



Annual Report

2021

**KUALA LUMPUR KEPONG BERHAD**

197301001526 (15043-V)

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## GOVERNANCE

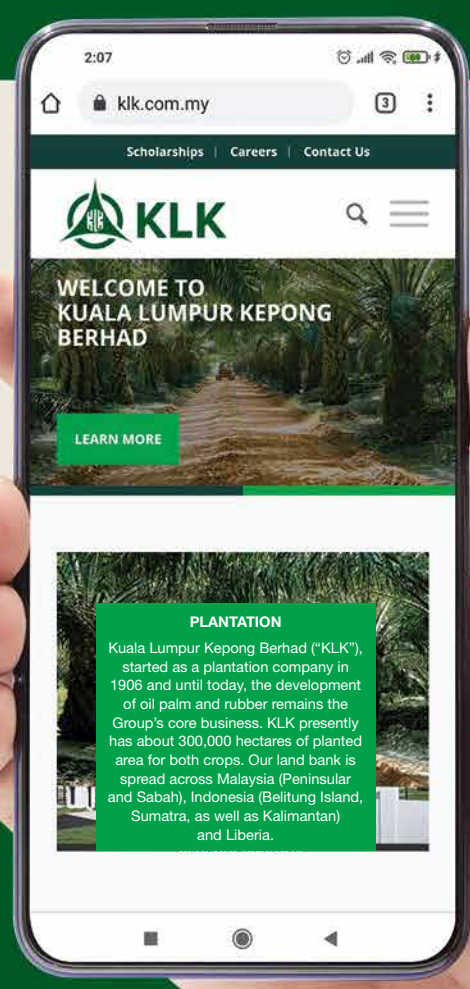
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Follow the steps below to scan the QR code in 3 easy steps



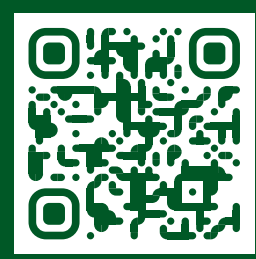
Download the "QR Code Reader" on Apple App Store or Google Play Store



Run the QR Code Reader app and point your camera to the QR Code



Get access to the softcopy of our Annual Report



Scan here

The soft copy of Kuala Lumpur Kepong Berhad ("KLK") Annual Report 2021 is available on our website. Go to [www.klk.com.my](http://www.klk.com.my) or scan the code above with your smartphone.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### R. M. ALIAS

Independent Non-Executive Chairman

### TAN SRI DATO' SERI LEE OI HIAN

Chief Executive Officer

### DATO' LEE HAU HIAN

Non-Independent Non-Executive Director

### DATO' YEOH ENG KHOON

Senior Independent Non-Executive Director

### TAN SRI AZLAN BIN MOHD ZAINOL

Independent Non-Executive Director

### QUAH POH KEAT

Independent Non-Executive Director

### ANNE RODRIGUES

Independent Non-Executive Director

### LEE JIA ZHANG

Chief Operating Officer

### CHERYL KHOR HUI PENG

Independent Non-Executive Director

## COMPANY SECRETARY

Yap Miow Kien

## AUDITORS

BDO PLT

## PLACE OF INCORPORATION AND DOMICILE

In Malaysia as a public limited liability company

## REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Bangunan Mayban Trust Ipoh  
Level 9, No. 28, Jalan Tun Sambanthan  
30000 Ipoh  
Perak, Malaysia  
Tel : +605-240 8000  
Fax : +605-240 8115  
Email : cosec@klk.com.my  
Website : [www.klk.com.my](http://www.klk.com.my)

## SHARE REGISTRAR

### Boardroom Share Registrars Sdn. Bhd.

11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor, Malaysia  
Tel : +603-7890 4700  
Fax : +603-7890 4670  
Email : bsr.helpdesk@boardroomlimited.com  
Website : [www.boardroomlimited.com](http://www.boardroomlimited.com)

## PRINCIPAL BANKERS

Malayan Banking Berhad  
HSBC Bank Malaysia Berhad  
CIMB Bank Berhad  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad

## STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Malaysia  
Securities Berhad on 6 February 1974  
Stock Code : 2445  
Stock Name : KLK

# FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

## ANNOUNCEMENT OF RESULTS

First Quarter  
**17 FEBRUARY 2021**

Third Quarter  
**18 AUGUST 2021**

Second Quarter  
**19 MAY 2021**

Fourth Quarter  
**23 NOVEMBER 2021**

## INTERIM DIVIDEND

Announcement  
**19 MAY 2021**

Entitlement Date  
**12 JULY 2021**

Payment Date  
**3 AUGUST 2021**

## FINAL DIVIDEND

Announcement  
**10 DECEMBER 2021**

Entitlement Date  
**21 FEBRUARY 2022**

Payment Date  
**1 MARCH 2022**

# 49<sup>TH</sup>

## ANNUAL GENERAL MEETING



**Day/Date:**  
Thursday,  
17 February 2022



**Time:**  
11.00 a.m.



**Broadcast Venue:**  
Menara KLK, Level 10  
No. 1, Jalan PJU 7/6  
Mutiara Damansara  
47810 Petaling Jaya  
Selangor, Malaysia

# KEY INDICATORS

## REVENUE

**RM19.916** billion

FY2020: RM15.596 billion

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

**RM2.258** billion

FY2020: RM772.6 million

## SHARE PRICE\*

**RM20.12**

30 September 2020: RM22.80

## MARKET CAPITALISATION\*

**RM21.687** billion

30 September 2020: RM24.589 billion

## DIVIDEND PER SHARE

**100** sen

FY2020: 50 sen

## EARNINGS PER SHARE

**209.3** sen

FY2020: 72.0 sen

KEY  
INDICATORS

\* Based on closing price on 30 September 2021

# CORPORATE PROFILE



## PLANTATION

Kuala Lumpur Kepong Berhad (“KLK”), started as a plantation company in 1906 and until today, the development of oil palm and rubber remains the Group’s core business. KLK presently has about 300,000 hectares of planted area for both crops. Our land bank is spread across Malaysia (Peninsular and Sabah), Indonesia (Belitung Island, Sumatra, as well as Kalimantan) and Liberia.



