



KUALA LUMPUR KEPONG BERHAD

197301001526 (15043-V)

**Interim Financial Report
For the first quarter ended 31 December 2020**

The Directors are pleased to announce the unaudited financial results of the Group for the first quarter ended 31 December 2020.

Condensed Consolidated Statement of Profit or Loss
For the first quarter ended 31 December 2020
(The figures have not been audited.)

	Individual Quarter			Cumulative Quarter		
	3 months ended		+ / (-)	3 months ended		+ / (-)
	31 December			31 December		
	2020	2019		2020	2019	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	4,299,793	4,077,408	5.5	4,299,793	4,077,408	5.5
Operating expenses	(3,910,028)	(3,853,271)	1.5	(3,910,028)	(3,853,271)	1.5
Other operating income	149,560	97,716	53.1	149,560	97,716	53.1
Finance costs	(58,260)	(63,397)	(8.1)	(58,260)	(63,397)	(8.1)
Share of results of associates	3,919	2,814	39.3	3,919	2,814	39.3
Share of results of joint ventures	8,898	(1,511)	-	8,898	(1,511)	-
Profit before taxation	493,882	259,759	90.1	493,882	259,759	90.1
Taxation	(86,175)	(68,746)	25.4	(86,175)	(68,746)	25.4
Net profit for the period	<u>407,707</u>	<u>191,013</u>	113.4	<u>407,707</u>	<u>191,013</u>	113.4
Attributable to:						
Equity holders of the Company	357,408	167,199	113.8	357,408	167,199	113.8
Non-controlling interests	<u>50,299</u>	<u>23,814</u>	111.2	<u>50,299</u>	<u>23,814</u>	111.2
	<u>407,707</u>	<u>191,013</u>	113.4	<u>407,707</u>	<u>191,013</u>	113.4
	Sen	Sen		Sen	Sen	
Earnings per share - basic	<u>33.1</u>	<u>15.7</u>		<u>33.1</u>	<u>15.7</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 2020

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	407,707	191,013	407,707	191,013
Other comprehensive income that will be reclassified subsequently to profit or loss				
Currency translation differences	64,537	12,176	64,537	12,176
Other comprehensive income that will not be reclassified subsequently to profit or loss				
Net change in fair value of equity instruments	36,556	48,880	36,556	48,880
Total other comprehensive income for the period	101,093	61,056	101,093	61,056
Total comprehensive income for the period	<u>508,800</u>	<u>252,069</u>	<u>508,800</u>	<u>252,069</u>
Attributable to:				
Equity holders of the Company	450,538	230,158	450,538	230,158
Non-controlling interests	58,262	21,911	58,262	21,911
	<u>508,800</u>	<u>252,069</u>	<u>508,800</u>	<u>252,069</u>

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 September 2020.

Condensed Consolidated Statement of Financial Position

As at 31 December 2020

(The figures have not been audited.)

	31 December 2020	30 September 2020
	RM'000	RM'000
Assets		
Property, plant and equipment	7,757,881	7,656,584
Right-of-use assets	861,274	868,435
Inventories	1,096,179	1,096,046
Goodwill on consolidation	328,095	326,345
Intangible assets	21,770	22,324
Investments in associates	1,539,673	1,544,951
Investments in joint ventures	150,339	145,783
Other investments	479,026	416,150
Other receivable	237,516	228,269
Deferred tax assets	376,974	367,758
Total non-current assets	<u>12,848,727</u>	<u>12,672,645</u>
Inventories	2,107,135	1,972,866
Biological assets	93,800	126,922
Trade and other receivables	2,247,983	2,133,846
Contract assets	15,444	10,276
Tax recoverable	47,874	58,497
Derivative financial assets	124,354	98,309
Short term funds	658,833	919,957
Cash and cash equivalents	3,547,715	2,952,981
Total current assets	<u>8,843,138</u>	<u>8,273,654</u>
Total assets	<u>21,691,865</u>	<u>20,946,299</u>
Equity		
Share capital	1,373,861	1,373,861
Reserves	9,539,721	9,466,651
	10,913,582	10,840,512
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	10,900,135	10,827,065
Non-controlling interests	1,025,485	977,035
Total equity	<u>11,925,620</u>	<u>11,804,100</u>
Liabilities		
Deferred tax liabilities	449,734	452,690
Lease liabilities	139,813	139,856
Deferred income	104,548	106,564
Provision for retirement benefits	553,113	545,568
Borrowings	5,094,907	5,110,442
Total non-current liabilities	<u>6,342,115</u>	<u>6,355,120</u>
Trade and other payables	1,312,091	1,212,849
Contract liabilities	116,771	85,531
Deferred income	8,420	8,419
Lease liabilities	28,821	32,439
Borrowings	1,378,493	1,310,848
Tax payable	64,014	39,546
Derivative financial liabilities	138,052	97,447
Dividend payable	377,468	-
Total current liabilities	<u>3,424,130</u>	<u>2,787,079</u>
Total liabilities	<u>9,766,245</u>	<u>9,142,199</u>
Total equity and liabilities	<u>21,691,865</u>	<u>20,946,299</u>
Net assets per share attributable to equity holders of the Company (RM)	10.11	10.04

