



KUALA LUMPUR KEPONG BERHAD

197301001526 (15043-V)

**Interim Financial Report
For the first quarter ended 31 December 2019**

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

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

(The figures have not been audited.)

	Individual Quarter			Cumulative Quarter		
	3 months ended		+ / (-)	3 months ended		+ / (-)
	31 December			31 December		
	2019	2018		2019	2018	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	4,077,408	4,085,162	(0.2)	4,077,408	4,085,162	(0.2)
Operating expenses	(3,853,271)	(3,870,824)	(0.5)	(3,853,271)	(3,870,824)	(0.5)
Other operating income	97,716	155,428	(37.1)	97,716	155,428	(37.1)
Finance costs	(63,397)	(43,269)	46.5	(63,397)	(43,269)	46.5
Share of results of associates	2,814	3,588	(21.6)	2,814	3,588	(21.6)
Share of results of joint ventures	(1,511)	6,296	-	(1,511)	6,296	-
Profit before taxation	259,759	336,381	(22.8)	259,759	336,381	(22.8)
Taxation	(68,746)	(64,770)	6.1	(68,746)	(64,770)	6.1
Net profit for the period	<u>191,013</u>	<u>271,611</u>	(29.7)	<u>191,013</u>	<u>271,611</u>	(29.7)
Attributable to:-						
Equity holders of the Company	167,199	250,916	(33.4)	167,199	250,916	(33.4)
Non-controlling interests	<u>23,814</u>	<u>20,695</u>	15.1	<u>23,814</u>	<u>20,695</u>	15.1
	<u>191,013</u>	<u>271,611</u>	(29.7)	<u>191,013</u>	<u>271,611</u>	(29.7)
	Sen	Sen		Sen	Sen	
Earnings per share - basic	<u>15.7</u>	<u>23.6</u>		<u>15.7</u>	<u>23.6</u>	
Earnings per share - diluted	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>	<u>N/A</u>	

N/A - Not applicable

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

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	191,013	271,611	191,013	271,611
Other comprehensive income that will be reclassified subsequently to profit or loss				
Currency translation differences	12,176	30,297	12,176	30,297
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss				
Net change in fair value of equity instruments	48,880	(692,172)	48,880	(692,172)
Total other comprehensive income/(loss) for the period	61,056	(661,875)	61,056	(661,875)
Total comprehensive income/(loss) for the period	252,069	(390,264)	252,069	(390,264)
Attributable to:-				
Equity holders of the Company	230,158	(415,896)	230,158	(415,896)
Non-controlling interests	21,911	25,632	21,911	25,632
	252,069	(390,264)	252,069	(390,264)

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

Condensed Consolidated Statement of Financial Position
As at 31 December 2019

(The figures have not been audited.)

	31 December 2019	30 September 2019
	RM'000	RM'000
Assets		
Property, plant and equipment	7,759,101	7,749,121
Right-of-use assets	156,223	-
Prepaid lease payments	338,464	340,256
Inventories	1,112,135	1,108,296
Goodwill on consolidation	317,770	316,836
Intangible assets	21,387	22,081
Investments in associates	1,523,876	1,489,210
Investments in joint ventures	151,964	156,818
Other investments	479,984	411,950
Other receivable	232,064	233,980
Deferred tax assets	434,582	437,027
Total non-current assets	12,527,550	12,265,575
Inventories	2,141,762	2,124,084
Biological assets	73,926	98,262
Trade and other receivables	2,093,466	2,052,484
Contract assets	23,378	14,867
Tax recoverable	104,597	110,319
Derivative financial assets	117,866	33,967
Short term funds	1,902,828	1,659,171
Cash and cash equivalents	1,849,098	2,040,637
Total current assets	8,306,921	8,133,791
Total assets	20,834,471	20,399,366
Equity		
Share capital	1,067,790	1,067,790
Reserves	9,163,482	9,306,062
	10,231,272	10,373,852
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	10,217,825	10,360,405
Non-controlling interests	943,188	926,250
Total equity	11,161,013	11,286,655
Liabilities		
Deferred tax liabilities	427,204	424,603
Lease liabilities	134,144	-
Deferred income	109,576	110,320
Provision for retirement benefits	541,326	538,480
Borrowings	5,163,027	5,169,833
Total non-current liabilities	6,375,277	6,243,236
Trade and other payables	1,229,616	1,359,591
Contract liabilities	107,558	91,239
Deferred income	7,914	8,196
Lease liabilities	22,385	-
Borrowings	1,372,764	1,348,993
Tax payable	47,902	40,898
Derivative financial liabilities	137,304	20,558
Dividend payable	372,738	-
Total current liabilities	3,298,181	2,869,475
Total liabilities	9,673,458	9,112,711
Total equity and liabilities	20,834,471	20,399,366
Net assets per share attributable to equity holders of the Company (RM)	9.59	9.73

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

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

(The figures have not been audited.)

