as follows:

| | Group | | Company | |
|------------------------------|-----------------------|----------------|-----------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Deposits with licensed banks | 0.02% to 5.75% | 0.33% to 7.55% | 0.03% to 2.10% | 1.28% to 3.67% |
| Fixed income trust funds | 2.60% to 2.99% | 3.32% to 3.70% | 2.60% to 2.99% | 3.32% to 3.70% |

The maturities and repricing of deposits with licensed banks and fixed income trust funds as at the end of the reporting dates were as follows:

| | Group | | Company | |
|---------------------------------|------------------|----------------|------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Maturities of 3 months or below | | | | |
| Deposits with licensed banks | 1,406,333 | 1,230,973 | 937,630 | 787,141 |
| Fixed income trust funds | 1,010,498 | 328,811 | 650,345 | 85,925 |
| | 2,416,831 | 1,559,784 | 1,587,975 | 873,066 |

No expected credit loss is recognised arising from cash and cash equivalents as the amount is negligible.

31. SHARE CAPITAL

| | Group and Company | |
|---|----------------------|------------------|
| | Number of Shares | RM'000 |
| Issued and fully paid | | |
| At 1 October 2018 / 30 September 2019 | 1,067,504,692 | 1,067,790 |
| Issuance of shares pursuant to Dividend Reinvestment Plan | 13,513,093 | 306,071 |
| At 30 September 2020 | 1,081,017,785 | 1,373,861 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- (i) During the financial year, the Company increased its issued and fully paid ordinary share capital from RM1,067,790,000 to RM1,373,861,000 by way of issuance of 13,513,093 ordinary shares at the issue price of RM22.65 per share arising from the Dividend Reinvestment Plan pertaining to the final single tier dividend of 35 sen per share in respect of the financial year ended 30 September 2019.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

- (ii) Of the total 1,081,017,785 (2019: 1,067,504,692) issued and fully paid shares, 2,539,000 (2019: 2,539,000) are held as treasury shares by the Company. As at 30 September 2020, the number of outstanding shares in issue and fully paid is 1,078,478,785 (2019: 1,064,965,692).

- (iii) The shareholders of the Company renewed the authority granted to the Directors to buy back its own shares at the Annual General Meeting held on 18 February 2020. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the buy back plan can be applied in the best interests of the Company and its shareholders.

- (iv) The shareholders of the Company via Annual General Meeting held on 18 February 2020 approved the renewal of the authority for the Directors of the Company to allot and issue new shares in the Company in relation to the Dividend Reinvestment Plan that provides the shareholders of the Company the option to elect to reinvest, in whole or in part, their cash dividend entitlements in the new shares of the Company.

32. RESERVES

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Non-distributable | | | | |
| Capital reserve | 465,818 | 278,574 | - | - |
| Exchange fluctuation reserve | (4,322) | (4,397) | - | - |
| Fair value reserve | 610,621 | 633,528 | 359,199 | 353,332 |
| Retained earnings – cost of treasury shares | 13,447 | 13,447 | 13,447 | 13,447 |
| | 1,085,564 | 921,152 | 372,646 | 366,779 |
| Distributable | | | | |
| Capital reserve | 857,175 | 859,295 | 1,087,296 | 1,087,296 |
| Retained earnings | 7,523,912 | 7,525,615 | 3,602,121 | 3,482,155 |
| | 8,381,087 | 8,384,910 | 4,689,417 | 4,569,451 |
| | 9,466,651 | 9,306,062 | 5,062,063 | 4,936,230 |

Included under the non-distributable reserves is an amount of RM13,447,000 (2019: RM13,447,000) which was utilised for the purchase of the treasury shares and is considered as non-distributable.

Non-distributable capital reserve mainly comprises post-acquisition reserve capitalised by subsidiaries for their bonus issues and reserve capitalised on redemption of redeemable preference shares by subsidiaries. Distributable capital reserve comprises surpluses arising from disposals of quoted investments, properties and government acquisitions of land.

Fair value reserve comprises the cumulative net change in the fair value of equity instruments measured at fair value through other comprehensive income until the investments are derecognised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. LEASE LIABILITIES

| | Group RM'000 | Company RM'000 |
|---|-----------------|-------------------|
| Present value of lease liabilities | | |
| At 1 October 2019 | | |
| As previously stated | - | - |
| Effect on adoption of MFRS 16 | 193,207 | 111,248 |
| As restated | 193,207 | 111,248 |
| Addition | 15,332 | 1,901 |
| Interest expenses (Note 6) | 6,006 | 4,200 |
| Interest payments | (5,516) | (4,200) |
| Lease payments | (33,015) | (13,735) |
| Currency translation differences | (3,719) | - |
| At 30 September 2020 | 172,295 | 99,414 |
| Lease liabilities are disclosed under: | | |
| Non-current liabilities | 139,856 | 85,061 |
| Current liabilities | 32,439 | 14,353 |
| | 172,295 | 99,414 |

Expenses for leases of the Group and the Company are as follows:

| | Group RM'000 | Company RM'000 |
|--|-----------------|-------------------|
| Depreciation of right-of-use assets | 47,741 | 18,626 |
| Expense relating to short-term leases | 10,852 | 857 |
| Expense relating to leases of low-value assets | 311 | 133 |
| Expense relating to variable lease payments not included in the measurement of lease liabilities | 5,108 | - |

Total cash outflows for leases of the Group and the Company are as follows:

| | Group RM'000 | Company RM'000 |
|---|-----------------|-------------------|
| Payments relating to short-term leases | 10,649 | 857 |
| Payments relating to leases of low-value assets | 311 | 133 |
| Payments relating to variable leases | 5,108 | - |
| Payments of lease liabilities | 33,015 | 13,735 |
| Payments of lease interest | 5,516 | 4,200 |
| Total cash outflows for leases | 54,599 | 18,925 |

Some lease contracts contain variable payment terms that are linked to performance of the underlying right-of-use assets.

Variable lease payments that depend on performance of the underlying right-of-use assets are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group leases several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The followings are the undiscounted potential future rental payments that are not included in the lease term:

| | Within Five Years RM'000 | More than Five Years RM'000 | Total RM'000 |
|--|--------------------------------|-----------------------------------|-----------------|
| Group | | | |
| 2020 | | | |
| Extension options expected not to be exercised | 7,963 | 1,406 | 9,369 |
| Company | | | |
| 2020 | | | |
| Extension options expected not to be exercised | 1,115 | - | 1,115 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. DEFERRED INCOME

| | Group | |
|-------------------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Government grants | | |
| At cost | | |
| At beginning of the year | 159,556 | 160,140 |
| Received during the year | 4,500 | 907 |
| Written off | - | (1,019) |
| Currency translation differences | 604 | (472) |
| At end of the year | <u>164,660</u> | <u>159,556</u> |
| Accumulated amortisation | | |
| At beginning of the year | 41,040 | 33,189 |
| Amortisation charge | 8,182 | 8,188 |
| Currency translation differences | 455 | (337) |
| At end of the year | <u>49,677</u> | <u>41,040</u> |
| Carrying amounts | 114,983 | 118,516 |
| Deferred income is disclosed under: | | |
| Non-current liabilities | 106,564 | 110,320 |
| Current liabilities | 8,419 | 8,196 |
| | <u>114,983</u> | <u>118,516</u> |

The subsidiaries, KL-Kepong Edible Oils Sdn Bhd, KL-Kepong Oleomas Sdn Bhd, Palm-Oleo (Klang) Sdn Bhd and Davos Life Science Sdn Bhd received government grants from Malaysian Palm Oil Board which were conditional upon the construction of specific projects. The construction of these projects were completed in the previous financial year except for the project of KL-Kepong Edible Oils Sdn Bhd which is still on-going as at 30 September 2020.

Another subsidiary, KLK Tensachem SA received government grants from its local government to finance its capital expenditure.

The government grants are amortised over the life of the assets.

35. PROVISION FOR RETIREMENT BENEFITS

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Present value of funded obligations | 164,923 | 263,705 | - | - |
| Fair value of plan assets | (159,708) | (246,167) | - | - |
| | <u>5,215</u> | <u>17,538</u> | <u>-</u> | <u>-</u> |
| Unfunded obligations | 540,353 | 520,942 | 30,008 | 23,994 |
| Present value of net obligations | <u>545,568</u> | <u>538,480</u> | <u>30,008</u> | <u>23,994</u> |

Defined benefit obligations

(i) The Group's plantation operations in Malaysia operate defined benefit plans based on the terms of the union's collective agreements in Malaysia. These retirement benefit plans are unfunded. The benefits payable on retirement are based on the last drawn salaries, the length of service and the rates set out in the union's collective agreements.

The present value of these unfunded defined benefit obligations as required by MFRS 119 *Employee Benefits* has not been used in arriving at the provision as the amount involved is insignificant to the Group and the Company. The undiscounted value of these unfunded defined benefit obligations was RM31,472,000 (2019: RM25,686,000) as at 30 September 2020. Accordingly, no further disclosures as required by the standard are made.

(ii) All the plantation subsidiaries in Indonesia operate unfunded defined benefit plans for all its eligible employees. The obligations of the retirement benefit plans are calculated using the projected unit credit method.

(iii) A subsidiary in Germany, KLK Emmerich GmbH, operates an unfunded retirement benefit plan for its eligible employees. The obligations of the retirement benefit plan are determined by an independent qualified actuary. The last actuarial valuation was on 30 September 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- (iv) In previous year, the subsidiaries in Switzerland, Kolb Distribution AG and Dr. W. Kolb AG ("Kolb Group"), made contributions to a funded defined benefit plan that provided pension benefits to employees upon retirement. The assets of the plan were held as a segregated fund and administered by trustees.

Arising from the internal restructuring of Kolb Group in Europe during the financial year, Kolb Group has restructured their funded defined benefit plan on 1 January 2020 by transferring all active members and pensioners to a collective pension foundation ("Foundation") which guarantees the mandatory minimum benefits defined by the Swiss law and is responsible for the investment of the assets for a period of at least 5 years from 1 January 2020 to at least 31 December 2024. The effect of the change of the plan resulted in the reduction in the defined benefit plan obligation amounted to RM7,434,000 was disclosed as negative past service cost.

Under the term of the transfer, 46 participants under the old-age and spouse's pensioners categories will remain with the Foundation in the event of a future change in the pension solution at the end of December 2024 or later. Arising from this, an amount of RM113,003,000 as calculated using the actuarial assumptions as at 30 September 2019 for this particular group of pensioners have been derecognised in both the defined benefit obligation and fair value of plan assets accordingly and has been disclosed as 'derecognition of pensioners'.

This funded defined benefit obligation is determined by an independent qualified actuary on an annual basis. The last actuarial valuation was on 30 September 2020. The plan assets are stated at their market value as at 30 September 2020.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

These defined benefit plans are fully funded by the Group.