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 September 2020.

**Condensed Consolidated Statement of Changes in Equity
For the first quarter ended 31 December 2020**

(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 2020	1,373,861	1,322,993	(4,322)	610,621	7,537,359	(13,447)	10,827,065	977,035	11,804,100
Net change in fair value of equity instruments	-	-	-	36,556	-	-	36,556	-	36,556
Transfer of reserves	-	294	-	-	(294)	-	-	-	-
Currency translation differences	-	67	56,507	-	-	-	56,574	7,963	64,537
Total other comprehensive income/(loss) for the period	-	361	56,507	36,556	(294)	-	93,130	7,963	101,093
Profit for the period	-	-	-	-	357,408	-	357,408	50,299	407,707
Total comprehensive income for the period	-	361	56,507	36,556	357,114	-	450,538	58,262	508,800
Redemption of redeemable preference shares	-	7,000	-	-	(7,000)	-	-	-	-
Dividend payable	-	-	-	-	(377,468)	-	(377,468)	-	(377,468)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(9,812)	(9,812)
Total transactions with owners of the Company	-	7,000	-	-	(384,468)	-	(377,468)	(9,812)	(387,280)
At 31 December 2020	1,373,861	1,330,354	52,185	647,177	7,510,005	(13,447)	10,900,135	1,025,485	11,925,620

Condensed Consolidated Statement of Changes in Equity
For the first quarter ended 31 December 2020

(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 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	1,067,790	1,138,252	9,603	682,487	7,333,140	(13,447)	10,217,825	943,188	11,161,013

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2020.

Condensed Consolidated Statement of Cash Flows
For the first quarter ended 31 December 2020
(The figures have not been audited.)

	3 months ended 31 December	
	2020	2019
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	493,882	259,759
Adjustment for non-cash flow:		
Non-cash items	107,304	162,513
Non-operating items	35,917	25,697
Operating profit before working capital changes	637,103	447,969
Working capital changes:		
Net change in current assets	(218,215)	(32,171)
Net change in current liabilities	89,649	(146,812)
Cash generated from operations	508,537	268,986
Interest paid	(20,581)	(26,571)
Tax paid	(57,158)	(51,042)
Retirement benefits paid	(7,312)	(11,411)
Net cash generated from operating activities	423,486	179,962
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(171,646)	(153,076)
Purchase of right-of-use assets	(566)	(1,692)
Property development expenditure	(133)	(2,752)
Purchase of other investments	(16,464)	-
Purchase of intangible assets	(232)	(127)
Proceeds from disposal of property, plant and equipment	2,746	2,117
Proceeds from disposal of investments	-	1,858
Decrease/(Increase) in short term funds	260,182	(245,223)
(Increase)/Decrease in other receivable	(1,495)	3,526
Dividends received from associates	24,556	-
Dividends received from investments	10,948	9,097
Interest received	19,019	12,517
Net cash generated from/(used in) investing activities	126,915	(373,755)
Cash Flows from Financing Activities		
Term loans received	58,909	-
Repayment of term loans	(13,070)	(6,049)
Payment of lease liabilities	(6,197)	(4,677)
Payment of lease interest	(599)	(597)
Net drawdown of short term borrowings	5,405	13,270
Dividends paid to non-controlling interests	(9,812)	(4,973)
Net cash generated from/(used in) financing activities	34,636	(3,026)
Net increase/(decrease) in cash and cash equivalents	585,037	(196,819)
Cash and cash equivalents at 1 October	2,823,776	1,919,780
	3,408,813	1,722,961
Currency translation differences on opening balances	1,004	(3,461)
Cash and cash equivalents at 31 December	3,409,817	1,719,500
Cash and cash equivalents consist of:		
Cash and bank balances	675,334	416,140
Deposits with licensed banks	965,486	894,149
Fixed income trust funds	1,906,895	538,809
Bank overdrafts	(137,898)	(129,598)
	3,409,817	1,719,500