	← Attributable to 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	
At 1 October 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	-	-	-	48,880	-	-	48,880	-	48,880
Realisation on fair value of equity instruments	-	-	-	79	(79)	-	-	-	-
Transfer of reserves	-	304	-	-	(304)	-	-	-	-
Currency translation differences	-	79	14,000	-	-	-	14,079	(1,903)	12,176
Total other comprehensive income/(loss) for the period	-	383	14,000	48,959	(383)	-	62,959	(1,903)	61,056
Profit for the period	-	-	-	-	167,199	-	167,199	23,814	191,013
Total comprehensive income for the period	-	383	14,000	48,959	166,816	-	230,158	21,911	252,069
Dividend payable	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(4,973)	(4,973)
Total transactions with owners of the Company	-	-	-	-	(372,738)	-	(372,738)	(4,973)	(377,711)
At 31 December 2019	<u>1,067,790</u>	<u>1,138,252</u>	<u>9,603</u>	<u>682,487</u>	<u>7,333,140</u>	<u>(13,447)</u>	<u>10,217,825</u>	<u>943,188</u>	<u>11,161,013</u>

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

(Continued)

(The figures have not been audited.)

	← 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	
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	-	-	-	(692,172)	-	-	(692,172)	-	(692,172)
Transfer of reserves	-	424	-	-	(424)	-	-	-	-
Currency translation differences	-	124	25,236	-	-	-	25,360	4,937	30,297
Total other comprehensive income/(loss) for the period	-	548	25,236	(692,172)	(424)	-	(666,812)	4,937	(661,875)
Profit for the period	-	-	-	-	250,916	-	250,916	20,695	271,611
Total comprehensive income/(loss) for the period	-	548	25,236	(692,172)	250,492	-	(415,896)	25,632	(390,264)
Dividend payable	-	-	-	-	(319,490)	-	(319,490)	-	(319,490)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(10,617)	(10,617)
Total transactions with owners of the Company	-	-	-	-	(319,490)	-	(319,490)	(10,617)	(330,107)
At 31 December 2018	1,067,790	1,137,463	(14,273)	804,585	7,449,406	(13,447)	10,431,524	893,653	11,325,177

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

Condensed Consolidated Statement of Cash Flows
For the first quarter ended 31 December 2019
(The figures have not been audited.)

	3 months ended 31 December	
	2019	2018
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	259,759	336,381
Adjustment for non-cash flow:-		
Non-cash items	162,513	44,513
Non-operating items	25,697	23,997
Operating profit before working capital changes	447,969	404,891
Working capital changes:-		
Net change in current assets	(32,171)	(77,517)
Net change in current liabilities	(146,812)	6,786
Cash generated from operations	268,986	334,160
Interest paid	(26,571)	(26,208)
Tax paid	(51,042)	(65,627)
Retirement benefits paid	(11,411)	(7,455)
Net cash generated from operating activities	<u>179,962</u>	<u>234,870</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(153,076)	(128,242)
Payments of prepaid lease	(1,692)	(541)
Property development expenditure	(2,752)	(3,248)
Purchase of investments	-	(54,242)
Purchase of intangible assets	(127)	(1,774)
Proceeds from disposal of property, plant and equipment	2,117	1,075
Compensation from government on land acquired	-	22,997
Proceeds from disposal of investments	1,858	-
(Increase)/Decrease in short term funds	(245,223)	70,876
Dividends received from investments	9,097	18,673
Interest received	12,517	13,407
Net cash used in investing activities	<u>(377,281)</u>	<u>(61,019)</u>
Cash Flows from Financing Activities		
Repayment of term loans	(6,049)	(3,254)
Lease payments	(5,274)	-
Net drawdown of short term borrowings	13,270	89,317
Dividends paid to non-controlling interests	(4,973)	(10,617)
Decrease in other receivable	3,526	2,623
Net cash generated from financing activities	<u>500</u>	<u>78,069</u>
Net (decrease)/increase in cash and cash equivalents	(196,819)	251,920
Cash and cash equivalents at 1 October	1,919,780	1,188,741
	1,722,961	1,440,661
Currency translation differences on opening balances	(3,461)	6,561
Cash and cash equivalents at 31 December	<u>1,719,500</u>	<u>1,447,222</u>
Cash and cash equivalents consist of:-		
Cash and bank balances	416,140	528,983
Deposits with licensed banks	894,149	909,911
Fixed income trust funds	538,809	145,851
Bank overdrafts	(129,598)	(137,523)
	<u>1,719,500</u>	<u>1,447,222</u>