The Group expects RM21,428,000 in contributions to be paid to the defined benefit plans in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Movement in Net Defined Benefit Liabilities | Present Value of Funded Obligations RM'000 | Unfunded Obligations RM'000 | Fair Value of Plan Assets RM'000 | Present Value of Net Obligations RM'000 |
|---|---|-----------------------------------|---|--|
| Group | | | | |
| At 1 October 2018 | 244,415 | 458,339 | (235,687) | 467,067 |
| Included in profit or loss | | | | |
| Service cost | 6,205 | 26,190 | - | 32,395 |
| Interest cost/(income) | 2,380 | 15,187 | (2,301) | 15,266 |
| Administration cost | 121 | - | - | 121 |
| | 8,706 | 41,377 | (2,301) | 47,782 |
| Included in other comprehensive income | | | | |
| Remeasurement loss/(gain) | | | | |
| Actuarial loss/(gain) from: | | | | |
| - Financial assumptions | 34,788 | 54,306 | - | 89,094 |
| - Demographic assumptions | (8,197) | 3,163 | - | (5,034) |
| - Experience assumptions | (2,075) | (1,543) | - | (3,618) |
| Return on plan assets excluding interest income | - | - | (14,765) | (14,765) |
| | 24,516 | 55,926 | (14,765) | 65,677 |
| Other | | | | |
| Contribution paid by employer | - | (24,704) | (7,444) | (32,148) |
| Employee contributions | 5,390 | - | (5,390) | - |
| Benefits paid | (18,689) | - | 18,689 | - |
| Currency translation differences | (633) | (9,996) | 731 | (9,898) |
| At 30 September 2019 | 263,705 | 520,942 | (246,167) | 538,480 |
| Included in profit or loss | | | | |
| Service cost | 8,229 | 34,573 | - | 42,802 |
| Past service cost | (7,434) | - | - | (7,434) |
| Interest (income)/cost | (334) | 13,507 | 308 | 13,481 |
| Administration cost | 136 | - | - | 136 |
| | 597 | 48,080 | 308 | 48,985 |
| Included in other comprehensive income | | | | |
| Remeasurement (gain)/loss | | | | |
| Actuarial (gain)/loss from: | | | | |
| - Financial assumptions | (9,670) | (4,484) | - | (14,154) |
| - Demographic assumptions | (110) | - | - | (110) |
| - Experience assumptions | 1,538 | (5,183) | - | (3,645) |
| Return on plan assets excluding interest income | - | - | 2,333 | 2,333 |
| | (8,242) | (9,667) | 2,333 | (15,576) |
| Other | | | | |
| Contribution paid by employer | (858) | (34,350) | (7,636) | (42,844) |
| Employee contributions | 5,387 | - | (5,387) | - |
| Benefits paid | (2,213) | - | 2,213 | - |
| Derecognition of pensioners | (113,003) | - | 113,003 | - |
| Currency translation differences | 19,550 | 15,348 | (18,375) | 16,523 |
| At 30 September 2020 | 164,923 | 540,353 | (159,708) | 545,568 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The amount of remeasurement gain of RM10,808,000 (2019: loss RM46,212,000) recognised in the other comprehensive income is net of deferred tax liabilities of RM4,768,000 (2019: deferred tax assets RM19,465,000) (Note 23).

| | Group | |
|---|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Plan assets | | |
| Plan assets comprise: | | |
| Equity funds quoted in Switzerland | - | 42,222 |
| Equity funds quoted in the United States of America | - | 25,171 |
| Other equity funds | - | 5,902 |
| Bond funds quoted in Switzerland | - | 61,348 |
| Other bond funds | - | 27,965 |
| Real estate funds quoted in Switzerland | - | 54,014 |
| Cash and cash equivalents | - | 9,170 |
| Other assets - unquoted | 159,708 | 20,375 |
| | 159,708 | 246,167 |

In previous year, fair value of the plan assets was based on the market price information and in the case of quoted securities was the published bid price. The pension fund's board of trustees was responsible for the risk management of the funds. The cash funding of the plan was designed to ensure that present and future contributions should be sufficient to meet future liabilities.

As the plan assets are managed by the pension foundation in its pool assets and the value of the plan assets are guaranteed by the pension foundation regardless of the financial market performance hence the value of the plan assets will remain unchanged and disclosed as "Other Assets – Unquoted".

| | Company | |
|---|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Unfunded obligations | | |
| Movements in the unfunded defined benefit obligations | | |
| At beginning of the year | 23,994 | 24,168 |
| Benefits paid | (6,079) | (2,271) |
| Expense recognised in profit or loss | | |
| Service cost | 12,093 | 2,097 |
| At end of the year | 30,008 | 23,994 |

| | Group | |
|--|-----------|-----------|
| | 2020 % | 2019 % |
| Actuarial assumptions | | |
| Principal actuarial assumptions of the funded plan operated by the subsidiary in Switzerland (expressed as weighted averages): | | |
| Discount rates | 0.3 | (0.2) |
| Future salary increases | 1.0 | 1.0 |

| | | |
|---|-------------------|-------------------|
| Principal assumptions of the unfunded plans used by plantation subsidiaries in Indonesia: | | |
| Discount rate | 8.0 | 8.2 |
| Future salary increases | 6.0 to 7.5 | 6.0 to 7.5 |

| | | |
|---|------------|------------|
| Principal actuarial assumptions of the unfunded plan operated by the subsidiary in Germany: | | |
| Discount rate | 0.9 | 0.7 |
| Future salary increases | 3.0 | 3.0 |
| Future pension increases | 1.8 | 1.8 |

As at end of the reporting period, the weighted average duration of the funded defined benefit obligation was 14.5 years (2019: 14.8 years).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

| | Group | |
|---------------------------------------|---------------------------------------|----------------------------------|
| | Defined Benefit Increase RM'000 | Obligation Decrease RM'000 |
| 2020 | | |
| Discount rate (0.25% movement) | (21,482) | 24,450 |
| Future salary growth (0.25% movement) | 6,185 | (5,327) |
| Life expectancy (1 year movement) | 25,590 | (25,285) |
| | 25,590 | (25,285) |
| 2019 | | |
| Discount rate (0.25% movement) | (27,332) | 29,007 |
| Future salary growth (0.25% movement) | 7,565 | (6,003) |
| Life expectancy (1 year movement) | 31,190 | (31,237) |
| | 31,190 | (31,237) |

Although the analysis does not account for the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

36. BORROWINGS

| | Group | | Company | |
|---------------------------|------------------|------------------|------------------|------------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Non-current | | | | |
| Secured | | | | |
| Term loan | 23,471 | 27,676 | - | - |
| Unsecured | | | | |
| Term loans | 486,971 | 542,157 | - | - |
| Islamic medium term notes | 4,600,000 | 4,600,000 | 4,600,000 | 4,600,000 |
| | 5,086,971 | 5,142,157 | 4,600,000 | 4,600,000 |
| | 5,110,442 | 5,169,833 | 4,600,000 | 4,600,000 |
| Current | | | | |
| Secured | | | | |
| Term loan | 6,077 | 5,648 | - | - |
| Unsecured | | | | |
| Bank overdrafts | 129,205 | 120,857 | - | - |
| Term loans | 76,988 | 120,966 | - | - |
| Export credit refinancing | - | 8,329 | - | - |
| Bankers' acceptance | 174,441 | 230,268 | - | - |
| Revolving credit | 386,308 | 420,713 | - | 30,000 |
| Trade financing | 537,829 | 442,212 | - | - |
| | 1,304,771 | 1,343,345 | - | 30,000 |
| | 1,310,848 | 1,348,993 | - | 30,000 |
| Total borrowings | 6,421,290 | 6,518,826 | 4,600,000 | 4,630,000 |

- (a) During the financial year ended 30 September 2012, the Company had issued RM1.0 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.0 billion Sukuk Ijarah Multi-Currency Islamic Medium Term Notes ("MCIMTN") Programme ("1st Programme") at par with a profit rate of 4.0% per annum.

Salient features of the 1st Programme are as follows:

- Total outstanding nominal value of the Ringgit Sukuk Ijarah and Non-Ringgit Sukuk Ijarah MCIMTN shall not exceed RM1.0 billion.
- The tenure of the 1st Programme is up to 10 years from the date of the first issuance of any MCIMTN under the 1st Programme.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- The MCIMTN has a maturity of more than 1 year and up to 10 years and on condition that the maturity dates of the MCIMTN do not exceed the tenure of the 1st Programme. The MCIMTN may be non-profit bearing or bear profit at a rate determined at the point of issuance. The profit is payable semi-annually in arrears from the date of issue of the MCIMTN with the last profit payment to be made on the maturity dates.
- Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the 1st Programme.

- (b) During the financial year ended 30 September 2015, the Company had issued RM1.1 billion 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes under the RM1.6 billion Multi-Currency Sukuk Ijarah and/or Wakalah Islamic Medium Term Notes Programme ("2nd Programme") at par with a profit rate of 4.58% per annum.

During the financial year ended 30 September 2016, the Company had issued the balance of the 2nd Programme of RM500 million 10 years Ringgit Sukuk Ijarah Islamic Medium Term Notes at par with a profit rate of 4.65% per annum.

Salient features of the 2nd Programme are as follows:

- The 2nd Programme shall comprise Ringgit denominated Islamic Medium Term Notes ("Ringgit Sukuk") and non-Ringgit denominated Islamic Medium Term Notes ("Non-Ringgit Sukuk") issuances.
- The aggregate outstanding nominal value of the Ringgit Sukuk and Non-Ringgit Sukuk issued under the 2nd Programme shall not exceed RM1.6 billion (or its equivalent in foreign currencies).
- The tenure of the 2nd Programme is 12 years from the date of the first issuance under the programme. The tenure of the Ringgit Sukuk/Non-Ringgit Sukuk issued under the 2nd Programme shall be more than 1 year and up to 12 years, provided that the maturity of the Ringgit Sukuk/Non-Ringgit Sukuk shall not exceed the tenure of the 2nd Programme.
- The Ringgit Sukuk/Non-Ringgit Sukuk under the 2nd Programme may be issued under the Shariah principle(s) of Ijarah and/or Wakalah Bi Al-Istithmar.
- The expected periodic distribution rate (under the principle of Wakalah Bi Al-Istithmar) or periodic distribution rate (under the principle of Ijarah) (if any) shall be determined at the point of issuance. For the Ringgit Sukuk/Non-Ringgit Sukuk with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance of the Ringgit Sukuk/Non-Ringgit Sukuk with the last periodic distribution to be made on the relevant maturity dates.
- Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the 2nd Programme.

- (c) During the financial year ended 30 September 2019, the Company had issued 2 tranches of RM1.0 billion each of Sukuk Wakalah Islamic Medium Term Notes ("Sukuk Wakalah") under the RM2.0 billion Sukuk Wakalah Islamic Medium Term Notes Programme ("3rd Programme"), at par with profit rate of 3.75% per annum for the 10 years tenure tranche and 3.95% per annum for the 15 years tenure tranche.

Salient features of the 3rd Programme are as follows:

- Total aggregate outstanding nominal value of the Sukuk Wakalah issued under the 3rd Programme shall not exceed RM2.0 billion.
- The tenure of the 3rd Programme is 20 years from the date of the first issuance under the programme. The tenure of the Sukuk Wakalah issued under the 3rd Programme shall be more than 1 year and up to 20 years, provided that the maturity of the Sukuk Wakalah shall not exceed the tenure of the 3rd Programme.
- The Sukuk Wakalah under the 3rd Programme shall be issued under the Shariah principle of Wakalah Bi Al-Istithmar.
- The periodic distribution rate shall be determined at the point of issuance. For the Sukuk Wakalah with periodic distributions, the profit is payable semi-annually in arrears from the date of issuance.
- Debt-to-equity ratio of the Group shall be maintained at not more than one time throughout the tenure of the 3rd Programme.

- (d) The secured term loan of the Group is secured by way of a fixed charge on the property, plant and equipment of an overseas subsidiary with carrying amount of RM131,674,000 (2019: RM129,845,000) as at 30 September 2020.

- (e) Certain unsecured term loans, bank overdrafts and revolving credit are supported by corporate guarantees of RM945.3 million (2019: RM962.7 million) issued by the Company. The bank overdraft facilities are renewable annually.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(f) The interest/profit rates per annum applicable to borrowings for the year were as follows:

| | Group | | Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Bank overdrafts | 0.18% to 0.28% | 0.25% to 0.33% | - | - |
| Term loans | 0.71% to 3.42% | 0.71% to 4.36% | - | - |
| Trade financing | 0.75% to 3.49% | 2.45% to 3.82% | - | - |
| Export credit refinancing | - | 3.56% to 3.94% | - | - |
| Bankers' acceptance | 2.09% to 4.14% | 3.24% to 4.57% | - | - |
| Revolving credit | 0.83% to 8.90% | 1.00% to 9.15% | - | 4.27% to 4.63% |
| Islamic medium term notes | 3.75% to 4.65% | 3.75% to 4.65% | 3.75% to 4.65% | 3.75% to 4.65% |

(g) An amount of RM1,045,890,000 (2019: RM1,148,143,000) of the Group's borrowings consists of floating rate borrowings, of which interest rates reprice within a year.

The Company did not have any floating rate borrowings as at end of both the financial years.

37. TRADE PAYABLES

| | Group | | Company | |
|----------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Trade payables | 490,466 | 517,848 | 5,436 | 4,812 |

Included in the trade payables are amounts owing to related parties of RM51,890,000 (2019: RM6,431,000).

The normal trade credit terms granted to the Group range from 7 to 90 (2019: 7 to 90) days.

