

BATU KAWAN BERHAD

196501000504 (6292-U)
(Incorporated in Malaysia)

**Interim Financial Report
for the Second Quarter ended 31 March 2023**

Directors are pleased to announce the unaudited financial results of the Group for the second quarter ended 31 March 2023.

Condensed Consolidated Statement of Profit or Loss For the Second Quarter ended 31 March 2023

(The figures have not been audited.)

	Individual Quarter			Cumulative Quarter		
	3 months ended			6 months ended		
	31 March			31 March		
	2023	2022	+ / (-)	2023	2022	+ / (-)
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	6,310,762	6,654,578	(5.2)	13,299,075	13,755,464	(3.3)
Operating expenses	(5,859,461)	(5,877,252)	(0.3)	(12,410,371)	(12,050,772)	3.0
Other operating income	166,707	134,711	23.8	461,690	283,317	63.0
Finance costs	(110,054)	(89,850)	22.5	(220,422)	(172,523)	27.8
Net reversals of impairment on financial assets	930	17,545	(94.7)	396	24,103	(98.4)
Share of results of associates	(157,365)	26,138	N/M	(154,970)	31,059	N/M
Share of results of joint ventures	(9,572)	(5,087)	88.2	(430)	11,115	(103.9)
Profit before taxation	341,947	860,783	(60.3)	974,968	1,881,763	(48.2)
Taxation	(80,633)	(190,945)	(57.8)	(206,257)	(487,328)	(57.7)
NET PROFIT FOR THE PERIOD	261,314	669,838	(61.0)	768,711	1,394,435	(44.9)
Profit attributable to:						
Equity holders of the Company	120,052	316,536	(62.1)	355,356	647,265	(45.1)
Non-controlling interests	141,262	353,302	(60.0)	413,355	747,170	(44.7)
	261,314	669,838	(61.0)	768,711	1,394,435	(44.9)
Earnings per share for profit attributable to equity holders of the Company (sen)						
Basic	30.5	80.3		90.3	164.2	
Diluted	N/A	N/A		N/A	N/A	

N/M - Not meaningful

N/A - Not applicable

Condensed Consolidated Statement of Other Comprehensive Income For the Second Quarter ended 31 March 2023

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	261,314	669,838	768,711	1,394,435
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	247,002	(6,509)	(40,477)	(23,487)
Share of other comprehensive income in associates	42,407	23,139	42,407	23,139
	289,409	16,630	1,930	(348)
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss				
Net change in fair value of equity instrument	55,461	149,043	46,415	192,366
Share of other comprehensive (loss)/ income in associates	(21,153)	19,544	(21,153)	19,544
	34,308	168,587	25,262	211,910
Total other comprehensive income for the period	323,717	185,217	27,192	211,562
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	585,031	855,055	795,903	1,605,997
Total comprehensive income attributable to:				
Equity holders of the Company	267,815	401,751	377,033	759,801
Non-controlling interests	317,216	453,304	418,870	846,196
	585,031	855,055	795,903	1,605,997

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Report for the year ended 30 September 2022.

**Condensed Consolidated Statement of Financial Position
As at 31 March 2023**

(The figures have not been audited.)

	At 31 March 2023 RM'000	At 30 September 2022 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	12,771,577	12,613,544
Right-of-use assets	1,390,432	1,401,384
Investment property	6,861	6,881
Inventories	1,992,985	1,991,597
Goodwill on consolidation	471,914	446,181
Intangible assets	87,576	100,193
Investments in associates	2,330,376	2,381,817
Investments in joint ventures	263,833	424,316
Other investments	847,019	782,365
Other receivables	435,937	428,863
Deferred tax assets	336,100	334,887
Derivative financial assets	1,523	-
	<u>20,936,133</u>	<u>20,912,028</u>
Current assets		
Inventories	3,414,114	4,141,014
Biological assets	143,745	211,912
Trade and other receivables	3,027,373	2,937,027
Contract assets	98,128	83,186
Tax recoverable	165,100	61,192
Derivative financial assets	85,901	545,729
Short term funds	165,288	267,937
Cash and cash equivalents	3,444,167	3,201,583
	<u>10,543,816</u>	<u>11,449,580</u>
TOTAL ASSETS	<u>31,479,949</u>	<u>32,361,608</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2022.

Condensed Consolidated Statement of Financial Position
As at 31 March 2023

(The figures have not been audited.)