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

Notes to Interim Financial Report

A Explanatory Notes as required by MFRS 134

A1. Basis of Preparation

The Interim Financial Report is unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad. The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2019.

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

MFRS, Interpretation and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3 *Definition of a Business (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

The application of these standards, interpretation and amendments to MFRSs has no significant effect to the financial statements of the Group, except for MFRS 16 described below:-

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group has adopted MFRS 16 with the date of initial application of 1 October 2019. The Group elected to use the modified retrospective method and to apply a number of practical expedients as provided in MFRS 16.

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

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

Notes to Interim Financial Report

(Continued)

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

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

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

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

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

Effect on adoption of MFRS 16

	Increase RM'000
Impact to the Group financial statement as at 1 October 2019:-	
Assets	
Right-of-use assets	<u>161,441</u>
Liabilities	
Lease liabilities	<u>161,099</u>

A2. Seasonal and Cyclical Factors

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

A3. Unusual Items

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

A4. Changes in Estimates

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

A5. Changes in Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the current financial year-to-date.

Notes to Interim Financial Report

(Continued)

A6. Dividends Paid

There were no dividends paid during the financial quarter ended 31 December 2019 (31 December 2018: Nil).

A7. Segment Information

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

(a) Segment revenue and results

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended						
31 December 2019						
Revenue						
External revenue	1,993,703	1,926,146	52,221	105,338	-	4,077,408
Inter-segment revenue	223,229	10	-	84,839	(308,078)	-
Total revenue	<u>2,216,932</u>	<u>1,926,156</u>	<u>52,221</u>	<u>190,177</u>	<u>(308,078)</u>	<u>4,077,408</u>
Results						
Operating results	159,819	91,649	12,726	10,482	-	274,676
Interest income	1,363	1,811	169	40,603	(9,930)	34,016
Finance costs	(4,410)	(13,619)	(31)	(55,267)	9,930	(63,397)
Share of results of associates	1,961	142	711	-	-	2,814
Share of results of joint ventures	(1,075)	-	-	(436)	-	(1,511)
Segment results	<u>157,658</u>	<u>79,983</u>	<u>13,575</u>	<u>(4,618)</u>	<u>-</u>	<u>246,598</u>
Corporate income						<u>13,161</u>
Profit before taxation						<u><u>259,759</u></u>
3 months ended						
31 December 2018						
Revenue						
External revenue	1,693,303	2,207,992	39,809	144,058	-	4,085,162
Inter-segment revenue	251,657	-	-	49,461	(301,118)	-
Total revenue	<u>1,944,960</u>	<u>2,207,992</u>	<u>39,809</u>	<u>193,519</u>	<u>(301,118)</u>	<u>4,085,162</u>
Results						
Operating results	122,075	110,172	10,452	58,748	-	301,447
Interest income	1,162	1,629	177	25,455	(11,054)	17,369
Finance costs	(4,981)	(14,386)	-	(34,956)	11,054	(43,269)
Share of results of associates	2,498	589	501	-	-	3,588
Share of results of joint ventures	6,733	-	-	(437)	-	6,296
Segment results	<u>127,487</u>	<u>98,004</u>	<u>11,130</u>	<u>48,810</u>	<u>-</u>	<u>285,431</u>
Corporate income						<u>50,950</u>
Profit before taxation						<u><u>336,381</u></u>

Notes to Interim Financial Report

(Continued)