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2020.

Notes to Interim Financial Report

A Explanatory Notes as required by MFRS 134 Interim Financial Reporting

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 ("BMSB"). The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2020.

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 2020 except for the adoption of the following amendments to MFRSs:

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*

The application of these amendments to MFRSs has no significant effect to the financial statements of the Group.

A2. Seasonal and Cyclical Factors

The Group's plantation and farming 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.

A6. Dividends Paid

There were no dividends paid during the financial quarter ended 31 December 2020 (31 December 2019: Nil).

Notes to Interim Financial Report

(Continued)

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 RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
3 months ended						
31 December 2020						
Revenue						
External revenue	1,767,587	2,340,504	53,431	138,271	-	4,299,793
Inter-segment revenue	330,619	-	-	69,517	(400,136)	-
Total revenue	<u>2,098,206</u>	<u>2,340,504</u>	<u>53,431</u>	<u>207,788</u>	<u>(400,136)</u>	<u>4,299,793</u>
Results						
Operating results	279,809	144,667	19,671	53,690	-	497,837
Interest income	624	573	96	20,321	(7,080)	14,534
Finance costs	(2,171)	(11,808)	(22)	(51,339)	7,080	(58,260)
Share of results of associates	1,360	292	2,267	-	-	3,919
Share of results of joint ventures	9,327	-	-	(429)	-	8,898
Segment results	<u>288,949</u>	<u>133,724</u>	<u>22,012</u>	<u>22,243</u>	-	<u>466,928</u>
Corporate income						<u>26,954</u>
Profit before taxation						<u>493,882</u>
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>246,598</u>
Corporate income						<u>13,161</u>
Profit before taxation						<u>259,759</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 2020					
Operating assets	6,994,211	6,938,488	1,606,966	4,037,341	19,577,006
Associates	84,173	10,111	61,337	1,384,052	1,539,673
Joint ventures	147,858	-	-	2,480	150,338
Segment assets	<u>7,226,242</u>	<u>6,948,599</u>	<u>1,668,303</u>	<u>5,423,873</u>	<u>21,267,017</u>
Tax assets					424,848
Total assets					<u>21,691,865</u>
As at 30 September 2020					
Operating assets	6,825,451	6,776,399	1,558,409	3,669,051	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	<u>7,051,049</u>	<u>6,786,183</u>	<u>1,627,479</u>	<u>5,055,333</u>	<u>20,520,044</u>
Tax assets					426,255
Total assets					<u>20,946,299</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 2020					
Segment liabilities	<u>1,543,920</u>	<u>2,349,073</u>	<u>122,999</u>	<u>4,859,038</u>	<u>8,875,030</u>
Tax liabilities and dividend payable					891,215
Total liabilities					<u>9,766,245</u>
As at 30 September 2020					
Segment liabilities	<u>1,425,007</u>	<u>2,245,465</u>	<u>127,162</u>	<u>4,852,329</u>	<u>8,649,963</u>
Tax liabilities					492,236
Total liabilities					<u>9,142,199</u>

A8. Event Subsequent to Reporting Date

- (a) The Company has announced on 4 January 2021 that the Company had established an employees' share grant scheme ("ESGS") for eligible senior management employees (excluding Executive Directors) of the Company and its subsidiaries through the award of the Company's shares.