	At 31 March 2023 RM'000	At 30 September 2022 RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	2,014,818	2,232,372
Contract liabilities	120,500	142,625
Deferred income	8,644	8,628
Lease liabilities	25,952	25,630
Borrowings	2,722,352	2,682,318
Tax payable	74,590	157,557
Derivative financial liabilities	53,699	544,316
	<u>5,020,555</u>	<u>5,793,446</u>
Net current assets	<u>5,523,261</u>	<u>5,656,134</u>
Non-current liabilities		
Deferred tax liabilities	1,148,555	1,167,024
Lease liabilities	164,419	158,527
Deferred income	85,906	90,149
Provision for retirement benefits	508,545	496,646
Borrowings	7,685,934	7,724,349
	<u>9,593,359</u>	<u>9,636,695</u>
Total liabilities	<u>14,613,914</u>	<u>15,430,141</u>
Net assets	<u>16,866,035</u>	<u>16,931,467</u>
Equity attributable to owners of the Company		
Share capital	507,587	507,587
Reserves	7,291,668	7,268,999
	<u>7,799,255</u>	<u>7,776,586</u>
Less: Cost of treasury shares	(113,109)	(109,400)
Total equity attributable to equity holders of the Company	7,686,146	7,667,186
Non-controlling interests	9,179,889	9,264,281
Total equity	<u>16,866,035</u>	<u>16,931,467</u>
TOTAL EQUITY AND LIABILITIES	<u>31,479,949</u>	<u>32,361,608</u>
Net assets per share attributable to equity holders of the Company (RM)	19.54	19.48

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the year ended 30 September 2022.

Condensed Consolidated Statement of Changes in Equity For the Second Quarter ended 31 March 2023

(The figures have not been audited.)

	← Attributable to equity holders of the Company →							Non-controlling interests	Total equity	
	Share capital	Treasury shares	Capital reserve	Exchange fluctuation reserve	Fair value reserve	Other reserve	Retained earnings			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			RM'000
At 1 October 2022	507,587	(109,400)	934,853	181,402	579,179	-	5,573,565	7,667,186	9,264,281	16,931,467
Total comprehensive income for the period	-	-	4,081	10,761	20,803	-	341,388	377,033	418,870	795,903
Transactions with owners:										
Purchase of shares from non-controlling interests	-	-	-	(52)	-	-	1,270	1,218	(9,660)	(8,442)
Effect of changes in shareholdings in subsidiaries	-	-	(206)	(55)	(99)	-	(1,179)	(1,539)	412	(1,127)
Acquisition through business combination	-	-	-	-	-	-	-	-	13,179	13,179
Shares buy back	-	(6,105)	-	-	-	-	-	(6,105)	2,396	(3,709)
Employees' share grant scheme	-	2,396	-	-	-	-	-	2,396	3,434	5,830
Dividend paid - FY2022 final	-	-	-	-	-	-	(354,043)	(354,043)	-	(354,043)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(513,023)	(513,023)
	-	(3,709)	(206)	(107)	(99)	-	(353,952)	(358,073)	(503,262)	(861,335)
At 31 March 2023	507,587	(113,109)	938,728	192,056	599,883	-	5,561,001	7,686,146	9,179,889	16,866,035

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the year ended 30 September 2022.

Condensed Consolidated Statement of Changes in Equity For the Second Quarter ended 31 March 2023

(The figures have not been audited.)

	← Attributable to equity holders of the Company →							Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Capital reserve	Exchange fluctuation reserve	Fair value reserve	Other reserve	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
At 1 October 2021	507,587	(83,334)	886,552	38,659	615,771	(443,155)	4,808,204	6,330,284	8,621,107	14,951,391
Total comprehensive income for the period	-	-	41,090	1,150	43,394	-	674,167	759,801	846,196	1,605,997
Transactions with owners:										
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	10	10
Purchase of shares from non-controlling interests	-	-	-	3	-	319,182	(12,157)	307,028	(358,406)	(51,378)
Effect of changes in shareholdings in subsidiaries	-	-	(193)	(1,230)	(108)	-	(31,438)	(32,969)	(45,841)	(78,810)
Acquisition through business combination	-	-	-	-	-	-	-	-	213,189	213,189
Expiry of unconditional mandatory takeover offer on acquisition of a subsidiary	-	-	-	-	-	126,798	-	126,798	-	126,798
Surplus on capital reduction	-	-	(2,243)	-	-	-	2,243	-	-	-
Shares buy back	-	(20,680)	-	-	-	-	-	(20,680)	-	(20,680)
Employees' share grant scheme	-	-	-	-	-	-	-	-	5,859	5,859
Dividend paid - FY2021 final	-	-	-	-	-	-	(354,688)	(354,688)	-	(354,688)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(591,625)	(591,625)
	-	(20,680)	(2,436)	(1,227)	(108)	445,980	(396,040)	25,489	(776,814)	(751,325)
At 31 March 2022	507,587	(104,014)	925,206	38,582	659,057	2,825	5,086,331	7,115,574	8,690,489	15,806,063

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the year ended 30 September 2022.