(b) Segment assets

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2019					
Operating assets	6,957,435	6,433,323	1,517,067	3,711,627	18,619,452
Associates	95,403	8,744	73,115	1,346,614	1,523,876
Joint ventures	147,729	-	-	4,235	151,964
Segment assets	<u>7,200,567</u>	<u>6,442,067</u>	<u>1,590,182</u>	<u>5,062,476</u>	<u>20,295,292</u>
Tax assets					539,179
Total assets					<u>20,834,471</u>
As at 30 September 2019					
Operating assets	6,648,142	6,493,297	1,506,728	3,557,825	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>4,877,961</u>	<u>19,852,020</u>
Tax assets					547,346
Total assets					<u>20,399,366</u>

(c) Segment liabilities

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2019					
Segment liabilities	<u>1,626,432</u>	<u>2,207,139</u>	<u>120,863</u>	<u>4,871,180</u>	<u>8,825,614</u>
Tax liabilities and dividend payable					847,844
Total liabilities					<u>9,673,458</u>
As at 30 September 2019					
Segment liabilities	<u>1,541,767</u>	<u>2,117,527</u>	<u>119,719</u>	<u>4,868,197</u>	<u>8,647,210</u>
Tax liabilities					465,501
Total liabilities					<u>9,112,711</u>

A8. Event Subsequent to Reporting Date

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

A9. Changes in the Composition of the Group

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

A10. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in the contingent liabilities or contingent assets since the last annual reporting date.

Notes to Interim Financial Report

(Continued)

A11. Capital Commitments

	31 December 2019	30 September 2019
	RM'000	RM'000
Capital expenditure		
Approved and contracted	343,254	322,372
Approved but not contracted	722,700	882,148
	<u>1,065,954</u>	<u>1,204,520</u>

A12. Significant Related Party Transactions

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

	3 months ended 31 December	
	2019	2018
	RM'000	RM'000
(i) Transactions with associates and joint ventures		
Sale of goods	55,844	69,255
Purchase of goods	305,217	316,818
Service charges paid	513	863
Research and development services paid	<u>3,560</u>	<u>3,408</u>
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
Sale of goods		
PT Satu Sembilan Delapan	4,885	7,005
Taiko Marketing Sdn Bhd	1,537	1,756
Taiko Marketing (Singapore) Pte Ltd	<u>566</u>	<u>1,361</u>
Storage tanks rental received		
Taiko Marketing Sdn Bhd	<u>992</u>	<u>999</u>
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	562	1,151
Bukit Katho Estate Sdn Bhd	1,145	937
Kampar Rubber & Tin Co Sdn Bhd	1,393	1,550
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	-	1,495
Malay Rubber Plantations (M) Sdn Bhd	1,460	1,339
PT Agro Makmur Abadi	16,375	11,510
PT Java Taiko Mineralindo	1,982	-
PT Safari Riau	8,945	5,042
PT Satu Sembilan Delapan	20,542	1,096
Taiko Drum Industries Sdn Bhd	543	1,405
Taiko Marketing Sdn Bhd	<u>6,895</u>	<u>8,923</u>
Rental of office paid		
Batu Kawan Holdings Sdn Bhd	<u>1,170</u>	<u>1,176</u>
Supply of contract labour and engineering works		
K7 Engineering Sdn Bhd	<u>-</u>	<u>598</u>

Notes to Interim Financial Report
(Continued)

	3 months ended 31 December	
	2019	2018
	RM'000	RM'000
(iii) Transactions between subsidiaries and non-controlling interests		
Sale of goods		
Mitsubishi Corporation	10,535	11,455
Mitsui & Co Ltd	<u>50,359</u>	<u>62,346</u>
Purchases of goods		
Mitsubishi Gas Chemical Singapore Pte Ltd	3,768	3,551
PT Eka Dura Indonesia	12,341	-
PT Tanjung Sarana Lestari	<u>398,946</u>	<u>359,764</u>

B Explanatory Notes as required by the BMSB Revised Listing Requirements

B1. Analysis of Performance

1st Quarter FY2020 vs 1st Quarter FY2019

	Quarter Ended		
	31/12/2019	31/12/2018	+ / (-)
	RM'000	RM'000	%
Revenue	<u>4,077,408</u>	<u>4,085,162</u>	(0.2)
Segment results:			
Plantation	157,658	127,487	23.7
Manufacturing	79,983	98,004	(18.4)
Property development	13,575	11,130	22.0
Investment holding/Others	<u>(4,618)</u>	<u>48,810</u>	-
	246,598	285,431	(13.6)
Corporate income	<u>13,161</u>	<u>50,950</u>	(74.2)
Profit before taxation	<u>259,759</u>	<u>336,381</u>	(22.8)

The Group's profit before taxation for the 1st quarter declined 22.8% to RM259.8 million (1QFY2019: profit RM336.4 million) whilst revenue was marginally lower at RM4.077 billion (1QFY2019: RM4.085 billion).