38. OTHER PAYABLES

| | Group | | Company | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Other payables | 263,246 | 410,800 | 34,894 | 48,649 |
| Accruals | 452,926 | 406,340 | 84,361 | 45,606 |
| Indirect tax payables | 6,211 | 24,603 | - | - |
| | 722,383 | 841,743 | 119,255 | 94,255 |

39. RELATED PARTY TRANSACTIONS

(a) The Company has a controlling related party relationship with all its subsidiaries. Significant inter-company transactions of the Company are as follows (in addition to related party disclosures mentioned elsewhere in the financial statements):

| | Company | |
|---------------------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Sale of goods to subsidiaries | 254,605 | 150,743 |
| Purchase of goods from subsidiaries | 8,596 | 7,841 |
| Commission received from a subsidiary | 1,345 | 1,133 |
| Interest received from subsidiaries | 53,230 | 53,665 |
| Interest paid to subsidiaries | 281 | 312 |
| Rental received from a subsidiary | 688 | 545 |
| Management fees paid to subsidiaries | 12,093 | 12,236 |
| License fees paid to subsidiaries | 11,805 | 7,366 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Significant related party transactions

Set out below are the significant related party transactions which are carried out in the mutually agreed terms for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements).

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| (i) Transactions with associates and joint ventures | | | | |
| Sale of goods | 277,248 | 224,121 | - | - |
| Purchase of goods | 1,236,380 | 1,056,792 | 651 | 1,095 |
| Service charges paid | 2,489 | 2,726 | 687 | 915 |
| Research and development services paid | 14,142 | 13,687 | 14,142 | 13,687 |
| (ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest | | | | |
| Sale of goods | | | | |
| P.T. Satu Sembilan Delapan | 13,242 | 14,167 | - | - |
| Siam Taiko Marketing Co Ltd | 2,151 | 2,591 | - | - |
| Taiko Marketing Sdn Bhd | 7,281 | 6,968 | - | - |
| Taiko Marketing (Singapore) Pte Ltd | 2,364 | 3,551 | - | - |
| Storage tanks rental received | | | | |
| Taiko Marketing Sdn Bhd | 4,062 | 4,132 | - | - |
| Purchase of goods | | | | |
| Borneo Taiko Clay Sdn Bhd | 4,515 | 4,619 | - | - |
| Bukit Katho Estate Sdn Bhd | 5,009 | 3,643 | 5,009 | 3,643 |
| Kampar Rubber & Tin Co Sdn Bhd | 6,196 | 5,554 | 6,196 | 5,554 |
| Kekal & Deras Sdn Bhd | 1,919 | 1,512 | 1,919 | 1,512 |
| Ladang Tai Tak (Kota Tinggi) Sdn Bhd | - | 2,269 | - | - |
| Malay Rubber Plantations (M) Sdn Bhd | 7,435 | 5,859 | 7,435 | 5,859 |
| P.T. Agro Makmur Abadi | 62,877 | 52,946 | - | - |
| P.T. Bumi Karyatama Raharja | 1,152 | 3,044 | - | - |
| P.T. Java Taiko Mineralindo | 3,456 | 1,140 | - | - |
| P.T. Safari Riau | 35,739 | 20,394 | - | - |
| P.T. Satu Sembilan Delapan | 30,879 | 30,215 | - | - |
| Taiko Acid Works Sdn Bhd | 521 | 2,262 | - | - |
| Taiko Clay Marketing Sdn Bhd | 2,062 | 2,558 | - | - |
| Taiko Drum Industries Sdn Bhd | 1,502 | 3,689 | - | 37 |
| Taiko Marketing Sdn Bhd | 21,320 | 31,391 | - | 16 |
| Rental of office paid | | | | |
| Batu Kawan Holdings Sdn Bhd | 4,502 | 4,646 | 1,260 | 1,251 |
| Management fees paid | | | | |
| Farming Management Services Pty Ltd | 2,373 | 2,405 | - | - |
| Aircraft operating expenses and management services paid | | | | |
| Smooth Route Sdn Bhd | 1,940 | 2,228 | 1,940 | 2,228 |
| Supply of contract labour and engineering works | | | | |
| K7 Engineering Sdn Bhd | - | 1,825 | - | - |
| Yeow Brothers Engineering Sdn Bhd | 536 | 717 | - | - |
| IT Services | | | | |
| E-Komoditi Sdn Bhd | 637 | 1,824 | 637 | 1,824 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | Group | | Company | |
|---|------------------|------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| (iii) Transactions between subsidiaries and non-controlling interests | | | | |
| Sale of goods | | | | |
| Mitsubishi Corporation | 59,021 | 42,980 | - | - |
| Mitsui & Co Ltd | 205,402 | 237,160 | - | - |
| | 264,423 | 280,140 | - | - |
| Purchase of goods | | | | |
| Mitsubishi Gas Chemical Singapore Pte Ltd | 12,036 | 16,203 | - | - |
| P.T. Eka Sura Indonesia | 12,494 | - | - | - |
| P.T. Tanjung Bina Lestari | 881 | 18,408 | - | - |
| P.T. Tanjung Sarana Lestari | 1,410,602 | 1,210,290 | - | - |
| | 1,435,913 | 1,244,901 | - | - |

40. CAPITAL COMMITMENTS

| | Group | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Capital expenditure | | | | |
| Approved and contracted | 285,586 | 322,372 | 2,444 | 3,917 |
| Approved but not contracted | 1,334,184 | 882,148 | 126,672 | 102,657 |
| | 1,619,770 | 1,204,520 | 129,116 | 106,574 |
| Acquisition of shares in subsidiaries | | | | |
| Approved and contracted | 765,196 | - | - | - |
| | 765,196 | - | - | - |

41. LEASE COMMITMENTS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Lease as a lessee | | | | |
| Total future minimum lease payments under non-cancellable operating leases are as follows: | | | | |
| Less than 1 year | - | 36,417 | - | 1,238 |
| Between 1 to 5 years | - | 113,522 | - | 191 |
| More than 5 years | - | 120,137 | - | - |
| | - | 270,076 | - | 1,429 |

Lease as a lessor

The Group leases out some of its land and buildings to third parties. The Group classified these leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of these assets. The following is the maturity analysis of the undiscounted lease payments to be received after the reporting date.

| | Group | | Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Within 1 year | 2,390 | 1,921 | 1,752 | 1,685 |
| Between 1 to 2 years | 1,737 | 1,848 | 1,116 | 1,583 |
| Between 2 to 3 years | 622 | 1,352 | - | 1,105 |
| Between 3 to 4 years | 619 | 247 | - | - |
| Between 4 to 5 years | 572 | 246 | - | - |
| More than 5 years | 2,035 | 1,051 | - | - |
| | 7,975 | 6,665 | 2,868 | 4,373 |

42. CONTINGENT LIABILITIES – UNSECURED

- (a) The Company has an unsecured contingent liability of RM948.0 million (2019: RM962.7 million) in respect of corporate guarantees given to certain banks for credit facilities utilised by certain subsidiaries at 30 September 2020.
- (b) The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) The names of subsidiaries, associates and joint ventures are detailed below:

| Subsidiaries | Country Of Incorporation | Principal Country Of Operation | Effective Ownership Interest and Voting Interest | | Principal Activities |
|--|--------------------------|--------------------------------|--|------|---|
| | | | 2020 | 2019 | |
| PLANTATION | | | | | |
| <i>PENINSULAR MALAYSIA</i> | | | | | |
| Uni-Agro Multi Plantations Sdn Bhd | Malaysia | Malaysia | 51 | 51 | Plantation |
| Betatechnic Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Operating biogas capture plants |
| Gunong Pertanian Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Extraction of crude palm oil |
| KL-Kepong Edible Oils Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Refining of palm products |
| Taiko Plantations Sendirian Berhad | Malaysia | Malaysia | 100 | 100 | Management of plantations |
| Golden Complex Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Investment holding |
| Jasachem Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Investment holding |
| KL-Kepong Plantation Holdings Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Investment holding |
| Fajar Palmkel Sdn Berhad | Malaysia | Malaysia | 100 | 100 | Kernel crushing |
| <i>SABAH</i> | | | | | |
| Bornion Estate Sdn Bhd | Malaysia | Malaysia | 63 | 63 | Plantation |
| KL-Kepong (Sabah) Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Plantation |
| Sabah Cocoa Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Plantation |
| KLK Premier Oils Sdn Bhd | Malaysia | Malaysia | 85 | 85 | Processing and marketing of oil palm products |
| Golden Yield Sdn Bhd | Malaysia | Malaysia | 85 | 85 | Processing and marketing of oil palm products |
| Sabah Holdings Corporation Sdn Bhd | Malaysia | Malaysia | 70 | 70 | Investment holding |
| <i>INDONESIA</i> | | | | | |
| P.T. ADEI Plantation & Industry † | Indonesia | Indonesia | 95 | 95 | Plantation, refining of palm products and kernel crushing |
| P.T. Alam Karya Sejahtera AKS † | Indonesia | Indonesia | 62 | 62 | Plantation |
| P.T. Bumi Makmur Sejahtera Jaya † | Indonesia | Indonesia | 95 | 95 | Plantation |
| P.T. Hutan Hijau Mas † | Indonesia | Indonesia | 92 | 92 | Plantation |
| P.T. Jabontara Eka Karsa † | Indonesia | Indonesia | 95 | 95 | Plantation |
| P.T. Karya Makmur Abadi † | Indonesia | Indonesia | 95 | 95 | Plantation |
| P.T. Langkat Nusantara Kepong † | Indonesia | Indonesia | 60 | 60 | Plantation |
| P.T. Malindomas Perkebunan † | Indonesia | Indonesia | 92 | 92 | Plantation |
| P.T. Menteng Jaya Sawit Perdana † | Indonesia | Indonesia | 95 | 95 | Plantation |
| P.T. Mulia Agro Permai † | Indonesia | Indonesia | 95 | 95 | Plantation |
| P.T. Parit Sembada † | Indonesia | Indonesia | 90 | 90 | Plantation |
| P.T. Perindustrian Sawit Synergi † | Indonesia | Indonesia | 80 | 80 | Refining of palm products and kernel crushing |
| P.T. Putra Bongan Jaya † | Indonesia | Indonesia | 95 | 95 | Plantation |
| P.T. Steelindo Wahana Perkasa † | Indonesia | Indonesia | 95 | 95 | Plantation, refining of palm products and kernel crushing |
| P.T. Sekarbumi Alamlestari † | Indonesia | Indonesia | 65 | 65 | Plantation |
| P.T. KLK Agriservindo † | Indonesia | Indonesia | 100 | 100 | Management of plantation |
| P.T. Anugrah Surya Mandiri † (In Liquidation) | Indonesia | Indonesia | 95 | 95 | Dormant |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Subsidiaries | Country Of Incorporation | Principal Country Of Operation | Effective Ownership Interest and Voting Interest | | Principal Activities |
|---|--------------------------|--------------------------------|--|------|---|
| | | | 2020 | 2019 | |
| PLANTATION | | | | | |
| <i>SINGAPORE</i> | | | | | |
| Astra-KLK Pte Ltd † | Singapore | Singapore | 51 | 51 | Marketing of refined palm oil products and provision of logistics services related to palm products |
| Collingwood Plantations Pte Ltd † | Singapore | Singapore | 82 | 82 | Investment holding |
| KLK Agro Plantations Pte Ltd † | Singapore | Singapore | 100 | 100 | Investment holding |
| Taiko Plantations Pte Ltd † | Singapore | Singapore | 100 | 100 | Management of plantations |
| Agro Putra Pte Ltd † | Singapore | Singapore | 100 | 100 | Dormant (pending completion of striking off process) |
| <i>PAPUA NEW GUINEA</i> | | | | | |
| Ang Agro Forest Management Ltd † | Papua New Guinea | Papua New Guinea | 82 | 82 | Dormant |
| <i>UNITED KINGDOM</i> | | | | | |
| Equatorial Palm Oil plc # | United Kingdom | United Kingdom | -* | 63 | Investment holding |
| <i>GUERNSEY</i> | | | | | |
| Equatorial Biofuels (Guernsey) Limited †† | Guernsey | Guernsey | -* | 63 | Investment holding |
| <i>MAURITIUS</i> | | | | | |
| Liberian Palm Developments Limited †† | Mauritius | Mauritius | 100 | 82 | Investment holding |
| EBF (Mauritius) Limited †† | Mauritius | Mauritius | 100 | 82 | Investment holding |
| EPO (Mauritius) Limited †† | Mauritius | Mauritius | 100 | 82 | Investment holding |
| <i>LIBERIA</i> | | | | | |
| Liberia Forest Products Inc † | Liberia | Liberia | 100 | 82 | Plantation |
| LIBINC Oil Palm Inc † | Liberia | Liberia | 100 | 82 | Plantation |
| Equatorial Palm Oil (Liberia) Incorporated † | Liberia | Liberia | 100 | 82 | Management of plantation |
| Liberian Agriculture Developments Corporation † | Liberia | Liberia | 100 | 82 | Dormant |
| MANUFACTURING | | | | | |
| <i>OLEOCHEMICALS</i> | | | | | |
| Palm-Oleo Sdn Bhd | Malaysia | Malaysia | 80 | 80 | Manufacturing of fatty acids |
| Palm-Oleo (Klang) Sdn Bhd | Malaysia | Malaysia | 80 | 80 | Manufacturing of oleochemicals |
| KSP Manufacturing Sdn Bhd | Malaysia | Malaysia | 80 | 80 | Manufacturing of soap noodles |
| Palmamide Sdn Bhd | Malaysia | Malaysia | 80 | 80 | Manufacturing of industrial amides |
| KL-Kepong Oleomas Sdn Bhd | Malaysia | Malaysia | 96 | 96 | Manufacturing of fatty alcohol and methyl esters |
| Davos Life Science Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Manufacturing of palm phytonutrients and other palm derivatives |
| KLK Bioenergy Sdn Bhd | Malaysia | Malaysia | 96 | 96 | Manufacturing of methyl esters |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Subsidiaries | Country Of Incorporation | Principal Country Of Operation | Effective Ownership Interest and Voting Interest | | Principal Activities |
|--|----------------------------|--------------------------------|--|------|---|
| | | | 2020 | 2019 | |
| MANUFACTURING | | | | | |
| <i>OLEOCHEMICALS</i> | | | | | |
| KLK Emmerich GmbH # | Germany | Germany | 100 | 100 | Manufacturing of fatty acids and glycerine |
| Taiko Palm-Oleo (Zhangjiagang) Co Ltd † | People's Republic of China | People's Republic of China | 80 | 80 | Manufacturing and trading of fatty acids, glycerine, soap noodles, triacetin, special paper chemicals and surfactants |
| Shanghai Jinshan Jingwei Chemical Co Ltd † | People's Republic of China | People's Republic of China | 100 | 100 | Manufacturing of detergents, auxiliary materials for detergents and cosmetics and investment holding |
| P.T. KLK Dumai † | Indonesia | Indonesia | 100 | 100 | Manufacturing of basic organic chemicals from agricultural products |
| KLK Oleo (Shanghai) Co Ltd † | People's Republic of China | People's Republic of China | 100 | 100 | Trading and distribution of oleochemicals |
| KLK OLEO Americas Inc ** | United States of America | United States of America | 100 | - | Trading and distribution of oleochemicals |
| KLK Tensachem SA † | Belgium | Belgium | 100 | 100 | Manufacturing of alcohol ether sulphates, alcohol sulphates and sulphonic acids |
| KL-Kepong Industrial Holdings Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Investment holding |
| KLK Premier Capital Limited | British Virgin Islands | Malaysia | 80 | 80 | Investment holding and trading in commodities |
| Capital Glogalaxy Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Dormant |
| <i>NON-IONIC SURFACTANTS AND ESTERS</i> | | | | | |
| Kolb Distribution AG # | Switzerland | Switzerland | 100 | 100 | Distribution of non-ionic surfactants and esters |
| Dr. W. Kolb AG # | Switzerland | Switzerland | 100 | 100 | Manufacturing of non-ionic surfactants and esters |
| Dr. W. Kolb Netherlands BV # | Netherlands | Netherlands | 100 | 100 | Manufacturing of non-ionic surfactants and esters |
| Kolb Distribution BV †† | Netherlands | Netherlands | 100 | 100 | Distribution of non-ionic surfactants and esters |
| Kolb France SARL †† | France | France | 100 | 100 | Distribution of non-ionic surfactants and esters |
| Dr. W. Kolb Deutschland GmbH †† | Germany | Germany | 100 | 100 | Distribution of non-ionic surfactants and esters |
| KLK Kolb Specialties BV # | Netherlands | Netherlands | 100 | 100 | Manufacturing and distribution of non-ionic surfactants and esters |
| KLK Chemicals Holding Netherlands BV †† | Netherlands | Netherlands | 100 | 100 | Investment holding |
| <i>GLOVE PRODUCTS</i> | | | | | |
| KL-Kepong Rubber Products Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Manufacturing and trading in rubber products |
| Masif Latex Products Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Dormant |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Subsidiaries | Country Of Incorporation | Principal Country Of Operation | Effective Ownership Interest and Voting Interest | | Principal Activities |
|---|--------------------------|--------------------------------|--|------|--|
| | | | 2020 | 2019 | |
| MANUFACTURING | | | | | |
| PARQUET FLOORING | | | | | |
| B.K.B. Hevea Products Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Manufacturing of parquet flooring products |
| B.K.B. Flooring Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Dormant |
| NUTRACEUTICAL, COSMETOCEUTICAL & PHARMACEUTICAL PRODUCTS | | | | | |
| Davos Life Science Pte Ltd † | Singapore | Singapore | 100 | 100 | Sales of pharmaceutical and bio-pharmaceutical intermediates and fine chemicals and investment holding |
| Biogene Life Science Pte Ltd † | Singapore | Singapore | 100 | 100 | Research collaboration and investment holding |
| Centros Life Science Pte Ltd † | Singapore | Singapore | 100 | 100 | Sales of pharmaceutical and bio-pharmaceutical intermediates fine chemicals |
| STORAGE & DISTRIBUTION | | | | | |
| Stolthaven (Westport) Sdn Bhd | Malaysia | Malaysia | 51 | 51 | Storing and distribution of bulk liquid |
| PROPERTY | | | | | |
| Colville Holdings Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Property development |
| KL-K Holiday Bungalows Sendirian Berhad | Malaysia | Malaysia | 100 | 100 | Operating holiday bungalows |
| KL-Kepong Complex Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Property development |
| KL-Kepong Country Homes Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Property development |
| KL-Kepong Property Development Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Property development |
| KL-Kepong Property Management Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Property management and property development |
| KLK Land Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Investment holding |
| Kompleks Tanjong Malim Sdn Bhd | Malaysia | Malaysia | 80 | 80 | Property development |
| Palermo Corporation Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Property development |
| Scope Energy Sdn Bhd | Malaysia | Malaysia | 60 | 60 | Property development |
| Selasih Ikhtisas Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Property development |
| KLK Landscape Services Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Dormant |
| KLK Park Homes Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Dormant |
| KLK Retail Centre Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Dormant |
| KLK Coalfields Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Dormant |
| INVESTMENT HOLDING | | | | | |
| Ablington Holdings Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Investment holding |
| KL-Kepong Equity Holdings Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Investment holding |
| Ortona Enterprise Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Money lending |
| Quarry Lane Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Investment holding |
| KL-Kepong International Ltd †† | Cayman Islands | Cayman Islands | 100 | 100 | Investment holding |
| Kersten Holdings Ltd †† | British Virgin Islands | British Virgin Islands | 100 | 100 | Investment holding |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Subsidiaries | Country Of Incorporation | Principal Country Of Operation | Effective Ownership Interest and Voting Interest | | Principal Activities |
|-------------------------------------|--------------------------|--------------------------------|--|------|-------------------------------------|
| | | | 2020 | 2019 | |
| INVESTMENT HOLDING | | | | | |
| KLK Overseas Investments Limited †† | British Virgin Islands | British Virgin Islands | 100 | 100 | Investment holding |
| KLKI Holdings Limited † | United Kingdom | United Kingdom | 100 | 100 | Investment holding |
| Draw Fields Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Dormant |
| Ladang Perbadanan-Fima Berhad | Malaysia | Malaysia | 100 | 100 | Dormant |
| Richinstock Sawmill Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Dormant |
| OTHERS | | | | | |
| Somerset Cuisine Limited † | United Kingdom | United Kingdom | 100 | 100 | Manufacturing of jams and preserves |
| KLK Farms Pty Ltd † | Australia | Australia | 100 | 100 | Farming |
| KLK Assurance (Labuan) Limited † | Malaysia | Malaysia | 100 | 100 | Offshore captive insurance |
| KLK Global Resourcing Sdn Bhd | Malaysia | Malaysia | 100 | 100 | Dormant |

Companies audited by member firms of BDO International.

†† These companies are not required to be audited in the country of incorporation. The results of these companies are consolidated based on the unaudited financial statements.

† Companies not audited by BDO PLT.

** KLK OLEO Americas Inc was incorporated on 19 August 2020.

The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

| Associates | Country of Incorporation | Effective Ownership Interest and Voting Interest | | Principal Activities |
|---|--------------------------|--|------|--|
| | | 2020 | 2019 | |
| Applied Agricultural Resources Sdn Bhd | Malaysia | 50.0 | 50.0 | Agronomic service and research |
| Aura Muhibah Sdn Bhd | Malaysia | 40.0 | 40.0 | Property development |
| FKW Global Commodities (Pvt) Limited | Pakistan | 30.0 | 30.0 | Trading in commodities |
| Kumpulan Sierramas (M) Sdn Bhd | Malaysia | 50.0 | 50.0 | Property development |
| Malaysia Pakistan Venture Sdn Bhd | Malaysia | 37.5 | 37.5 | Investment holding |
| MAPAK Edible Oils (Private) Limited | Pakistan | 30.0 | 30.0 | Manufacturing and marketing of palm and other soft oils |
| MEO Trading Sdn Bhd (In Members' Voluntary Liquidation) | Malaysia | 30.0 | 30.0 | Trading in commodities |
| PhytoPharma Co Ltd | Japan | 22.8 | 22.8 | Import, export and distribution of herbal medicine and raw materials thereof, raw materials of pharmaceutical products and cosmetic products |
| Synthomer plc | United Kingdom | 21.0 | 20.1 | Speciality chemicals manufacturer |
| Equatorial Palm Oil plc | United Kingdom | 49.1* | - | Investment holding |

* Following the placement of 100,000,000 new ordinary shares by Equatorial Palm Oil plc ("EPO") on 10 September 2020, the Group's equity interest in EPO decreased from 62.9% to 49.1%.

The dilution of the Group's equity interest to 49.1% with a loss of control in EPO is considered as a deemed disposal of the subsidiary and a surplus on deemed disposal of RM21.1 million was recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Joint Ventures | Country of Incorporation | Effective Ownership Interest and Voting Interest | | Principal Activities |
|---------------------------|--------------------------|--|------|---|
| | | 2020 | 2019 | |
| P.T. Kreasijaya Adhikarya | Indonesia | 50.0 | 50.0 | Refining of crude palm oil and bulking installation |
| Rainbow State Limited | British Virgin Islands | 50.0 | 50.0 | Owning and operating of aircraft |

(b) Acquisitions and disposals of subsidiaries 2020

Purchase of shares from non-controlling interests

On 18 May 2020, the Group's subsidiary, Equatorial Palm Oil plc ("EPO") had disposed 50% equity interest in Liberian Palm Developments Limited ("LPD") held by its wholly-owned subsidiary, Equatorial Biofuels (Guernsey) Limited to KLK Agro Plantations Pte Ltd ("KLKAP"), a wholly-owned subsidiary of the Group, and transfer an outstanding debt of USD6.2 million in EPO owed by LPD to KLKAP. The consideration for the disposal of shares and transfer of debt was £1.

Following the completion of disposal on 11 June 2020, LPD is now a wholly-owned subsidiary of the Group.

The effect of the above equity transactions with non-controlling interests was summarised below:

| | RM'000 |
|--|---------------|
| Net consideration paid | - |
| Net liabilities acquired from non-controlling interests | 36,471 |
| | <u>36,471</u> |
| Exchange fluctuation reserve | 5,617 |
| Net effect on changes in shareholdings in a subsidiary to equity | <u>42,088</u> |

2019

Disposal and purchase of shares from non-controlling interests

During the financial year ended 30 September 2019, the Group disposed the shares in the following subsidiaries for a cash consideration of RM1,373,000:

- (i) 5% equity interest in P.T. Mulia Agro Permai;
- (ii) 5% equity interest in P.T. Karya Makmur Abadi; and
- (iii) 5% equity interest in P.T. Menteng Jaya Sawit Perdana.

Subsequently, the Group acquired additional shares in the following subsidiaries from their non-controlling interests for a cash consideration of RM46,429,000 pursuant to an out-of-court settlement with their non-controlling interests:

- (i) 10% equity interest in P.T. Mulia Agro Permai;
- (ii) 10% equity interest in P.T. Karya Makmur Abadi; and
- (iii) 20% equity interest in P.T. Menteng Jaya Sawit Perdana.