The vesting of the Company's shares under ESGS shall be satisfied through existing Company's shares that were acquired from the open market by the Company and held as treasury shares under the Company's share buy-back exercise. The ESGS shall be in force for a duration of one year and takes effect in relation to the bonus accruing to financial year ended 30 September 2020.

On 8 February 2021, a total of 105,216 treasury shares were transferred at a transfer price of RM22.72 under the ESGS. Following the transfer, the number of treasury shares held was reduced from 2,539,000 to 2,433,784.

Notes to Interim Financial Report

(Continued)

The ESGS is not expected to have any material impact on the issued share capital, net asset, gearing, substantial shareholdings and earnings of the Company for the financial year ending 30 September 2021.

- (b) Agro Putra Pte Ltd ("AP"), a wholly-owned subsidiary of the Company, was struck off from the register on 4 January 2021. The striking off of AP 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 2021.
- (c) Following the placement of 3,140,000,000 new ordinary shares by an associate, Equatorial Palm Oil Plc ("EPO") on 12 January 2021, the Group's equity interest in EPO was diluted from 49.1% to 6.23% following which EPO is reclassified as an ordinary investment of the Group. The dilution of the Group's equity interest in EPO is not expected to have any material impact on the issued share capital, net asset, gearing, substantial shareholdings and earnings of the Group for the financial year ending 30 September 2021.
- (d) The proposed acquisition of 95% equity interest in PT Applied Agricultural Resources Indonesia ("AARI") by the Company's wholly-owned subsidiary, KL-Kepong Plantation Holdings Sdn Bhd was completed on 29 January 2021. Following the completion, AARI is now a subsidiary of the Group.
- (e) Kersten Holdings Limited ("KH"), a wholly-owned subsidiary of KLK Overseas Investments Limited, which in turn is a wholly-owned subsidiary of the Company, was dissolved by way of a members' voluntary winding up on 29 January 2021. The winding up of KH 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 2021.

A9. Changes in the Composition of the Group

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

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.

A11. Capital Commitments

	31 December 2020	30 September 2020
	RM'000	RM'000
Capital expenditure		
Approved and contracted	274,895	285,586
Approved but not contracted	963,096	1,334,184
	<u>1,237,991</u>	<u>1,619,770</u>
Acquisition of shares in subsidiaries		
Approved and contracted	<u>740,260</u>	<u>765,196</u>

Notes to Interim Financial Report

(Continued)

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	
	2020	2019
	RM'000	RM'000
(i) Transactions with associates and joint ventures		
Sale of goods	85,198	55,844
Purchase of goods	376,408	305,217
Service charges paid	643	513
Research and development services paid	<u>3,515</u>	<u>3,560</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	5,433	4,885
Taiko Marketing Sdn Bhd	2,205	1,537
Taiko Marketing (Singapore) Pte Ltd	<u>164</u>	<u>566</u>
Storage tanks rental received		
Taiko Marketing Sdn Bhd	<u>1,010</u>	<u>992</u>
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	838	562
Bukit Katho Estate Sdn Bhd	1,521	1,145
Kampar Rubber & Tin Co Sdn Bhd	2,072	1,393
Malay Rubber Plantations (M) Sdn Bhd	2,141	1,460
PT Agro Makmur Abadi	26,564	16,375
PT Java Taiko Mineralindo	-	1,982
PT Safari Riau	129,045	8,945
PT Satu Sembilan Delapan	5,935	20,542
Taiko Drum Industries Sdn Bhd	641	543
Taiko Marketing Sdn Bhd	<u>4,033</u>	<u>6,895</u>
Rental of office paid		
Batu Kawan Holdings Sdn Bhd	<u>1,219</u>	<u>1,170</u>
(iii) Transactions between subsidiaries and non-controlling interests		
Sale of goods		
Mitsubishi Corporation	-	10,535
Mitsui & Co Ltd	<u>53,478</u>	<u>50,359</u>
Purchases of goods		
Mitsubishi Gas Chemical Singapore Pte Ltd	2,509	3,768
PT Eka Dura Indonesia	-	12,341
PT Tanjung Sarana Lestari	<u>386,748</u>	<u>398,946</u>