Comments on the business sectors are as follows:-

Plantation

Plantation profit climbed 23.7% to RM157.7 million (1QFY2019: profit RM127.5 million) underpinned by:-

- Favourable CPO selling price (ex-mill) of RM2,207/mt (1QFY2019: RM1,840/mt) although selling price (ex-mill) of PK was lower at RM1,247/mt (1QFY2019: RM1,375/mt).
- Fair value gain of RM11.7 million (1QFY2019: loss RM8.8 million) on valuation of unharvested FFB.

However, the following factors had partially offset the increase in profit:-

- Higher cost of CPO production due to decline in FFB production by 11.5% to 977,963 mt.
- Unrealised loss of RM27.2 million (1QFY2019: unrealised gain RM24.3 million) arising from fair value changes on outstanding derivative contracts.

Notes to Interim Financial Report

(Continued)

Manufacturing

Manufacturing segment's profit fell 18.4% to RM80.0 million (1QFY2019: profit RM98.0 million) with revenue declining 12.8% to RM1.926 billion (1QFY2019: RM2.208 billion) owing to lower selling prices. Whilst most oleochemical business units registered better gross profit margins, the profit of this segment was impacted by the unrealised loss arising from fair value changes on outstanding derivative contracts amounting to RM4.4 million (1QFY2019: unrealised gain RM21.4 million).

The oleochemical division achieved a lower profit of RM77.4 million (1QFY2019: profit RM94.5 million) and the other manufacturing units' profit had decreased to RM2.6 million (1QFY2019: profit RM3.5 million).

Property Development

Property segment reported a 22.0% increase in profit to RM13.6 million (1QFY2019: profit RM11.1 million) on the back of a higher revenue of RM52.2 million (1QFY2019: RM39.8 million).

Investment Holding/Others

Farming sector's profit fell sharply to RM8.1 million (1QFY2019: profit RM56.5 million) attributable to substantial drop in crop production as a result of lower yield and smaller cropped area. The extremely dry season had affected the yield.

Corporate

The shortfall in Corporate income of RM13.2 million (1QFY2019: income RM51.0 million) was due to:-

- Decrease in foreign currency exchange gain to RM23.9 million (1QFY2019: gain RM38.0 million) arising from translation of inter-company loans denominated in foreign currencies.
- No surplus (1QFY2019: surplus RM22.5 million) from government acquisition of plantation land.

B2. Variation of Results to Immediate Preceding Quarter

1st Quarter FY2020 vs 4th Quarter FY2019

	Current Quarter Ended 31/12/2019 RM'000	Immediate Preceding Quarter Ended 30/9/2019 RM'000	+ / (-) %
Revenue	4,077,408	3,802,403	7.2
Segment results:			
Plantation	157,658	126,437	24.7
Manufacturing	79,983	95,259	(16.0)
Property development	13,575	18,100	(25.0)
Investment holding/Others	(4,618)	(15,769)	(70.7)
	246,598	224,027	10.1
Corporate income	13,161	22,711	(42.1)
Profit before taxation	259,759	246,738	5.3

Notes to Interim Financial Report

(Continued)

The Group's 1st quarter pre-tax profit was 5.3% higher at RM259.8 million (4QFY2019: profit RM246.7 million) with 7.2% increase in revenue to RM4.077 billion (4QFY2019: RM3.802 billion).

Plantation

Plantation profit rose 24.7% to RM157.7 million (4QFY2019: profit RM126.4 million) despite:-

- Higher cost of CPO production resulting from 7.1% decline in FFB production to 977,963 mt.
- Unrealised loss from changes in fair value on outstanding derivative contracts which amounted to RM27.2 million (4QFY2019: unrealised gain RM312,000).