Condensed Consolidated Statement of Cash Flows As at 31 March 2023

(The figures have not been audited.)

	6 months ended 31 March	
	2023	2022
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	974,968	1,881,763
Adjustments for:		
Non-cash items	602,175	507,432
Non-operating items	156,168	127,718
Operating cash flows before changes in working capital	1,733,311	2,516,913
Changes in working capital		
Net change in current assets	985,453	(782,613)
Net change in current liabilities	(338,835)	143,833
Cash flows generated from operations	2,379,929	1,878,133
Interest received	7,481	3,069
Interest paid	(240,857)	(168,176)
Tax paid	(426,398)	(482,849)
Retirement benefits paid	(23,192)	(24,881)
Net cash flows generated from operating activities	1,696,963	1,205,296
Cash flows from investing activities		
Purchase of property, plant and equipment	(670,119)	(589,867)
Purchase of right-of-use assets	(11,173)	(9,369)
Property development expenditure	(1,388)	(7,508)
Purchase of shares in subsidiaries, net of cash	(106,650)	(303,834)
Purchase of additional shares in a subsidiary	-	(75,269)
Purchase of shares in an associate	(16,391)	(274,056)
Purchase of shares in joint ventures	(4,815)	(17,497)
Purchase of shares from non-controlling interests	(8,442)	(859,628)
Purchase of other investments	(99,190)	(1)
Purchase of intangible assets	(324)	(504)
Proceeds from disposal of property, plant and equipment	6,178	6,525
Compensation from government on land acquired	42,036	3,479
Proceeds from disposal of other investments	99,865	67,361
Repayment from joint ventures	142,441	12,658
Advances to investee companies	(879)	(27,744)
Net withdrawal/(placement) of short term funds	100,589	(900,257)
(Increase)/Decrease in other receivables	(13,755)	60,346
Dividends received	17,890	92,120
Interest received	33,395	18,367
Net cash flows used in investing activities	(490,732)	(2,804,678)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2022.

Condensed Consolidated Statement of Cash Flows As at 31 March 2023

(The figures have not been audited.)

	6 months ended 31 March	
	2023	2022
	RM'000	RM'000
Cash flows from financing activities		
Issuance of Islamic Medium Term Notes	-	2,500,000
Drawdown of term loans	116,094	428,774
Repayment of term loans	(333,127)	(475,888)
Lease payments	(12,338)	(18,687)
Net drawdown of short term borrowings	225,144	16,151
Dividends paid to shareholders of the Company	(354,043)	(354,688)
Dividends paid to non-controlling interests	(513,023)	(591,625)
Shares buy back	(3,709)	(20,680)
Capital reduction paid to a non-controlling interest	(1,127)	-
Issuance of shares to non-controlling interests	-	10
Net cash flows (used in)/generated from financing activities	(876,129)	1,483,367
Net increase/(decrease) in cash and cash equivalents	330,102	(116,015)
Effects of exchange rate changes	(33,062)	6,686
Cash and cash equivalents at beginning of year	3,031,289	3,405,994
Cash and cash equivalents at end of period	3,328,329	3,296,665
Cash and cash equivalents at 31 March is represented by:		
Deposits with licensed banks	1,240,277	700,709
Money market funds	949,733	1,397,198
Cash and bank balances	1,254,158	1,396,534
Bank overdrafts	(115,839)	(197,776)
	3,328,329	3,296,665

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the year ended 30 September 2022.

Notes to Interim Financial Report

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

A1. Statement of compliance

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

A2. Accounting policies

The Interim Financial Report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2022. 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 2022 except for the adoption of the following standards, interpretation and amendments to MFRSs:

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

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

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

A3. Seasonal and cyclical operations

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

A4. Unusual items

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

A5. Material changes in estimates

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

A6. Issuance and repayment of debt and equity securities

There were no issuances and repayments of debt securities, share buybacks, share cancellations or resale of treasury shares for the financial year to-date except for share buybacks of 180,900 shares in the Company from the open market. The average price paid for the shares repurchased was RM20.46 per share and the total consideration paid, including transaction costs, was RM3,708,788. The shares bought back were financed by internally generated funds and held as treasury shares.

A7. Dividends paid

	6 months ended 31 March	
	2023 RM'000	2022 RM'000
Dividends proposed in financial year ("FY") 2022, paid in FY 2023:		
Final 90 sen per share single tier	354,043	-
Dividends proposed in FY 2021, paid in FY 2022:		
Final 90 sen per share single tier	-	354,688
	<u>354,043</u>	<u>354,688</u>

Dividend was paid on the number of outstanding shares in issue and fully paid of 393,380,963 (2022: 394,097,363).