The effect of the above equity transactions with non-controlling interests was summarised below:

| | RM'000 |
|---|---------------|
| Net consideration paid | 45,056 |
| Net liabilities acquired from non-controlling interests | 20,692 |
| | <u>65,748</u> |
| Realisation of incidental cost previously charged to profit or loss on partial disposal of shares in subsidiaries | (115) |
| Net effect on changes in shareholdings in subsidiaries to equity | <u>65,633</u> |

(c) Material non-controlling interests

As at 30 September 2020 and 30 September 2019, other than the non-controlling interest in Scope Energy Sdn Bhd ("Scope Energy"), the Group does not have any other subsidiary which has non-controlling interests that are individually material to the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2020 | 2019 |
|---|----------------|---------------|
| Non-controlling interest's percentage of ownership interest and voting interest in Scope Energy | 40% | 40% |
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Carrying amount of non-controlling interest in Scope Energy | 361,217 | 361,023 |
| Profit allocated to non-controlling interest in Scope Energy | 193 | 223 |
| Summarised financial information (before inter-company elimination) of Scope Energy: | | |
| (i) Summarised statement of financial position as at 30 September: | | |
| Non-current assets | 883,909 | 883,888 |
| Current assets | 19,186 | 18,756 |
| Current liabilities | (53) | (85) |
| Net assets | 903,042 | 902,559 |
| (ii) Summarised statement of comprehensive income for the year ended 30 September: | | |
| Dividend and interest income | 593 | 700 |
| Profit for the year | 484 | 556 |
| Total comprehensive income | 484 | 556 |
| (iii) Summarised cash flows for the year ended 30 September: | | |
| Cash flows from operating activities | (65) | (115) |
| Cash flows from investing activities | 572 | (16,373) |
| Cash flows from financing activities | - | - |
| Net increase/(decrease) in cash and cash equivalents | 507 | (16,488) |

(d) Dividends paid to non-controlling interests for the financial year ended 30 September 2020 were RM47,018,000 (2019: RM49,223,000).

44. SEGMENT INFORMATION – GROUP

The Group has 5 reportable segments which are the Group's strategic business units. The strategic business units offer different products and are managed separately as they require different technology and marketing strategies. The Group's Chief Executive Officer reviews internal management reports of each of the strategic business units on a monthly basis.

The reportable segments are summarised below:

| | |
|----------------------|--|
| Plantation | Cultivation and processing of palm and rubber products, refining of palm products, kernel crushing and trading of palm products |
| Manufacturing | Manufacturing of oleochemicals, non-ionic surfactants and esters, rubber gloves, parquet flooring products, pharmaceutical products and storing and distribution of bulk liquid |
| Property development | Development of residential and commercial properties |
| Investment holding | Placement of deposits with licensed banks, investment in fixed income trust funds, investment in quoted and unquoted corporations and speciality chemicals manufacturing by an associate |
| Others | Farming, management services and money lending |

The accounting policies of the reportable segments are the same as described in Note 3.22.

Inter-segment pricing is determined based on negotiated terms in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate with these industries.

Segment assets exclude tax assets.

Segment liabilities exclude tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(a) Business segment

| | Plantation RM'000 | Manufacturing RM'000 | Property Development RM'000 | Investment Holding RM'000 | Others RM'000 | Elimination RM'000 | Consolidated RM'000 |
|--|----------------------|-------------------------|-----------------------------------|---------------------------------|------------------|-----------------------|------------------------|
| 2020 | | | | | | | |
| Revenue | | | | | | | |
| Sale to external customers | 6,999,576 | 8,206,761 | 154,884 | 145,071 | 89,664 | - | 15,595,956 |
| Inter-segment sales | 937,331 | 43 | - | 247,458 | 14,717 | (1,199,549) | - |
| Total revenue | 7,936,907 | 8,206,804 | 154,884 | 392,529 | 104,381 | (1,199,549) | 15,595,956 |
| Results | | | | | | | |
| Operating results | 732,863 | 448,630 | 51,949 | 9,204 | (12,215) | - | 1,230,431 |
| Interest income | 3,974 | 3,421 | 599 | 139,660 | 308 | (33,109) | 114,853 |
| Finance costs | (15,570) | (49,741) | (177) | (204,610) | (5,609) | 33,109 | (242,598) |
| Share of profits of equity accounted associates, net of tax | 11,142 | 1,022 | 1,667 | 18,738 | - | - | 32,569 |
| Share of losses of equity accounted joint ventures, net of tax | (7,222) | - | - | - | (1,765) | - | (8,987) |
| Segment results | 725,187 | 403,332 | 54,038 | (37,008) | (19,281) | - | 1,126,268 |
| Corporate income | | | | | | | 59,462 |
| Profit before taxation | | | | | | | 1,185,730 |
| Tax expense | | | | | | | (328,681) |
| Profit for the year | | | | | | | 857,049 |
| Assets | | | | | | | |
| Operating assets | 6,825,451 | 6,776,399 | 1,558,409 | 3,136,671 | 532,380 | - | 18,829,310 |
| Associates | 82,814 | 9,784 | 69,070 | 1,383,283 | - | - | 1,544,951 |
| Joint ventures | 142,784 | - | - | - | 2,999 | - | 145,783 |
| Segment assets | 7,051,049 | 6,786,183 | 1,627,479 | 4,519,954 | 535,379 | - | 20,520,044 |
| Tax assets | | | | | | | 426,255 |
| Total assets | | | | | | | 20,946,299 |
| Liabilities | | | | | | | |
| Segment liabilities | 1,425,007 | 2,245,465 | 127,162 | 4,809,921 | 42,408 | - | 8,649,963 |
| Tax liabilities | | | | | | | 492,236 |
| Total liabilities | | | | | | | 9,142,199 |
| Other information | | | | | | | |
| Depreciation of property, plant and equipment | 294,224 | 259,236 | 578 | - | 10,851 | - | 564,889 |
| Depreciation of right-of-use assets | 25,504 | 21,030 | 836 | 45 | 326 | - | 47,741 |
| Non-cash expenses | | | | | | | |
| Property, plant and equipment written off | 6,738 | 8,264 | - | - | - | - | 15,002 |
| Retirement benefits provision | 40,886 | 8,099 | - | - | - | - | 48,985 |
| Amortisation of deferred income | - | (8,182) | - | - | - | - | (8,182) |
| Impairment of trade receivables | 786 | 6,578 | 38 | - | 1 | - | 7,403 |
| Impairment of plasma receivables | 10,346 | - | - | - | - | - | 10,346 |
| Write down of inventories | 18,778 | 18,638 | - | - | - | - | 37,416 |
| Reversal of impairment of trade receivables | - | (5,486) | - | - | - | - | (5,486) |
| Amortisation of intangible assets | - | 3,836 | - | - | - | - | 3,836 |
| Write back of inventories | - | (15,781) | - | - | (114) | - | (15,895) |
| Surplus on government acquisition of land * | - | - | - | - | - | - | (1,058) |
| Surplus on disposal of land * | - | - | - | - | - | - | (83,655) |
| Surplus on deemed disposal of a subsidiary * | - | - | - | - | - | - | (21,147) |

* Included under corporate income

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | Plantation RM'000 | Manufacturing RM'000 | Property Development RM'000 | Investment Holding RM'000 | Others RM'000 | Elimination RM'000 | Consolidated RM'000 |
|--|----------------------|-------------------------|-----------------------------------|---------------------------------|------------------|-----------------------|------------------------|
| 2019 | | | | | | | |
| Revenue | | | | | | | |
| Sale to external customers | 6,338,240 | 8,763,397 | 170,359 | 117,765 | 144,126 | - | 15,533,887 |
| Inter-segment sales | 938,282 | - | - | 288,538 | 2,611 | (1,229,431) | - |
| Total revenue | <u>7,276,522</u> | <u>8,763,397</u> | <u>170,359</u> | <u>406,303</u> | <u>146,737</u> | <u>(1,229,431)</u> | <u>15,533,887</u> |
| Results | | | | | | | |
| Operating results | 400,371 | 434,551 | 43,921 | 38,009 | 34,580 | - | 951,432 |
| Interest income | 4,434 | 5,502 | 700 | 98,826 | 560 | (42,230) | 67,792 |
| Finance costs | (17,028) | (55,144) | - | (128,104) | (7,622) | 42,230 | (165,668) |
| Share of profits of equity accounted associates, net of tax | 11,339 | 713 | 2,734 | - | - | - | 14,786 |
| Share of losses of equity accounted joint ventures, net of tax | (4,484) | - | - | - | (1,735) | - | (6,219) |
| Segment results | <u>394,632</u> | <u>385,622</u> | <u>47,355</u> | <u>8,731</u> | <u>25,783</u> | <u>-</u> | <u>862,123</u> |
| Corporate expense | | | | | | | (38,195) |
| Profit before taxation | | | | | | | 823,928 |
| Tax expense | | | | | | | (173,195) |
| Profit for the year | | | | | | | <u>650,733</u> |
| Assets | | | | | | | |
| Operating assets | 6,648,142 | 6,493,297 | 1,506,728 | 3,059,430 | 498,395 | - | 18,205,992 |
| Associates | 92,944 | 8,501 | 72,403 | 1,315,362 | - | - | 1,489,210 |
| Joint ventures | 152,044 | - | - | - | 4,774 | - | 156,818 |
| Segment assets | <u>6,893,130</u> | <u>6,501,798</u> | <u>1,579,131</u> | <u>4,374,792</u> | <u>503,169</u> | <u>-</u> | <u>19,852,020</u> |
| Tax assets | | | | | | | 547,346 |
| Total assets | | | | | | | <u>20,399,366</u> |
| Liabilities | | | | | | | |
| Segment liabilities | 1,541,767 | 2,117,527 | 119,719 | 4,832,536 | 35,661 | - | 8,647,210 |
| Tax liabilities | | | | | | | 465,501 |
| Total liabilities | | | | | | | <u>9,112,711</u> |
| Other information | | | | | | | |
| Depreciation of property, plant and equipment | 281,873 | 253,842 | 846 | 44 | 11,534 | - | 548,139 |
| Amortisation of prepaid lease payments | 11,460 | 1,038 | - | - | - | - | 12,498 |
| Non-cash expenses | | | | | | | |
| Property, plant and equipment written off | 2,078 | 178 | - | - | - | - | 2,256 |
| Retirement benefits provision | 31,746 | 16,036 | - | - | - | - | 47,782 |
| Amortisation of deferred income | - | (8,188) | - | - | - | - | (8,188) |
| Impairment of property, plant and equipment | 98,771 | - | - | - | 648 | - | 99,419 |
| Impairment of prepaid lease payments | 32,235 | - | - | - | - | - | 32,235 |
| Impairment of trade receivables | 3,499 | 4,025 | - | - | - | - | 7,524 |
| Write back of inventories | - | (10,624) | - | - | - | - | (10,624) |
| Reversal of impairment of trade receivable | - | (6,749) | - | - | (8) | - | (6,757) |
| Prepaid lease payments written off | 6,025 | - | - | - | - | - | 6,025 |
| Write down of inventories | 43,087 | 18,806 | - | - | 85 | - | 61,978 |
| Amortisation of intangible assets | - | 3,504 | - | - | - | - | 3,504 |
| Surplus on government acquisition of land * | - | - | - | - | - | - | (91,209) |
| Surplus on disposal of land * | - | - | - | - | - | - | (2,513) |

* Included under corporate income

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Additions to non-current assets, other than financial instruments (including investments in associates and joint ventures) and deferred tax assets, are as follows:

| | Plantation RM'000 | Manufacturing RM'000 | Property Development RM'000 | Others RM'000 | Total RM'000 |
|------------------------------------|----------------------|-------------------------|-----------------------------------|------------------|-----------------|
| 2020 | | | | | |
| Capital expenditure | 469,469 | 175,689 | 108 | 26,341 | 671,607 |
| Right-of-use assets | 9,346 | 205,344 | - | - | 214,690 |
| Land held for property development | - | - | 21,545 | - | 21,545 |
| Intangible assets | - | 2,689 | - | - | 2,689 |
| | 478,815 | 383,722 | 21,653 | 26,341 | 910,531 |
| 2019 | | | | | |
| Capital expenditure | 504,448 | 123,218 | 255 | 16,637 | 644,558 |
| Land held for property development | - | - | 7,889 | - | 7,889 |
| Intangible assets | - | 3,405 | - | - | 3,405 |
| | 504,448 | 126,623 | 8,144 | 16,637 | 655,852 |

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments, investments in associates, joint ventures and deferred tax assets.