The improvement in profit was supported by:-

- Stronger selling prices of CPO and PK realised as shown below:-

	<u>1QFY2020</u>	<u>4QFY2019</u>	% Change
Crude Palm Oil (RM/mt ex-mill)	2,207	1,920	14.9
Palm Kernel (RM/mt ex-mill)	1,247	1,070	16.5

- Better profit from processing and trading operations.

Manufacturing

Manufacturing segment recorded a 16.0% reduction in profit to RM80.0 million (4QFY2019: profit RM95.3 million) and 6.0% decrease in revenue to RM1.926 billion (4QFY2019: RM2.049 billion). Most of the operations had reported lower sales volume, affected by stiff market competition with erosion in margins.

The oleochemical division's profit had dropped to RM77.4 million (4QFY2019: profit RM94.6 million) whilst the other manufacturing units registered a higher profit of RM2.6 million (4QFY2019: profit RM672,000).

Property Development

Property segment's profit declined 25.0% to RM13.6 million (4QFY2019: profit RM18.1 million) although revenue had increased to RM52.2 million (4QFY2019: RM49.3 million). This was attributed to recognition of profit from projects with lower margins.

Investment Holding/Others

Farming sector had recognised a seasonal farming profit of RM8.1 million (4QFY2019: loss RM8.3 million) in the current quarter. Preceding quarter's loss consisted of overhead expenditure.

Corporate

Despite the foreign currency exchange gain of RM23.9 million (4QFY2019: loss RM8.1 million) from translation of inter-company loans denominated in foreign currencies, the reduction in Corporate gain to RM13.2 million (4QFY2019: gain RM22.7 million) was caused by the absence of surplus (4QFY2019: surplus RM42.5 million) from government acquisition of plantation land.

B3. Current Year Prospects

Prevailing CPO and PK prices have improved over those of last financial year, supported by declining CPO inventories and production. In view of this, plantation profit is expected to be higher for financial year 2020.

Notes to Interim Financial Report

(Continued)

Oleochemical division continues to face keen competition and higher raw material costs. This division's performance will be challenging for financial year 2020.

Overall, the Group expects profit to improve for financial year 2020 subject to uncertainties arising from the global outbreak of COVID-19.

B4. Profit Forecast and Profit Guarantee

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

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	23,467	24,113	23,467	24,113
Overseas taxation	39,512	35,887	39,512	35,887
	62,979	60,000	62,979	60,000
Deferred tax				
Origination and reversal of temporary differences	(4,055)	6,978	(4,055)	6,978
Under/(Over) provision in respect of previous years	8,676	(1,772)	8,676	(1,772)
	4,621	5,206	4,621	5,206
	67,600	65,206	67,600	65,206
Under/(Over) provision in respect of previous years				
Malaysian taxation	-	(269)	-	(269)
Overseas taxation	1,146	(167)	1,146	(167)
	1,146	(436)	1,146	(436)
Total	68,746	64,770	68,746	64,770

Notes to Interim Financial Report

(Continued)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>259,759</u>	<u>336,381</u>	<u>259,759</u>	<u>336,381</u>
Tax at Malaysian income tax rate of 24% (FY2019: 24%)	62,342	80,731	62,342	80,731
Effect of different tax rates in foreign jurisdictions	(4,069)	(5,598)	(4,069)	(5,598)
Withholding tax on foreign dividend and interest income	6,061	9,558	6,061	9,558
Expenses not deductible for tax purposes	20,635	28,849	20,635	28,849
Tax exempt and non-taxable income	(22,416)	(32,667)	(22,416)	(32,667)
Tax incentives	(854)	(864)	(854)	(864)
Deferred tax assets/(liabilities) not recognised during the period	1,008	(1,475)	1,008	(1,475)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(4,913)	(13,064)	(4,913)	(13,064)
Tax effect on associates' and joint ventures' results	(313)	(2,372)	(313)	(2,372)
Under/(Over) provision of tax expense in respect of previous years	1,146	(436)	1,146	(436)
Under/(Over) provision of deferred tax in respect of previous years	8,676	(1,772)	8,676	(1,772)
Others	<u>1,443</u>	<u>3,880</u>	<u>1,443</u>	<u>3,880</u>
Tax expense	<u>68,746</u>	<u>64,770</u>	<u>68,746</u>	<u>64,770</u>

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

Notes to Interim Financial Report
 (Continued)