A8. Segment information

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

a) Segment revenue and results

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended 31 March 2023						
Revenue						
External revenue	1,890,716	11,081,197	88,494	238,668	-	13,299,075
Inter-segment revenue	837,079	16,977	-	820,784	(1,674,840)	-
Total revenue	<u>2,727,795</u>	<u>11,098,174</u>	<u>88,494</u>	<u>1,059,452</u>	<u>(1,674,840)</u>	<u>13,299,075</u>
Results						
Operating results	638,670	580,136	29,066	126,729	(23,811)	1,350,790
Finance costs	(10,078)	(65,372)	(1,051)	(167,732)	23,811	(220,422)
Share of results of associates	1,432	8,792	(43)	(165,151)	-	(154,970)
Share of results of joint ventures	-	(9,611)	-	9,181	-	(430)
Segment results	<u>630,024</u>	<u>513,945</u>	<u>27,972</u>	<u>(196,973)</u>	<u>-</u>	<u>974,968</u>
Profit before taxation						<u>974,968</u>

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended						
31 March 2022						
Revenue						
External revenue	2,204,194	11,261,201	92,916	197,153	-	13,755,464
Inter-segment revenue	836,758	24,196	-	1,152,454	(2,013,408)	-
Total revenue	3,040,952	11,285,397	92,916	1,349,607	(2,013,408)	13,755,464
Results						
Operating results	1,063,747	823,316	33,480	105,930	(14,361)	2,012,112
Finance costs	(8,494)	(32,559)	(200)	(145,631)	14,361	(172,523)
Share of results of associates	3,684	13,840	1,736	11,799	-	31,059
Share of results of joint ventures	-	6,342	-	4,773	-	11,115
Segment results	1,058,937	810,939	35,016	(23,129)	-	1,881,763
Profit before taxation						1,881,763

b) Segment assets

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2023					
Operating assets	11,002,012	11,203,864	2,715,596	3,463,068	28,384,540
Associates	32,835	83,863	7,780	2,205,898	2,330,376
Joint ventures	-	97,313	-	166,520	263,833
Segment assets	11,034,847	11,385,040	2,723,376	5,835,486	30,978,749
Tax assets					501,200
Total assets					31,479,949
At 30 September 2022					
Operating assets	11,398,863	11,374,534	2,665,744	3,720,255	29,159,396
Associates	31,403	92,022	10,323	2,248,069	2,381,817
Joint ventures	-	215,962	-	208,354	424,316
Segment assets	11,430,266	11,682,518	2,676,067	6,176,678	31,965,529
Tax assets					396,079
Total assets					32,361,608

c) Segment liabilities

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2023					
Segment liabilities	1,313,521	3,917,282	196,025	7,963,941	13,390,769
Tax liabilities					1,223,145
Total liabilities					14,613,914
At 30 September 2022					
Segment liabilities	1,401,752	4,482,483	187,452	8,033,873	14,105,560
Tax liabilities					1,324,581
Total liabilities					15,430,141

A9. Material 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.

A10. Changes in composition of the Group

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

- (a) On 19 January 2023, the Company's sub-subsidiary CCM Fertilizer Sdn Bhd ("CCMF") undertook a selective capital reduction ("SCR") of 49.9% from its paid up share capital which was equivalent to a cancellation of 19,461,000 ordinary shares held by Lembaga Tabung Haji ("LTH") with a cash capital repayment amounting to RM1.13 million. On the completion of the SCR, CCMF has become a wholly-owned sub-subsidiary of the Group.
- (b) On 14 February 2023, the Company's sub-subsidiary, KL-Kepong Plantation Holdings Sdn Bhd ("KLKPH") had completed the acquisition of 5% equity interest in PT Putra Bongan Jaya ("PBJ") for a cash consideration of RM8.0 million. On completion of the acquisition, PBJ is a wholly-owned subsidiary of KLKPH.
- (c) On 31 March 2023, the Company's sub-subsidiary, KLK Emmerich GmbH had completed the acquisition of 90% equity interest in Temix Oleo S.p.A ("Temix").

Temix, a joint stock company having its registered address in Italy, is principally involved in the production and distribution of fatty alcohols and derivatives, fatty acids and other chemicals used in several applications such as, without limitation, biolubricants, personal care, chemical intermediates, tyres and plastics.

The acquisition represents an opportunity for the Group to diversify its products, access to key customers and alignments to product specialisation strategy across European operation.

These acquisitions will not have any material effect on the Company's share capital, the shareholdings of the Company's substantial shareholders, the net assets and the gearing of the Group nor the earnings of the Group for the financial year ending 30 September 2023.

A11. Changes in contingent liabilities and contingent assets

There were no material changes in the contingent liabilities or contingent assets since the last annual financial statements for the year ended 30 September 2022.