Notes to Interim Financial Report
(Continued)

B Explanatory Notes as required by the BMSB Revised Listing Requirements

B1. Analysis of Performance

1st Quarter FY2021 vs 1st Quarter FY2020

	Quarter Ended		+ / (-) %
	31/12/2020 RM'000	31/12/2019 RM'000	
Revenue	4,299,793	4,077,408	5.5
Segment results			
Plantation	288,949	157,658	83.3
Manufacturing	133,724	79,983	67.2
Property development	22,012	13,575	62.2
Investment holding/Others	22,243	(4,618)	-
	466,928	246,598	89.3
Corporate income	26,954	13,161	104.8
Profit before taxation	493,882	259,759	90.1

The Group's pre-tax profit for the 1st quarter improved significantly by 90.1% to RM493.9 million (1QFY2020: profit RM259.8 million) on the back of a 5.5% increase in revenue to RM4.300 billion (1QFY2020: RM4.077 billion).

Comments on the business sectors are as follows:

Plantation

Plantation profit surged 83.3% to RM288.9 million (1QFY2020: profit RM157.7 million) driven by:

- Improvement in CPO and PK selling prices as shown below:

	1QFY2021	1QFY2020	% Change
Crude Palm Oil (RM/mt ex-mill)	2,703	2,207	22.5
Palm Kernel (RM/mt ex-mill)	1,716	1,247	37.6

- Better contributions from processing and trading operations.

However, increase in profit was partially offset by:

- Decrease in CPO sales volume.
- Higher unrealised loss of RM39.0 million (1QFY2020: unrealised loss RM27.2 million) from changes in fair value of outstanding derivative contracts.

Manufacturing

Manufacturing profit rose sharply by 67.2% to RM133.7 million (1QFY2020: profit RM80.0 million) underpinned by 21.5% increase in revenue to RM2.341 billion (1QFY2020: RM1.926 billion). The improvement in profit was largely contributed by China and Europe operations coupled together with unrealised gain from fair value changes on outstanding derivative contracts of RM14.5 million (1QFY2020: unrealised loss RM4.4 million).

Oleochemical division's profit was 66.9% higher at RM129.2 million (1QFY2020: profit RM77.4 million) and profit of the other manufacturing units had improved to RM4.5 million (1QFY2020: profit RM2.6 million).

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Property Development

Property profit climbed 62.2% to RM22.0 million (1QFY2020: profit RM13.6 million) although revenue was only slightly higher at RM53.4 million (1QFY2020: RM52.2 million). This was due to recognition of profit from projects with better margins.

Investment Holding/Others

This segment's profit of RM22.2 million (1QFY2020: loss RM4.6 million) was achieved through Farming sector which posted a substantial rise in profit to RM47.1 million (1QFY2020: profit RM8.1 million), underpinned by improved yields and higher cropped area.

However, net interest expense had increased due to reduction in deposit rates.

Corporate

The increase in Corporate income to RM27.0 million (1QFY2020: income RM13.2 million) was largely attributable to higher foreign currency exchange gain of RM41.1 million (1QFY2020: gain RM23.9 million) on translation of inter-company loans denominated in foreign currencies.

B2. Variation of Results to Immediate Preceding Quarter

1st Quarter FY2021 vs 4th Quarter FY2020

	Current Quarter Ended 31/12/2020 RM'000	Immediate Preceding Quarter Ended 30/9/2020 RM'000	+ / (-) %
Revenue	4,299,793	4,003,408	7.4
Segment results			
Plantation	288,949	192,439	50.2
Manufacturing	133,724	118,896	12.5
Property development	22,012	29,544	(25.5)
Investment holding/Others	22,243	(40,653)	-
	466,928	300,226	55.5
Corporate income	26,954	36,064	(25.3)
Profit before taxation	493,882	336,290	46.9

For the 1st quarter, the Group reported a 46.9% rise in pre-tax profit to RM493.9 million (4QFY2020: profit RM336.3 million) with 7.4% improvement in revenue to RM4.300 billion (4QFY2020: RM4.003 billion).