B7. Group Borrowings

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

	As at 31 December 2019					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
Secured						
Term loans	Euro 5,751	26,392	Euro 1,240	5,688	Euro 6,991	32,080
Unsecured						
Bank overdrafts	-	-	Euro 28,242	129,598	Euro 28,242	129,598
Revolving credit	-	-	Euro 5,000	22,944	Euro 5,000	22,944
	-	-	Rp 111,820,490	32,965	Rp 111,820,490	32,965
	-	-	Rmb 40,000	23,512	Rmb 40,000	23,512
	-	-	USD 3,400	13,913	USD 3,400	13,913
	-	-	GBP 45,000	244,372	GBP 45,000	244,372
	-	-	AUD 2,000	5,747	AUD 2,000	5,747
Trade financing	-	-	USD 70,561	288,735	USD 70,561	288,735
	-	-	-	165,527	-	165,527
Term loans	USD 75,000	307,171	-	-	USD 75,000	307,171
	Euro 50,000	229,464	Euro 25,500	117,018	Euro 75,500	346,482
Export credit refinancing	-	-	-	3,339	-	3,339
Bankers' acceptance	-	-	-	319,406	-	319,406
Islamic medium term notes	-	4,600,000	-	-	-	4,600,000
Total		5,163,027		1,372,764		6,535,791

	As at 31 December 2018					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
Secured						
Term loans	Euro 7,300	34,627	Euro 1,436	6,810	Euro 8,736	41,437
Unsecured						
Bank overdrafts	-	-	Euro 28,991	137,523	Euro 28,991	137,523
Revolving credit	-	-	Euro 10,000	47,437	Euro 10,000	47,437
	-	-	Rp 199,113,452	57,285	Rp 199,113,452	57,285
	-	-	Rmb 50,000	30,070	Rmb 50,000	30,070
	-	-	AUD 6,000	17,501	AUD 6,000	17,501
Trade financing	-	-	USD 79,436	328,467	USD 79,436	328,467
Term loans	USD 45,000	187,478	-	-	USD 45,000	187,478
	Euro 50,000	237,266	Euro 36,500	173,178	Euro 86,500	410,444
Export credit refinancing	-	-	-	216,813	-	216,813
Bankers' acceptance	-	-	-	337,366	-	337,366
Islamic medium term notes	-	2,600,000	-	-	-	2,600,000
Total		3,059,371		1,352,450		4,411,821

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

B8. Derivative Financial Instruments

The 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 exchange on receipts and payments.

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

Notes to Interim Financial Report

(Continued)

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

<u>Derivatives</u>	Contract/Notional	Fair value
	Value Net long/(short)	Net gains/(losses)
	RM'000	RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(861,259)	15,845
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(182,502)	(35,283)
- 1 year to 3 years	-	-
- More than 3 years	-	-

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

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

B9. Fair Value Changes of Financial Liabilities

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

B10. Material Litigation

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

B11. Dividend

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

B12. Earnings Per Share
Basic earnings per share

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

Notes to Interim Financial Report
(Continued)

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2019	2018	2019	2018
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	167,199	250,916	167,199	250,916
(b) Weighted average number of shares	1,064,965,692	1,064,965,692	1,064,965,692	1,064,965,692
(c) Earnings per share (sen)	15.7	23.6	15.7	23.6

B13. Audit Report

The audit report for the financial year ended 30 September 2019 was not subject to any qualifications.

B14. Profit Before Taxation

Profit before taxation is arrived at after charging and (crediting) the following:

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	(34,016)	(17,369)	(34,016)	(17,369)
Other income including dividend income	(17,565)	(17,039)	(17,565)	(17,039)
Interest expense	63,397	43,269	63,397	43,269
Depreciation and amortisation	152,720	138,565	152,720	138,565
Reversal of impairment of receivables	(52)	(658)	(52)	(658)
Provision for and write-off of inventories	2,621	19,603	2,621	19,603
Surplus on disposal of land	(304)	(424)	(304)	(424)
Surplus on government acquisition of land	-	(22,489)	-	(22,489)
Foreign exchange gain	(27,708)	(33,295)	(27,708)	(33,295)
Loss/(Gain) on derivatives	39,568	(39,023)	39,568	(39,023)
Exceptional items	-	-	-	-

By Order of the Board
YAP MIOU KIEN
Company Secretary

17 February 2020