A12. Capital commitments

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

	At 31 March 2023 RM'000	At 30 September 2022 RM'000
Capital expenditure		
Approved and contracted	1,042,709	835,989
Approved but not contracted	1,414,746	2,119,389
	<u>2,457,455</u>	<u>2,955,378</u>
Joint venture		
Share of capital commitment of a joint venture	94,551	14,784

A13. Significant Related Party Transactions

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

	6 months ended	
	31 March	
	2023	2022
	RM'000	RM'000
a) Transactions with associates and joint ventures:		
Sales of goods	422,066	338,604
Purchase of goods	1,041,705	1,128,258
Service charges paid	1,185	671
Research and development services paid	7,058	6,117
b) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest:		
Sales of goods		
Chlor-Al Chemical Pte Ltd	12,974	6,497
Siam Taiko Marketing Co Ltd	820	2,235
Taiko Acid Works Sdn Bhd	6,428	5,400
Taiko Marketing (S) Pte Ltd	694	1,405
Taiko Marketing Sdn Bhd	125,265	162,867
Storage tanks rental received		
Taiko Marketing Sdn Bhd	2,293	2,262
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	3,333	1,933
Bukit Katho Estate Sdn Bhd	4,320	6,056
Kampar Rubber & Tin Co Sdn Bhd	5,848	7,714
Kekal & Deras Sdn Bhd	1,328	1,751
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	3,952	2,139
Malay Rubber Plantations (M) Sdn Bhd	7,328	8,224
PT Agro Makmur Abadi	41,935	59,094
PT Java Taiko Mineralindo	981	1,159
PT Safari Riau	21,224	29,112
Taiko Acid Works Sdn Bhd	1,167	-
Taiko Clay Marketing Sdn Bhd	3,461	1,986
Taiko Drum Industries Sdn Bhd	919	1,756
Taiko Marketing (S) Pte Ltd	25,773	7,565
Taiko Marketing Sdn Bhd	31,921	28,056
Management fees paid		
Farming Management Services Pty Ltd	1,423	1,751
Handling Charges paid		
Taiko Marketing Sdn Bhd	1,311	-
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	1,172	949

	6 months ended	
	31 March	
	2023	2022
	RM'000	RM'000
c) Transactions between subsidiaries and their non-controlling interests:		
Sales of goods		
Mitsui & Co Ltd	235,206	207,188
Purchases of goods		
Mitsubishi Gas Chemical Singapore Pte Ltd	-	9,187
PT Kimia Tirta Utama	22,014	-
PT Sawit Asahan Indah	2,506	-
PT Tanjung Bina Lestari	7,734	-
PT Tanjung Sarana Lestari	726,819	838,555

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

B1. Detailed analysis of performance

2nd Quarter FY2023 vs 2nd Quarter FY2022

	Quarter Ended		Changes %
	31 March		
	2023	2022	
	RM'000	RM'000	
Revenue	6,310,762	6,654,578	(5.2)
Segment results:			
Plantation	291,675	435,354	(33.0)
Manufacturing	219,590	437,690	(49.8)
Property development	18,858	16,190	16.5
Investment holding/Others	(188,176)	(28,451)	N/M
Profit before taxation	341,947	860,783	(60.3)

N/M - not meaningful

The Group's pre-tax profit for the current quarter was 60.3% lower at RM341.95 million (2Q2022: RM860.78 million) whilst revenue was 5.2% lower at RM6.31 billion (2Q2022: RM6.65 billion). Comments on the respective business segments are as follows:

Notwithstanding higher CPO and PK sales volumes and a lower net loss of RM10.36 million (2Q2022: RM62.69 million loss) from fair value changes on outstanding derivative contracts, **Plantation's** profit was 33.3% lower at RM291.68 million (2Q2022: RM435.35 million) mainly due to lower CPO and PK selling prices, higher CPO production costs and a fair value loss of RM15.76 million (2Q2022: RM33.19 million gain) on unharvested fresh fruit bunches valuation.

Manufacturing's profit dipped 49.8% to RM219.59 million (2Q2022: RM437.69 million) while revenue was 3.8% lower at RM5.31 billion (2Q2022: RM5.53 billion) mainly due to lower profit contributions from Oleochemical division, refineries and kernel crushing operations. Industrial Chemical division's profit was 41.5% lower at RM35.10 million (2Q2022: RM60.00 million) from lower sales volumes and higher production costs.

Property Development's profit increased 16.5% to RM18.86 million (2Q2022: RM16.19 million) on 55.9% higher revenue at RM57.54 million (2Q2022: RM36.90 million).

Investment Holdings/Others included:

- a share of equity loss of RM169.66 million (2Q2022: RM10.13 million share of profit) from an overseas associate, Synthomer plc. The loss reported by Synthomer plc was mainly caused by non-operating charges incurred on impairment loss of a business division, amortisation of acquired intangibles, restructuring and site closure costs; and
- higher unrealised foreign currency exchange translation gain of RM31.63 million (2Q2022: RM12.99 million gain) on inter-company loans denominated in foreign currencies.