(i) Revenue from external customers by geographical location of customers

| | 2020 RM'000 | 2019 RM'000 |
|-----------------|-------------------|-------------------|
| Malaysia | 2,152,832 | 2,129,221 |
| Far East | 2,426,259 | 2,790,551 |
| Middle East | 276,719 | 326,303 |
| South East Asia | 4,723,248 | 3,830,126 |
| Southern Asia | 1,591,424 | 1,459,000 |
| Europe | 3,738,770 | 4,230,910 |
| North America | 288,454 | 312,774 |
| South America | 83,703 | 72,671 |
| Australia | 134,645 | 182,566 |
| Africa | 102,002 | 93,928 |
| Others | 77,900 | 105,837 |
| | 15,595,956 | 15,533,887 |

(ii) Non-current assets other than financial instruments, investments in associates, joint ventures and deferred tax assets and additions to capital expenditure and right-of-use assets by geographical location of the assets

| | Non-current Assets | | Additions to Capital Expenditure and Right-of-Use Assets | |
|----------------------------|--------------------|------------------|--|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Malaysia | 4,680,710 | 4,366,886 | 496,081 | 279,375 |
| Indonesia | 2,737,423 | 2,717,021 | 251,442 | 238,792 |
| Australia | 464,026 | 428,887 | 26,146 | 16,501 |
| People's Republic of China | 343,035 | 326,858 | 28,499 | 3,965 |
| Europe | 1,416,138 | 1,362,880 | 68,267 | 68,585 |
| Liberia | 319,447 | 327,859 | 13,279 | 37,079 |
| Others | 8,955 | 6,199 | 2,583 | 261 |
| | 9,969,734 | 9,536,590 | 886,297 | 644,558 |

(c) There is no single customer with revenue equal or more than 10% of the Group revenue.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments of the Group and of the Company are categorised as follows:

- (i) Financial assets at amortised cost (“FA”);
- (ii) Fair value through profit or loss (“FVTPL”);
- (iii) Fair value through other comprehensive income (“FVOCI”); and
- (iv) Financial liabilities at amortised cost (“FL”).

| | Carrying Amounts RM'000 | FA RM'000 | FVTPL RM'000 | FVOCI RM'000 | FL RM'000 |
|--|-------------------------------|------------------|------------------|-----------------|------------------|
| Group | | | | | |
| 2020 | | | | | |
| Financial assets | | | | | |
| Other investments | 416,150 | - | 13,747 | 402,403 | - |
| Trade receivables | 1,259,218 | 1,259,218 | - | - | - |
| Other receivables, net of prepayments and indirect tax | 837,695 | 837,695 | - | - | - |
| Contract assets | 10,276 | 10,276 | - | - | - |
| Derivative financial assets | 98,309 | - | 98,309 | - | - |
| Fixed income trust funds | 1,010,498 | - | 1,010,498 | - | - |
| Cash, deposits and bank balances | 2,862,440 | 2,862,440 | - | - | - |
| | 6,494,586 | 4,969,629 | 1,122,554 | 402,403 | - |
| Financial liabilities | | | | | |
| Borrowings | 6,421,290 | - | - | - | 6,421,290 |
| Trade payables | 490,466 | - | - | - | 490,466 |
| Other payables, net of indirect tax | 716,172 | - | - | - | 716,172 |
| Contract liabilities | 85,531 | - | - | - | 85,531 |
| Lease liabilities | 172,295 | - | - | - | 172,295 |
| Derivative financial liabilities | 97,447 | - | 97,447 | - | - |
| | 7,983,201 | - | 97,447 | - | 7,885,754 |
| 2019 | | | | | |
| Financial assets | | | | | |
| Other investments | 411,950 | - | 13,966 | 397,984 | - |
| Trade receivables | 1,225,376 | 1,225,376 | - | - | - |
| Other receivables, net of prepayments and indirect tax | 772,699 | 772,699 | - | - | - |
| Contract assets | 14,867 | 14,867 | - | - | - |
| Derivative financial assets | 33,967 | - | 33,967 | - | - |
| Fixed income trust funds | 328,811 | - | 328,811 | - | - |
| Cash, deposits and bank balances | 3,370,997 | 3,370,997 | - | - | - |
| | 6,158,667 | 5,383,939 | 376,744 | 397,984 | - |
| Financial liabilities | | | | | |
| Borrowings | 6,518,826 | - | - | - | 6,518,826 |
| Trade payables | 517,848 | - | - | - | 517,848 |
| Other payables, net of indirect tax | 817,140 | - | - | - | 817,140 |
| Contract liabilities | 91,239 | - | - | - | 91,239 |
| Derivative financial liabilities | 20,558 | - | 20,558 | - | - |
| | 7,965,611 | - | 20,558 | - | 7,945,053 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | Carrying Amounts RM'000 | FA RM'000 | FVTPL RM'000 | FVOCI RM'000 | FL RM'000 |
|--|-------------------------------|------------------|-----------------|-----------------|------------------|
| Company | | | | | |
| 2020 | | | | | |
| Financial assets | | | | | |
| Other investments | 437,996 | - | - | 437,996 | - |
| Trade receivables | 33,777 | 33,777 | - | - | - |
| Other receivables, net of prepayments and indirect tax | 144,465 | 144,465 | - | - | - |
| Amounts owing by subsidiaries | 1,446,535 | 1,446,535 | - | - | - |
| Derivative financial assets | 1,305 | - | 1,305 | - | - |
| Fixed income trust funds | 650,345 | - | 650,345 | - | - |
| Cash, deposits and bank balances | 1,710,366 | 1,710,366 | - | - | - |
| | 4,424,789 | 3,335,143 | 651,650 | 437,996 | - |
| Financial liabilities | | | | | |
| Borrowings | 4,600,000 | - | - | - | 4,600,000 |
| Trade payables | 5,436 | - | - | - | 5,436 |
| Other payables, net of indirect tax | 119,255 | - | - | - | 119,255 |
| Amounts owing to subsidiaries | 2,964 | - | - | - | 2,964 |
| Lease liabilities | 99,414 | - | - | - | 99,414 |
| Derivative financial liabilities | 15,832 | - | 15,832 | - | - |
| | 4,842,901 | - | 15,832 | - | 4,827,069 |
| 2019 | | | | | |
| Financial assets | | | | | |
| Other investments | 432,129 | - | - | 432,129 | - |
| Trade receivables | 26,597 | 26,597 | - | - | - |
| Other receivables, net of prepayments and indirect tax | 27,707 | 27,707 | - | - | - |
| Amounts owing by subsidiaries | 1,520,738 | 1,520,738 | - | - | - |
| Derivative financial assets | 1,767 | - | 1,767 | - | - |
| Fixed income trust funds | 85,925 | - | 85,925 | - | - |
| Cash, deposits and bank balances | 2,295,881 | 2,295,881 | - | - | - |
| | 4,390,744 | 3,870,923 | 87,692 | 432,129 | - |
| Financial liabilities | | | | | |
| Borrowings | 4,630,000 | - | - | - | 4,630,000 |
| Trade payables | 4,812 | - | - | - | 4,812 |
| Other payables, net of indirect tax | 94,255 | - | - | - | 94,255 |
| Amounts owing to subsidiaries | 22,623 | - | - | - | 22,623 |
| Derivative financial liabilities | 104 | - | 104 | - | - |
| | 4,751,794 | - | 104 | - | 4,751,690 |

(b) Net gains and losses arising from financial instruments

| | Group | | Company | |
|--|------------------|------------------|-----------------|------------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Net gains/(losses) on: | | | | |
| Financial instruments at fair value through profit or loss | 25,506 | 22,388 | (5,797) | 4,229 |
| Other investments | | | | |
| - recognised in other comprehensive income | (21,865) | (868,262) | 5,867 | (316,215) |
| - recognised in profit or loss | 14,227 | 44,894 | 2,354 | 18,938 |
| | (7,638) | (823,368) | 8,221 | (297,277) |
| Financial assets at amortised cost | 106,239 | 82,153 | 162,321 | 44,832 |
| Financial liabilities at amortised cost | (259,873) | (153,784) | (195,913) | (115,315) |
| | (135,766) | (872,611) | (31,168) | (363,531) |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(c) Financial risk management

The Group has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, investment securities and derivative assets used for hedging. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

(i) Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due the agreed credit periods, which are deemed to have higher credit risk, are monitored individually.

None of the receivables are secured by financial guarantees given by banks, shareholders or directors of the customers.

The Group and Company do not have any significant exposure to any individual customer.

The exposure of credit risk for trade receivables as at end of the reporting period by business segment was:

| | Group | | Company | |
|----------------------|------------------|------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Plantation | 293,302 | 424,658 | 33,777 | 26,597 |
| Manufacturing | 915,784 | 756,820 | - | - |
| Property development | 48,272 | 41,449 | - | - |
| Others | 1,860 | 2,449 | - | - |
| | 1,259,218 | 1,225,376 | 33,777 | 26,597 |

(ii) Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group invested in both domestic and overseas securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) **Financial guarantees**

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value was not material.

(iv) **Inter-company balances**

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

(e) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains sufficient levels of cash and cash equivalents and adequate amounts of credit facilities to meet its working capital requirements. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and prudently balances its portfolio with some short and long term funding so as to achieve overall cost effectiveness.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at end of the reporting period based on undiscounted contractual payments:

| | Carrying Amounts RM'000 | Contractual Interest/ Coupon Rate | Contractual Cash Flows RM'000 | Less than 1 year RM'000 | 1 – 2 years RM'000 | 2 – 5 years RM'000 | More than 5 years RM'000 |
|----------------------------------|-------------------------------|---|-------------------------------------|----------------------------------|--------------------------|--------------------------|-----------------------------------|
| Group | | | | | | | |
| 2020 | | | | | | | |
| Borrowings | 6,421,290 | 0.19% to 8.25% | 7,966,611 | 1,505,221 | 375,437 | 1,823,227 | 4,262,726 |
| Trade payables | 490,466 | - | 490,466 | 490,466 | - | - | - |
| Other payables | 716,172 | - | 716,172 | 716,172 | - | - | - |
| Contract liabilities | 85,531 | - | 85,531 | 85,531 | - | - | - |
| Lease liabilities | 172,295 | 0.29% to 12.00% | 223,004 | 36,651 | 35,684 | 62,029 | 88,640 |
| Derivative financial liabilities | 97,447 | - | 97,447 | 97,447 | - | - | - |
| | 7,983,201 | | 9,579,231 | 2,931,488 | 411,121 | 1,885,256 | 4,351,366 |
| 2019 | | | | | | | |
| Borrowings | 6,518,826 | 0.25% to 9.15% | 8,153,722 | 1,549,501 | 200,964 | 1,948,131 | 4,455,126 |
| Trade payables | 517,848 | - | 517,848 | 517,848 | - | - | - |
| Other payables | 817,140 | - | 817,140 | 817,140 | - | - | - |
| Contract liabilities | 91,239 | - | 91,239 | 91,239 | - | - | - |
| Derivative financial liabilities | 20,558 | - | 20,558 | 20,558 | - | - | - |
| | 7,965,611 | | 9,600,507 | 2,996,286 | 200,964 | 1,948,131 | 4,455,126 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Company | Carrying Amounts RM'000 | Contractual Interest/ Coupon Rate | Contractual Cash Flows RM'000 | Less than 1 year RM'000 | 1 – 2 years RM'000 | 2 – 5 years RM'000 | More than 5 years RM'000 |
|----------------------------------|-------------------------------|---|-------------------------------------|----------------------------------|--------------------------|--------------------------|-----------------------------------|
| 2020 | | | | | | | |
| Borrowings | 4,600,000 | 3.75% to 4.65% | 5,941,626 | 190,630 | 1,187,561 | 1,545,127 | 3,018,308 |
| Trade payables | 5,436 | - | 5,436 | 5,436 | - | - | - |
| Other payables | 119,255 | - | 119,255 | 119,255 | - | - | - |
| Lease liabilities | 99,414 | 3.95% | 114,110 | 18,022 | 18,022 | 46,331 | 31,735 |
| Derivative financial liabilities | 15,832 | - | 15,832 | 15,832 | - | - | - |
| Amounts owing to subsidiaries | 2,964 | - | 2,964 | 2,964 | - | - | - |
| | 4,842,901 | | 6,199,223 | 352,139 | 1,205,583 | 1,591,458 | 3,050,043 |
| 2019 | | | | | | | |
| Borrowings | 4,630,000 | 3.75% to 4.65% | 6,162,537 | 220,910 | 190,630 | 1,488,822 | 4,262,175 |
| Trade payables | 4,812 | - | 4,812 | 4,812 | - | - | - |
| Other payables | 94,255 | - | 94,255 | 94,255 | - | - | - |
| Derivative financial liabilities | 104 | - | 104 | 104 | - | - | - |
| Amounts owing to subsidiaries | 22,623 | - | 22,623 | 22,623 | - | - | - |
| | 4,751,794 | | 6,284,331 | 342,704 | 190,630 | 1,488,822 | 4,262,175 |

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, inter-company advances and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Pound Sterling ("GBP"), Euro, Australian Dollar ("AUD"), Singapore Dollar ("SGD"), Indonesian Rupiah ("Rp") and Papua New Guinean Kina ("PGK").