Plantation

Plantation profit was 50.2% higher at RM288.9 million (4QFY2020: profit RM192.4 million) mainly attributable to:

- Stronger CPO and PK selling prices as shown below:

	1QFY2021	4QFY2020	% Change
Crude Palm Oil (RM/mt ex-mill)	2,703	2,389	13.1
Palm Kernel (RM/mt ex-mill)	1,716	1,397	22.8

- Higher contributions from processing and trading operations.

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- Unrealised foreign currency exchange gain of RM10.3 million (4QFY2020: loss RM8.1 million) on translation of USD bank loan in an Indonesian subsidiary.

However, the following factors had partially offset the improvement in profit:

- Cost of CPO production had increased, affected by 7.0% decline in FFB production to 973,740 mt.
- Sales volume of CPO declined by 9.6%.
- Fair value gain on valuation of unharvested FFB decreased to RM3.3 million (4QFY2020: gain RM20.5 million).
- Unrealised loss from changes in fair value on outstanding derivative contracts was higher at RM39.0 million (4QFY2020: unrealised loss RM27.2 million).

Manufacturing

Manufacturing segment posted a 12.5% improvement in the current quarter's profit to RM133.7 million (4QFY2020: profit RM118.9 million) on the back of higher revenue of RM2.341 billion (4QFY2020: RM2.212 billion). The strong performance of China operations supported by higher revenue and better margins had contributed positively to this segment's profit despite lower unrealised gain of RM14.5 million (4QFY2020: unrealised gain RM20.1 million) arising from fair value changes on outstanding derivative contracts.

The profits for both the oleochemical division and other manufacturing units were higher at RM129.2 million (4QFY2020: profit RM118.8 million) and RM4.5 million (4QFY2020: profit RM149,000) respectively.

Property Development

Profit from this segment declined 25.5% to RM22.0 million (4QFY2020: profit RM29.5 million), in tandem with 24.3% reduction in revenue to RM53.4 million (4QFY2020: RM70.5 million).

Investment Holding/Others

This segment contributed a profit of RM22.2 million (4QFY2020: loss RM40.7 million) mainly attributable to Farming's seasonal profit of RM47.1 million (4QFY2020: loss RM8.3 million). Farming sector's loss incurred in the preceding quarter consisted of overhead expenditure.

Corporate

Corporate gain of RM27.0 million (4QFY2020: gain RM36.1 million) had accounted for foreign currency exchange gain of RM41.1 million (4QFY2020: loss RM48.6 million). The previous quarter's Corporate gain had recognised the following surpluses:

- Surplus of RM82.7 million on sale of plantation land and government acquisitions.
- Surplus of RM21.1 million on deemed disposal of a subsidiary.

B3. Current Year Prospects

Plantation profit will improve in FY2021 in view of current buoyant CPO and PK prices.

Performance of the oleochemical division has so far been satisfactory but is expected to be challenging.

Overall, the Group's profit for the financial year 2021 will be higher.

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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		3 months ended	
	31 December		31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	26,507	23,467	26,507	23,467
Overseas taxation	65,720	39,512	65,720	39,512
	<u>92,227</u>	<u>62,979</u>	<u>92,227</u>	<u>62,979</u>
Deferred tax				
Origination and reversal of temporary differences	(7,632)	(4,055)	(7,632)	(4,055)
Under provision in respect of previous years	903	8,676	903	8,676
	<u>(6,729)</u>	<u>4,621</u>	<u>(6,729)</u>	<u>4,621</u>
	85,498	67,600	85,498	67,600
(Over)/Under provision in respect of previous years				
Malaysian taxation	(309)	-	(309)	-
Overseas taxation	986	1,146	986	1,146
	<u>677</u>	<u>1,146</u>	<u>677</u>	<u>1,146</u>
Total	<u>86,175</u>	<u>68,746</u>	<u>86,175</u>	<u>68,746</u>
Profit before taxation	<u>493,882</u>	<u>259,759</u>	<u>493,882</u>	<u>259,759</u>
Tax at Malaysian income tax rate of 24% (FY2020: 24%)	118,532	62,342	118,532	62,342
Effect of different tax rates in foreign jurisdictions	(11,543)	(4,069)	(11,543)	(4,069)
Withholding tax on foreign dividend and interest income	3,725	6,061	3,725	6,061
Expenses not deductible for tax purposes	9,889	20,635	9,889	20,635
Tax exempt and non-taxable income	(15,405)	(22,416)	(15,405)	(22,416)
Tax incentives	(966)	(854)	(966)	(854)
Deferred tax (liabilities)/assets not recognised during the period	(5)	1,008	(5)	1,008
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(17,829)	(4,913)	(17,829)	(4,913)
Tax effect on associates' and joint ventures' results	(3,076)	(313)	(3,076)	(313)
Under provision of tax expense in respect of previous years	677	1,146	677	1,146
Under provision of deferred tax in respect of previous years	903	8,676	903	8,676
Others	1,273	1,443	1,273	1,443
Tax expense	<u>86,175</u>	<u>68,746</u>	<u>86,175</u>	<u>68,746</u>