Todate 2nd Quarter FY2023 vs Totdate 2nd Quarter FY2022

	Todate Ended		Changes
	31 March		
	2023	2022	
	RM'000	RM'000	%
Revenue	13,299,075	13,755,464	(3.3)
Segment results:			
Plantation	630,024	1,058,937	(40.5)
Manufacturing	513,945	810,939	(36.6)
Property development	27,972	35,016	(20.1)
Investment holding/Others	(196,973)	(23,129)	N/M
Profit before taxation	974,968	1,881,763	(48.2)

N/M - not meaningful

The Group's pre-tax profit dropped by 48.2% to RM974.97 million (Todate 2Q2022: RM1.88 billion) despite revenue was only 3.3% lower at RM13.30 billion (Todate 2Q2022: RM13.76 billion). Comments on the business segments are as follows:

Despite higher CPO and PK sales volumes, **Plantation's** profit slipped 40.5% to RM630.02 million (Todate 2Q2022: RM1.06 billion) with 14.2% lower revenue of RM1.89 billion (Todate 2Q2022: RM2.20 billion) due to lower CPO and PK selling prices, higher CPO production cost, higher net loss of RM80.43 million (Todate 2Q2022: RM46.01 million net loss) from fair value changes on outstanding derivative contracts, and a RM9.15 million fair value loss (Todate 2Q2022: RM50.87 million gain) on unharvested fresh fruit bunches valuation.

Manufacturing reported 36.6% lower profit of RM513.95 million (Todate 2Q2022: RM810.94 million) with marginal decrease in revenue to RM11.08 billion (Todate 2Q2022: RM11.26 billion) mainly due to lower sales volumes and reduced profit margins from Oleochemical division, lower profit contributions from refineries and kernel crushing operations. Industrial Chemical division's profit was 32.4% lower at RM76.60 million (Todate 2Q2022: RM113.30 million) due to lower sales volumes and higher production costs.

Property Development's profit was 20.1% lower at RM27.97 million (Todate 2Q2022: RM35.02 million) on the back of lower revenue at RM88.49 million (Todate 2Q2022: RM92.92 million).

Included in **Investment Holdings/Others** were:

- a share of equity loss of RM169.66 million (Todate 2Q2022: RM10.13 million share of equity profit) from an overseas associate, Synthomer plc which was mainly caused by non-operating charges incurred on impairment loss of a business division, amortisation of acquired intangibles, restructuring and site closure costs;

- unrealised foreign loss of RM24.10 million (Todate 2Q2022: RM16.27 million gain) on inter-company loans and bank deposits denominated in foreign currencies; and
- RM44.51 million surplus (Todate 2Q2022: RM4.87 million surplus) on sale of land and government acquisition.

B2. Comparison of current quarter's results to the preceding quarter
2nd Quarter FY2023 vs 1st Quarter FY2023

	<u>Quarter Ended</u>		Changes %
	31 March 2023 RM'000	31 December 2022 RM'000	
Revenue	<u>6,310,762</u>	<u>6,988,313</u>	(9.7)
Segment results:			
Plantation	291,675	338,349	(13.8)
Manufacturing	219,590	294,355	(25.4)
Property development	18,858	9,114	106.9
Investment holding/Others	<u>(188,176)</u>	<u>(8,797)</u>	N/M
Profit before taxation	<u>341,947</u>	<u>633,021</u>	(46.0)

N/M - not meaningful

For the current quarter, the Group's pre-tax profit decreased by 46.0% to RM341.95 million as compared to RM633.02 million reported in the preceding quarter, with 9.7% lower revenue at RM6.31 billion (1Q2023: RM6.99 billion). Comments on the respective business segments are as follows:

Plantation recorded 13.8% lower profit of RM291.68 million (1Q2023: RM338.35 million) mainly from lower PK selling price and lower sales volumes in CPO and PK, coupled with a RM15.76 million fair value loss (1Q2023: RM6.61 million gain) on valuation of unharvested fresh fruit bunches. The decline in profit was moderated by a lower net loss of RM10.36 million (1Q2023: RM70.10 million loss) from fair value changes on outstanding derivative contracts.

Manufacturing's profit dropped 25.4% to RM219.59 million (1Q2023: RM294.36 million) with 7.8% lower revenue at RM5.31 billion (1Q2023: RM5.77 billion) mainly due to lower profit contributions from refineries and kernel crushing operations but partially mitigated by higher profit from Oleochemical division, while Industrial Chemical division's profit decreased by 15.4% to RM35.10 million (1Q2023: RM41.50 million) from lower selling prices and higher production costs.