Risk management objectives, policies and processes for managing the risk

Foreign currencies exposures of the Group are hedged through forward exchange contracts. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at end of the reporting period was:

| Group | Denominated in foreign currencies | | | | | |
|---|-----------------------------------|---------------|----------------|---------------|---------------|---------------|
| | USD RM'000 | GBP RM'000 | Euro RM'000 | AUD RM'000 | SGD RM'000 | Rp RM'000 |
| 2020 | | | | | | |
| Trade and other receivables | 350,286 | 2,947 | 261,681 | 1,747 | 3,911 | 61,387 |
| Short term funds | - | - | - | - | 6,707 | - |
| Cash and cash equivalents | 259,861 | 45,509 | 116,633 | 355 | 42,077 | 2 |
| Borrowings | (188,101) | - | (153,638) | - | - | - |
| Trade and other payables | (62,121) | (129) | (124,210) | - | (3,069) | - |
| Contract liabilities | (38,788) | - | (9,014) | - | - | - |
| Lease liabilities | (77,085) | - | - | - | - | - |
| Forward exchange contracts | 20,040 | - | 575 | (199) | 2 | (1,048) |
| Exposure in the statement of financial position | 264,092 | 48,327 | 92,027 | 1,903 | 49,628 | 60,341 |
| 2019 | | | | | | |
| Trade and other receivables | 282,189 | 9,078 | 244,143 | 2,302 | 1,065 | 42,312 |
| Short term funds | - | - | - | - | 6,551 | - |
| Cash and cash equivalents | 139,451 | 4,267 | 149,054 | 108 | 35,488 | 2 |
| Borrowings | (188,287) | - | (166,558) | - | - | - |
| Trade and other payables | (61,523) | (169) | (140,959) | (1,849) | (3,325) | - |
| Contract liabilities | (33,299) | - | (10,930) | - | - | - |
| Forward exchange contracts | (665) | - | 2,411 | 108 | 5 | - |
| Exposure in the statement of financial position | 137,866 | 13,176 | 77,161 | 669 | 39,784 | 42,314 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| Company | Denominated in foreign currencies | | | | | |
|---|-----------------------------------|----------------|----------------|----------------|---------------|---------------|
| | USD RM'000 | GBP RM'000 | Euro RM'000 | AUD RM'000 | SGD RM'000 | PGK RM'000 |
| 2020 | | | | | | |
| Trade and other receivables | 18,239 | - | - | - | - | - |
| Cash and cash equivalents | 187,125 | 41,401 | 87 | 134 | 41,507 | - |
| Amounts owing by subsidiaries | 366,339 | 175 | 170,590 | 230,812 | - | 408 |
| Forward exchange contracts | 985 | - | - | - | - | - |
| Other investment | - | 431,378 | - | - | - | - |
| Exposure in the statement of financial position | 572,688 | 472,954 | 170,677 | 230,946 | 41,507 | 408 |
| 2019 | | | | | | |
| Trade and other receivables | 6,068 | 5,232 | - | - | - | - |
| Cash and cash equivalents | 69,325 | 110 | 81 | 75 | 40,823 | - |
| Amounts owing by subsidiaries | 347,025 | 234,605 | 159,782 | 192,620 | 330 | 574 |
| Forward exchange contracts | (104) | - | - | - | - | - |
| Other investment | - | 424,276 | - | - | - | - |
| Exposure in the statement of financial position | 422,314 | 664,223 | 159,863 | 192,695 | 41,153 | 574 |

Currency risk sensitivity analysis

The sensitivities of the Group's profit after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group entities are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 5% strengthening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below:

| Group | 2020 | | 2019 | |
|--------------------------------------|-------------------------|------------------|-------------------------|------------------|
| | Profit/(Loss) RM'000 | Equity RM'000 | Profit/(Loss) RM'000 | Equity RM'000 |
| Functional currency/Foreign currency | | | | |
| RM/GBP | (2,071) | (21,569) | (267) | (21,214) |
| RM/Euro | 6,569 | - | 6,438 | - |
| RM/USD | 38,805 | - | 34,476 | - |
| RM/SGD | (2,569) | (210) | (2,064) | (276) |
| RM/Rp | (4,882) | - | - | - |
| CHF/Euro | (3,663) | - | (3,496) | - |
| Rmb/USD | (225) | - | (3,333) | - |
| Euro/USD | (6,685) | - | (4,561) | - |
| Rp/USD | 12,982 | - | 8,723 | - |
| USD/GBP | (195) | - | (200) | - |
| USD/RM | 3,480 | - | (1,527) | - |
| USD/Rp | (2,485) | - | (2,094) | - |
| SGD/USD | (6) | - | (37) | - |
| Company | | | | |
| Functional currency/Foreign currency | | | | |
| RM/GBP | (2,079) | (21,569) | (11,997) | (21,214) |
| RM/Euro | (8,534) | - | (7,993) | - |
| RM/USD | (28,634) | - | (21,126) | - |
| RM/SGD | (2,075) | - | (2,058) | - |
| RM/AUD | (11,547) | - | (9,635) | - |
| RM/PGK | (20) | - | (29) | - |

A 5% weakening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have equal but opposite effect on profit after tax and equity.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Fixed income trust funds, deposits with licensed banks, short term receivables and payables are not significantly exposed to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Risk management objectives, policies and processes for managing the risk

The Group through its Treasury Committee reviews the funding requirements for its business operations and capital expenditure and adopts a policy to secure an appropriate mix of fixed and floating rate exposure suitable for the Group.

To achieve this objective, the Group has obtained the most competitive cost of capital through the issuance of Islamic Medium Term Notes, long term and short term borrowings and trade financing facilities.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | | Company | |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Fixed rate instruments | | | | |
| Financial assets | 3,565,057 | 3,452,935 | 3,141,447 | 3,382,041 |
| Financial liabilities | (5,375,400) | (5,370,683) | (4,600,000) | (4,630,000) |
| | (1,810,343) | (1,917,748) | (1,458,553) | (1,247,959) |
| Floating rate instruments | | | | |
| Financial assets | 371,836 | 310,607 | 617,113 | 469,470 |
| Financial liabilities | (1,045,890) | (1,148,143) | - | - |
| | (674,054) | (837,536) | 617,113 | 469,470 |

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change of 50 basis points in interest rates at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | 2020 | | 2019 | |
|-----------------------------|-------------------------|------------------|-------------------------|------------------|
| | Profit/(Loss) RM'000 | Equity RM'000 | Profit/(Loss) RM'000 | Equity RM'000 |
| Group | | | | |
| Floating rate instruments | | | | |
| Increase by 50 basis points | (4,036) | - | (4,454) | - |
| Decrease by 50 basis points | 4,036 | - | 4,454 | - |

As the Company did not have any floating rate instruments as at 30 September 2020 and 30 September 2019, a change in interest rates would not have any impact to the profit after tax and equity of the Company.

(iii) Debt and equity price risk

Debt and equity price risk arises from the Group's investments in debt and equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

Debt and equity price risk sensitivity analysis

The analysis assumes that all other variables remain constant.

A 5% higher in debt and equity prices at the end of the reporting period would have increased the Group's and the Company's equity by RM20,477,000 (2019: RM20,159,000) and RM21,569,000 (2019: RM21,214,000) respectively. A 5% lower in debt and equity prices would have equal but opposite effect on equity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iv) Commodity price risk

The Group is exposed to price fluctuation risk on commodities mainly of palm oil and rubber.

Risk management objectives, policy and processes for managing the risk

The prices of these commodities are subject to fluctuations due to uncontrollable factors such as weather, global demand and global production of similar and competitive crops. The Group mitigates the risk to the price volatility through hedging in the futures market and where deemed prudent, the Group sells forward in the physical market.

Commodity price risk sensitivity analysis

A 5% increase/(decrease) of the commodities price at the end of the reporting period, with all other variables held constant, would have increased/(decreased) profit after tax and equity by the amounts shown below:

| | 2020 | | 2019 | |
|-----------------------------------|-------------------------|------------------|-------------------------|------------------|
| | Profit/(Loss) RM'000 | Equity RM'000 | Profit/(Loss) RM'000 | Equity RM'000 |
| Group | | | | |
| 5% increase in commodities prices | (12,642) | - | (4,792) | - |
| 5% decrease in commodities prices | 12,642 | - | 4,792 | - |
| | 12,642 | - | 4,792 | - |
| Company | | | | |
| 5% increase in commodities prices | (8,606) | - | (6,026) | - |
| 5% decrease in commodities prices | 8,606 | - | 6,026 | - |
| | 8,606 | - | 6,026 | - |

(g) Fair value of financial instruments

The carrying amounts of cash and bank balances, deposits with licensed banks, short term receivables and payables reasonably approximate fair values due to the relatively short term nature of these financial instruments.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

| | 2020 | | 2019 | |
|---|-------------------------------|----------------------|-------------------------------|----------------------|
| | Carrying Amounts RM'000 | Fair Value RM'000 | Carrying Amounts RM'000 | Fair Value RM'000 |
| Group | | | | |
| Other investments | 416,150 | 416,150 | 411,950 | 411,950 |
| Fixed income trust funds | 1,010,498 | 1,010,498 | 328,811 | 328,811 |
| Derivative financial instruments | | | | |
| Forward foreign exchange contracts | 19,057 | 19,057 | 1,838 | 1,838 |
| Commodities future contracts | (18,195) | (18,195) | 11,571 | 11,571 |
| Other receivable – advances to plasma plantation projects | 228,269 | 228,269 | 233,980 | 233,980 |
| Borrowings | (6,421,290) | (6,421,290) | (6,518,826) | (6,518,826) |
| | 228,269 | 228,269 | 233,980 | 233,980 |
| Company | | | | |
| Other investments | 437,996 | 437,996 | 432,129 | 432,129 |
| Fixed income trust funds | 650,345 | 650,345 | 85,925 | 85,925 |
| Amounts owing by subsidiaries | 1,446,535 | 1,446,535 | 1,520,738 | 1,520,738 |
| Derivative financial instruments | | | | |
| Forward foreign exchange contracts | 985 | 985 | (104) | (104) |
| Commodities future contracts | (15,512) | (15,512) | 1,767 | 1,767 |
| Borrowings | (4,600,000) | (4,600,000) | (4,630,000) | (4,630,000) |
| Amounts owing to subsidiaries | (2,964) | (2,964) | (22,623) | (22,623) |
| | (4,600,000) | (4,600,000) | (4,630,000) | (4,630,000) |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed.