Notes to Interim Financial Report
(Continued)

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

B7. Group Borrowings

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

	As at 31 December 2020					
	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 4,502	22,122	Euro 1,249	6,138	Euro 5,751	28,260
Unsecured						
Bank overdrafts	-	-	Euro 28,065	137,898	Euro 28,065	137,898
Revolving credit	-	-	Euro 26,000	127,751	Euro 26,000	127,751
	-	-	AUD 6,800	21,048	AUD 6,800	21,048
	-	-	Rp 129,406,208	37,049	Rp 129,406,208	37,049
	-	-	GBP 39,000	214,539	GBP 39,000	214,539
Trade financing	-	-	USD 38,649	155,465	USD 38,649	155,465
	-	-	-	376,265	-	376,265
Term loans	USD 68,500	276,148	USD 20,000	80,537	USD 88,500	356,685
	Euro 40,000	196,637	Euro 10,000	49,181	Euro 50,000	245,818
Bankers' acceptance	-	-	-	172,622	-	172,622
Islamic medium term notes	-	4,600,000	-	-	-	4,600,000
Total		5,094,907		1,378,493		6,473,400

	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

Exchange Rates Applied	As at 31 December	
	2020	2019
USD / RM	4.0225	4.0920
Euro / RM	4.9135	4.5888
Rp1,000 / RM	0.2863	0.2948
Rmb / RM	0.6163	0.5878
GBP / RM	5.5010	5.4305
AUD / RM	3.0953	2.8734

Notes to Interim Financial Report
(Continued)

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.

As at 31 December 2020, the values and maturity analysis of the outstanding derivatives are as follows:

Derivatives	Contract/Notional	Fair value
	Value	Net gains/(losses)
	Net long/(short)	Net gains/(losses)
	RM'000	RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(1,498,967)	26,461
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(2,907)	(40,159)
- 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 2020, 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 2020 (31 December 2019: Nil).
- (b) The total dividend for the current financial year to-date is Nil (31 December 2019: Nil).

Notes to Interim Financial Report

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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.

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2020	2019	2020	2019
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	357,408	167,199	357,408	167,199
(b) Weighted average number of shares	1,078,478,785	1,064,965,692	1,078,478,785	1,064,965,692
(c) Earnings per share (sen)	33.1	15.7	33.1	15.7

B13. Audit Report

The audit report for the financial year ended 30 September 2020 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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income	(14,534)	(34,016)	(14,534)	(34,016)
Other income including dividend income	(26,676)	(17,565)	(26,676)	(17,565)
Interest expense	58,260	63,397	58,260	63,397
Depreciation and amortisation	150,200	152,720	150,200	152,720
Provision for and write-off/(Write back) of receivables	1,603	(52)	1,603	(52)
(Write back)/Provision for and write-off of inventories	(5,580)	2,621	(5,580)	2,621
Surplus on disposal of land	(294)	(304)	(294)	(304)
Foreign exchange gain	(68,572)	(27,708)	(68,572)	(27,708)
(Gain)/Loss on derivatives	(13,126)	39,568	(13,126)	39,568
Exceptional items	-	-	-	-

By Order of the Board
 YAP MIOU KIEN
 Company Secretary

17 February 2021