Property Development's profit jumped 2-fold to RM18.85 million (1Q2023: RM9.11 million) on 85.9% higher revenue of RM57.54 million (1Q2023: RM30.96 million).

Included in **Investment Holdings/Others** were:

- a share of equity loss of RM169.66 million (1Q2023: Nil) from an overseas associate, Synthomer plc which was mainly caused by non-operating charges incurred on impairment loss of a business division, amortisation of acquired intangibles, restructuring and site closure costs;
- unrealised foreign currency exchange translation gain of RM35.97 million (1Q2023: RM60.08 million loss) on inter-company loans and bank deposits denominated in foreign currencies;
- Farming sector recorded loss at RM5.37 million (1Q2023: RM62.74 million profit); and
- RM1.81 million surplus (1Q2023: RM42.69 million surplus) on sale of land and government acquisition.

B3. Current year's prospects

In view of likely weakness in CPO prices going-forward due to economic concerns in key consuming countries, the Group's Plantation results are likely to soften compared to the same period last year. With the resumption of guest workers supply in Peninsular Malaysia, focus will be on estate management and yield improvement initiatives.

The Group's Manufacturing segment will remain challenged with weakness in consumer demand for both Oleochemical and Industrial Chemical divisions.

Overall, the Group expects its financial performance for the second half of financial year 2023 to be significantly weaker compared to the previous financial year.

B4. Variance of actual profit from forecast profit

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

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Current tax expenses				
Malaysian taxation	48,767	87,719	101,007	180,415
Overseas taxation	62,945	112,670	117,407	302,258
	<u>111,712</u>	<u>200,389</u>	<u>218,414</u>	<u>482,673</u>
(Over)/Under provision of taxation in respect of previous years				
Malaysian taxation	-	(172)	(1,402)	4,155
Overseas taxation	523	13,724	16,052	18,558
	<u>523</u>	<u>13,552</u>	<u>14,650</u>	<u>22,713</u>
Deferred tax				
Origination and reversal of temporary differences	(31,545)	(13,523)	(15,256)	(12,864)
respect of previous years	(57)	(9,473)	(11,551)	(5,194)
	<u>(31,602)</u>	<u>(22,996)</u>	<u>(26,807)</u>	<u>(18,058)</u>
	<u>80,633</u>	<u>190,945</u>	<u>206,257</u>	<u>487,328</u>

Reconciliation of effective taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	341,947	860,783	974,968	1,881,763
Taxation at Malaysia income tax rate of 24% (FY2022: 24%)	82,067	206,588	233,992	451,623
Effect of different tax rates in foreign jurisdiction	(12,737)	(13,510)	(24,385)	(18,624)
Withholding tax on foreign dividend and interest income	8,193	11,978	12,616	83,216
Expenses not deductible for tax purposes	12,044	12,146	43,902	38,538
Tax exempt and non-taxable income	(56,041)	(11,702)	(85,990)	(28,660)
Tax incentives	(1,858)	(2,695)	(4,282)	(5,259)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	5,932	(16,041)	(14,784)	(46,244)
Tax effect on associates' and joint ventures' results	40,065	(5,051)	37,296	(10,122)
Under provision of tax expense in respect of previous years	523	13,552	14,650	22,713
(Over)/Under provision of deferred tax in respect of previous years	(57)	(9,473)	(11,551)	(5,194)
Others	2,502	5,153	4,793	5,341
Tax expense	80,633	190,945	206,257	487,328

B6. Status of corporate proposals

There were no corporate proposals announced.

B7. Group borrowings

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

	At 31 March 2023								
	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	1,656	7,924	Euro	1,271	6,080	Euro	2,927	14,004
Unsecured									
Bank overdraft	-	-	-	Euro	24,216	115,839	Euro	24,216	115,839
Revolving credit	-	-	-	Euro	65,000	310,934	Euro	65,000	310,934
	-	-	-	GBP	27,000	146,958	GBP	27,000	146,958
	-	-	-	-	-	70,450	-	-	70,450
Trade financing	-	-	-	USD	27,791	122,627	USD	27,791	122,627
	-	-	-	Euro	349	1,668	Euro	349	1,668
	-	-	-	-	-	772,463	-	-	772,463
Term loans	USD	43,000	189,675	USD	33,350	146,997	USD	76,350	336,672
	Euro	36,490	174,556	Euro	18,477	88,618	Euro	54,967	263,174
	-	-	1,213,779	-	-	3,268	-	-	1,217,047
Banker's acceptance	-	-	-	-	-	436,450	-	-	436,450
Islamic medium term notes	-	-	6,100,000	-	-	500,000	-	-	6,600,000
Total	-	-	7,685,934	-	-	2,722,352	-	-	10,408,286