| Group | 2020 | | | | 2019 | | | |
|--|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
| Fair value of financial instruments carried at fair value | | | | | | | | |
| Other investments | 409,532 | - | 6,618 | 416,150 | 403,181 | - | 8,769 | 411,950 |
| Fixed income trust funds | 1,010,498 | - | - | 1,010,498 | 328,811 | - | - | 328,811 |
| Derivative financial instruments | | | | | | | | |
| Forward foreign exchange contracts | - | 19,057 | - | 19,057 | - | 1,838 | - | 1,838 |
| Commodities future contracts | (18,195) | - | - | (18,195) | 11,571 | - | - | 11,571 |
| | 1,401,835 | 19,057 | 6,618 | 1,427,510 | 743,563 | 1,838 | 8,769 | 754,170 |
| Fair value of financial instruments not carried at fair value | | | | | | | | |
| Other receivable – advance to plasma plantation projects | - | - | 228,269 | 228,269 | - | - | 233,980 | 233,980 |
| Borrowings | - | - | (6,421,290) | (6,421,290) | - | - | (6,518,826) | (6,518,826) |
| | - | - | (6,193,021) | (6,193,021) | - | - | (6,284,846) | (6,284,846) |
| Company | | | | | | | | |
| Fair value of financial instruments carried at fair value | | | | | | | | |
| Other investments | 431,378 | - | 6,618 | 437,996 | 424,276 | - | 7,853 | 432,129 |
| Fixed income trust funds | 650,345 | - | - | 650,345 | 85,925 | - | - | 85,925 |
| Derivative financial instruments | | | | | | | | |
| Forward foreign exchange contracts | - | 985 | - | 985 | - | (104) | - | (104) |
| Commodities future contracts | (15,512) | - | - | (15,512) | 1,767 | - | - | 1,767 |
| | 1,066,211 | 985 | 6,618 | 1,073,814 | 511,968 | (104) | 7,853 | 519,717 |
| Fair value of financial instruments not carried at fair value | | | | | | | | |
| Amounts owing by subsidiaries | - | - | 1,446,535 | 1,446,535 | - | - | 1,520,738 | 1,520,738 |
| Borrowings | - | - | (4,600,000) | (4,600,000) | - | - | (4,630,000) | (4,630,000) |
| Amounts owing to subsidiaries | - | - | (2,964) | (2,964) | - | - | (22,623) | (22,623) |
| | - | - | (3,156,429) | (3,156,429) | - | - | (3,131,885) | (3,131,885) |

The following table shows a reconciliation of Level 3 fair value of other investments:

| | Group | | Company | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| At beginning of the year | 8,769 | 7,790 | 7,853 | 7,002 |
| Net change in fair value | (1,842) | 979 | (1,235) | 851 |
| Impairment losses | (309) | - | - | - |
| At end of the year | 6,618 | 8,769 | 6,618 | 7,853 |

There were no transfers between all three levels of the fair value hierarchy during the financial year.

The following summarises the methods used in determining the fair values of financial instruments reflected in the above table.

Level 1 Fair Value

Investments in quoted shares and commodities future contracts

The fair values of investments that are quoted in an active market and commodities future contracts are determined by reference to their quoted closing bid price at the end of the reporting period.

Fixed income trust funds

The fair value of fixed income trust funds is based on quoted price of the funds at the end of the reporting period.

Level 2 Fair Value

Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is based on their quoted price at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Level 3 Fair Value

Financial instruments not carried at fair value

Fair value of the following financial instruments not carried at fair value, which is determined for disclosure purposes, is calculated based on present value of future cash flows discounted at the market rate of interest at the end of the reporting date:

- Other receivables – advance to plasma plantation projects
- Borrowings
- Amounts owing by subsidiaries
- Amount owing to subsidiaries

Fair value of other unquoted investments is estimated based on adjusted net asset method.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2019: no transfer in either directions).

46. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The net debt-to-equity ratios at end of the reporting period were:

| | Group | |
|---|-------------------|-------------------|
| | 2020 RM'000 | 2019 RM'000 |
| Total borrowings (Note 36) | 6,421,290 | 6,518,826 |
| Less: Short term funds (Note 29) | (919,957) | (1,659,171) |
| Less: Cash and cash equivalents (Note 30) | (2,952,981) | (2,040,637) |
| Net debt | <u>2,548,352</u> | <u>2,819,018</u> |
| Total equity | <u>11,804,100</u> | <u>11,286,655</u> |
| Net debt-to-equity ratio | <u>0.22</u> | <u>0.25</u> |

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is not subject to any other externally imposed capital requirements other than as disclosed in Note 36 to the financial statements.

47. EFFECTS OF THE ADOPTION OF 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The associated 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.

For leasehold land (within property, plant and equipment) and prepaid lease payments, the Group recognised the carrying amount of these lease assets immediately before transition as the carrying amount of the ROU assets at the date of initial adoption.

The Group has elected not to recognise lease liabilities and ROU assets 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 assets 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.

The effects arising from these changes on the statements of financial position of the Group are as follows:

| | As at 30.9.2019 RM'000 | Effect on adoption of MFRS 16 RM'000 | As at 1.10.2019 RM'000 |
|---|------------------------------|---|------------------------------|
| Group | | | |
| Assets | | | |
| Property, plant and equipment | 7,749,121 | (171,483) | 7,577,638 |
| Prepaid lease payments | 340,256 | (340,256) | - |
| Right-of-use assets | - | 709,538 | 709,538 |
| Other receivables, deposits and prepayments | 827,108 | (4,592) | 822,516 |
| Total assets | <u>20,399,366</u> | <u>193,207</u> | <u>20,592,573</u> |
| Liabilities | | | |
| Lease liabilities (non-current) | - | 160,934 | 160,934 |
| Lease liabilities (current) | - | 32,273 | 32,273 |
| Total liabilities | <u>9,112,711</u> | <u>193,207</u> | <u>9,305,918</u> |
| Total equity and liabilities | <u>20,399,366</u> | <u>193,207</u> | <u>20,592,573</u> |
| Company | | | |
| Assets | | | |
| Property, plant and equipment | 1,825,221 | (199,973) | 1,625,248 |
| Prepaid lease payments | 679 | (679) | - |
| Right-of-use assets | - | 311,900 | 311,900 |
| Total assets | <u>10,923,462</u> | <u>111,248</u> | <u>11,034,710</u> |
| Liabilities | | | |
| Lease liabilities (non-current) | - | 97,623 | 97,623 |
| Lease liabilities (current) | - | 13,625 | 13,625 |
| Total liabilities | <u>4,932,889</u> | <u>111,248</u> | <u>5,044,137</u> |
| Total equity and liabilities | <u>10,923,462</u> | <u>111,248</u> | <u>11,034,710</u> |

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 range from 0.29% to 12.00% per annum.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The reconciliation between the operating lease commitments disclosed in applying MFRS 117 as at 30 September 2019 to the lease liabilities recognised as at 1 October 2019 is as follows:

| | Group RM'000 | Company RM'000 |
|--|-----------------|-------------------|
| Operating lease commitment disclosed as at 30 September 2019 | 270,076 | 1,429 |
| Discounted using incremental borrowing rate at initial application | (53,269) | (33) |
| Add/(Less): | | |
| Short term leases recognised as expenses | (7,619) | - |
| Low-value leases recognised as expenses | (425) | (79) |
| Adjustment as a result of extension or termination options | (14,035) | 109,931 |
| Currency translation differences | (1,521) | - |
| | 193,207 | 111,248 |

48. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the novel coronavirus ("COVID-19") a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has subsequently entered into various phases of the MCO until 31 December 2020.

The Management has assessed the financial impact on the Group and of the opinion that there were no material financial impact arising from the pandemic. To mitigate its potential risks exposure, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs of business operations.

As at the date of authorisation of the financial statements, the COVID-19 pandemic is still evolving and unpredictable. However, the Management is of the opinion that there is no material financial impact arising from the pandemic at this juncture. The Group is actively monitoring and managing the operations of the Group to minimise any impact arising from the COVID-19 pandemic.

49. EVENT SUBSEQUENT TO REPORTING DATE

On 23 October 2020, KLK Land Sdn Bhd ("KLKL"), a wholly owned subsidiary of the Company, entered into a Share Sale Agreement ("SSA") to acquire 50,000 ordinary shares and 180.0 million redeemable non-convertible non-cumulative preference shares ("RPS") representing 20% equity interest in Aura Muhibah Sdn Bhd ("AMSB") from UEM Sunrise Berhad ("UEMS") for a total purchase consideration of RM182.6 million.

AMSB is currently an associate of KLKL which owns 100,000 ordinary shares and 360.0 million RPS representing 40% equity holding in AMSB. Upon the completion of the proposed acquisition, KLKL will own 150,000 ordinary shares and 540.0 million RPS representing 60% equity in AMSB resulting in AMSB becoming a subsidiary of KLKL.

KLKL and UEMS have 4 months, or extended as mutually agreed by both parties, to obtain the approval of the Economic Planning Unit ("EPU") for the proposed shares sale transaction and 7 business days from the approval by EPU to settle the 90% balance payment of RM164.4 million. The SSA will be completed on the day of full settlement of the total consideration.

The proposed acquisition will not have any effect on the share capital and shareholding of the Company's substantial shareholders nor have any material effect on the net assets, earnings and gearing on the Group for the financial year ending 30 September 2021.

50. AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors on 9 December 2020.

DIRECTORS' STATEMENT PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 5 to 86 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2020 and of their financial performance and cash flows for the financial year then ended.

On Behalf of the Board

R. M. ALIAS
(Chairman)

TAN SRI DATO' SERI LEE OI HIAN
(Chief Executive Officer)

9 December 2020

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Leong Sean Meng (MIA: CA 6548), being the officer primarily responsible for the financial management of Kuala Lumpur Kepong Berhad, do solemnly and sincerely declare that the financial statements set out on pages 5 to 86 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed at Ipoh in the)
State of Perak Darul Ridzuan this)
9th day of December 2020.)

LEONG SEAN MENG

Before me,

MURUGAN A/L KRISHNAN
Commissioner for Oaths
Ipoh, Perak Darul Ridzuan,
Malaysia.

REPORT OF THE AUDITORS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KUALA LUMPUR KEPONG BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kuala Lumpur Kepong Berhad, which comprise the statements of financial position as at 30 September 2020 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 86.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Annual impairment assessment of the carrying amount of goodwill on consolidation

Goodwill on consolidation of the Group is allocated to three (3) cash generating units ("CGUs"), which are plantation, manufacturing and property with a total carrying amount of RM326.3 million as disclosed in Note 16 to the financial statements. In relation to this, management is required to perform impairment assessment on an annual basis.

We determined the impairment assessment of goodwill for the plantation and manufacturing CGUs to be a key audit matter because the determination of the recoverable amounts of goodwill for these CGUs requires management to exercise significant judgement and estimates about the future results and the key assumptions applied to cash flow projections of the CGUs, including projected growth rates, commodity prices and volumes, operational costs, appropriate pre-tax discount rates, as well as industry trends and past performances.

Audit response

Our audit procedures included the following:

- (i) assessed the historical reliability of projections of the Group by comparing prior period projection to actual results for the financial year;
- (ii) evaluated the reasonableness of the key assumptions applied by management in the projections by the Group to available external industry sources of data and corroborated with the findings from other areas of the audit, where applicable;
- (iii) performed sensitivity analysis to stress test the key assumptions used in the impairment assessment.

(b) Impairment assessment of property, plant and equipment and right-of-use assets of Liberian Palm Developments Limited ("LPDL") and the cost of investment of the Company in LPDL

As at 30 September 2020, the carrying amounts of property, plant and equipment and right-of-use assets of LPDL amounted to RM351.2 million and RM17.4 million respectively as disclosed in Note 12 to the financial statements and the cost of investment of the Company in LPDL amounted to RM510.1 million as disclosed in Note 18 to the financial statements.

REPORT OF THE AUDITORS (Continued)

We considered this to be a key audit matter because of the significant judgements and estimates applied by management to determine the recoverability of property, plant and equipment and right-of-use assets of LPDL and the cost of investment of the Company in LPDL due to the key assumptions used in the value-in-use calculations.

The key assumptions are selling price of crude palm oil, fresh fruit bunches ("FFB") yield rates, crude palm oil extraction rate and pre-tax discount rate whereby changes in these key assumptions would result in material deviations in the value-in-use calculations as disclosed in Note 12 to the financial statements.

Audit response

Our audit procedures included the following:

- (i) evaluated the reasonableness of the significant key assumptions relating to selling price of crude palm oil, FFB yield rates, crude palm oil extraction rate and pre-tax discount rate applied by management in the value-in-use calculations by the Group to available external industry sources of data and corroborated with the findings from other areas of the audit, where applicable; and
- (ii) assessed the appropriateness of sensitivity analysis performed by management, including the disclosures, on a reasonably possible change in the key assumptions and the corresponding effect on the value-in-use calculations.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSS, IFRSS, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company **as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.** Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.

REPORT OF THE AUDITORS (Continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) **Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern.** If we conclude that a material uncertainty exists, we are required to draw attention in our **auditors' report to the related disclosures in the financial statements of the Group and of the Company** or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our **auditors' report**. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. **We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.**

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 43 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Rejeesh A/L Balasubramaniam
02895/08/2022 J
Chartered Accountant

Kuala Lumpur

9 December 2020