	At 31 March 2022								
	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	2,927	13,622	Euro	1,261	5,869	Euro	4,188	19,491
Unsecured									
Bank overdraft	-	-	-	Euro	42,501	197,776	Euro	42,501	197,776
Revolving credit	-	-	-	Euro	45,000	209,403	Euro	45,000	209,403
	-	-	-	GBP	44,178	244,015	GBP	44,178	244,015
	-	-	-	-	-	148,900	-	-	148,900
Trade financing	-	-	-	USD	33,263	139,863	USD	33,263	139,863
	-	-	-	-	-	673,700	-	-	673,700
Term loans	USD	84,200	353,726	USD	64,925	272,824	USD	149,125	626,550
	Euro	-	-	Euro	73,500	343,311	Euro	73,500	343,311
	JPY	2,361,240	81,484	JPY	262,360	9,054	JPY	2,623,600	90,538
	-	-	1,283,630	-	-	43,751	-	-	1,327,381
Banker's acceptance	-	-	-	-	-	528,347	-	-	528,347
Islamic medium term notes	-	-	6,600,000	-	-	1,000,000	-	-	7,600,000
Total	-	-	8,332,462	-	-	3,816,813	-	-	12,149,275

Exchange Rates Applied	At 31 March	
	2023	2022
USD / RM	4.4125	4.2048
Euro / RM	4.7836	4.6534
Rp1,000/RM	0.2943	0.2926
RMB/RM	0.6424	0.6632
GBP/RM	5.4429	5.5234
AUD/RM	2.9502	3.1456
JPY100/RM	3.3226	3.4549

B8. Derivative financial instruments

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

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

The interest rate swap contracts are entered into to convert floating rate liabilities to fixed rate liabilities to reduce the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments.

As at 31 March 2023, the values and maturity analysis of the outstanding derivatives of the Group are as follows:

	Contract / Notional value Net long/(short)	Fair value Net gains/(losses)
	RM'000	RM'000
a) Forward foreign exchange contracts:		
- Less than 1 year	(2,115,672)	6,460
b) Commodity futures contracts:		
- Less than 1 year	(857,023)	25,465
c) Interest rate swap contracts		
- Less than 1 year	10,414	277
- 1 year to 3 years	12,698	554
- more than 3 years	6,211	969

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. Interest rate swap contracts are recognised at fair value on contract dates and are subsequently re-measured at fair value through other comprehensive income unless hedge accounting is not applied, in which case, the changes to the fair value are taken to profit or loss.

For the period ended 31 March 2023, 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) An interim single tier dividend of 20 sen per share has been authorised by the Directors in respect of the financial year ending 30 September 2023 (2022: 20 sen) and will be paid to the shareholders on 3 August 2023. The entitlement date for the dividend shall be 11 July 2023.

A Depositor with Bursa Malaysia Depository Sdn Bhd shall qualify for the entitlement to the dividend only in respect of:

- (i) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 7 July 2023 in respect of securities which are exempted from mandatory deposit;
- (ii) Securities transferred into the Depositor's Securities Account before 4.30 p.m. on 11 July 2023 in respect of transfers; and

(iii) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

b) Total dividend for the current financial year to-date is single tier dividend of 20 sen per share (2022: 20 sen).

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		6 months ended	
	31 March		31 March	
	2023	2022	2023	2022
Net profit for the period attributable to equity holders of the Company (RM'000)	120,052	316,536	355,356	647,265
Weighted average number of shares ('000)	393,444	394,249	393,444	394,249
Earnings per share (sen)	30.5	80.3	90.3	164.2

B13. Audit report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2022 was not subject to any qualifications.

B14. Condensed Consolidated Statement of Profit or Loss

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Interest income	(25,478)	(15,597)	(48,773)	(28,689)
Dividend income	(3,931)	(4,723)	(15,480)	(16,115)
Other income	(103,146)	(31,288)	(134,612)	(69,202)
Interest expense	110,054	89,850	220,422	172,523
Depreciation and amortisation	259,303	270,632	518,756	514,827
Provision for and write-off of receivables	5	-	1,183	14
(Write back)/Provision for and write-off of inventories	(24,964)	39,261	(34,197)	85,241
Surplus on disposal of land	(1,817)	(554)	(2,624)	(1,390)
Surplus arising from government acquisition of land	-	(28)	(41,882)	(3,479)
Foreign exchange (gain)/loss	(60,250)	(41,064)	88,972	(49,156)
(Gain)/Loss on derivatives	(63,726)	10,835	(74,365)	(70,131)
Exceptional items	-	-	-	-

By Order of the Board

GOH SWEE ENG
YAP MIOU KIEN
CHIEW CINDY
Company Secretaries

24 May 2023