## MANUFACTURING

In order to optimise value across the supply chain, KLK diversified into resource-based manufacturing (oleochemical, derivatives and specialty chemicals) in the 1990s by vertically integrating its upstream and downstream businesses. The Group, via KLK OLEO, has since expanded its manufacturing operations resulting in global oleochemicals presence in China, Indonesia, Switzerland, Germany, The Netherlands and Belgium.



## PROPERTY DEVELOPMENT

In 1990, KLK started capitalising on the strategic location of its land bank in Peninsular Malaysia by branching into property development under KLK Land. Our first foray into property development was Sierramas in Sungai Buloh, a joint venture with Tan & Tan Development Bhd. It is currently focused on Bandar Seri Coalfields, a 1,001-acre township in Sungai Buloh, Selangor.





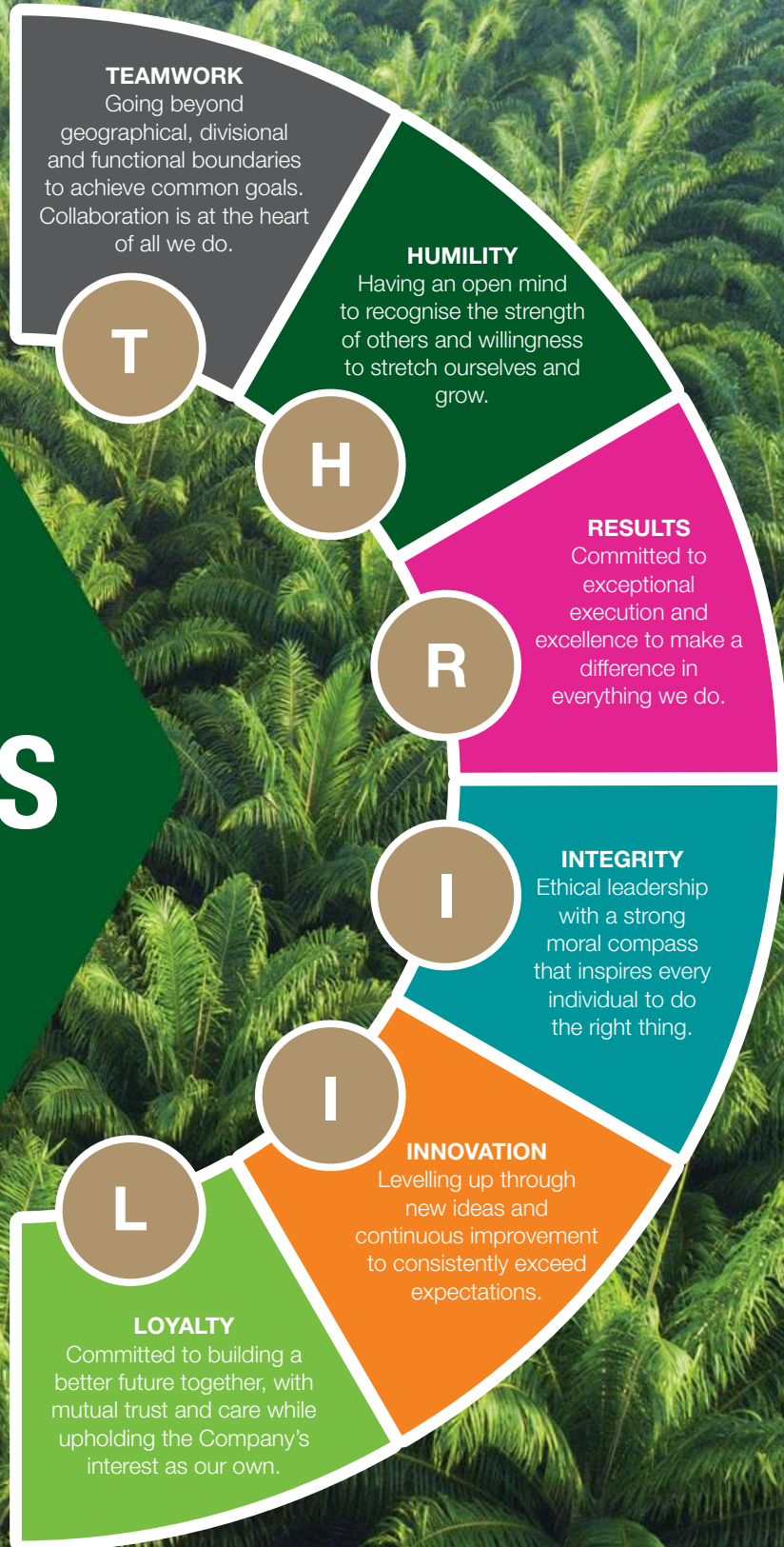
# MISSION

## STRIVE FOR EXCELLENCE

- Offering quality products and services at competitive prices.
- Being a good and responsible corporate citizen.
- Earning a fair return on investments.
- Maintaining steady dividend payments and adequate dividend cover.
- Sustaining growth through re-investment of retained profits.
- Maintaining a high standard of business ethics and practices.
- Fulfilling our social responsibilities in the community in which we operate.



# VALUES



# LOCATION OF THE GROUP'S OPERATIONS

AS AT 30 SEPTEMBER 2021



PLANTATION



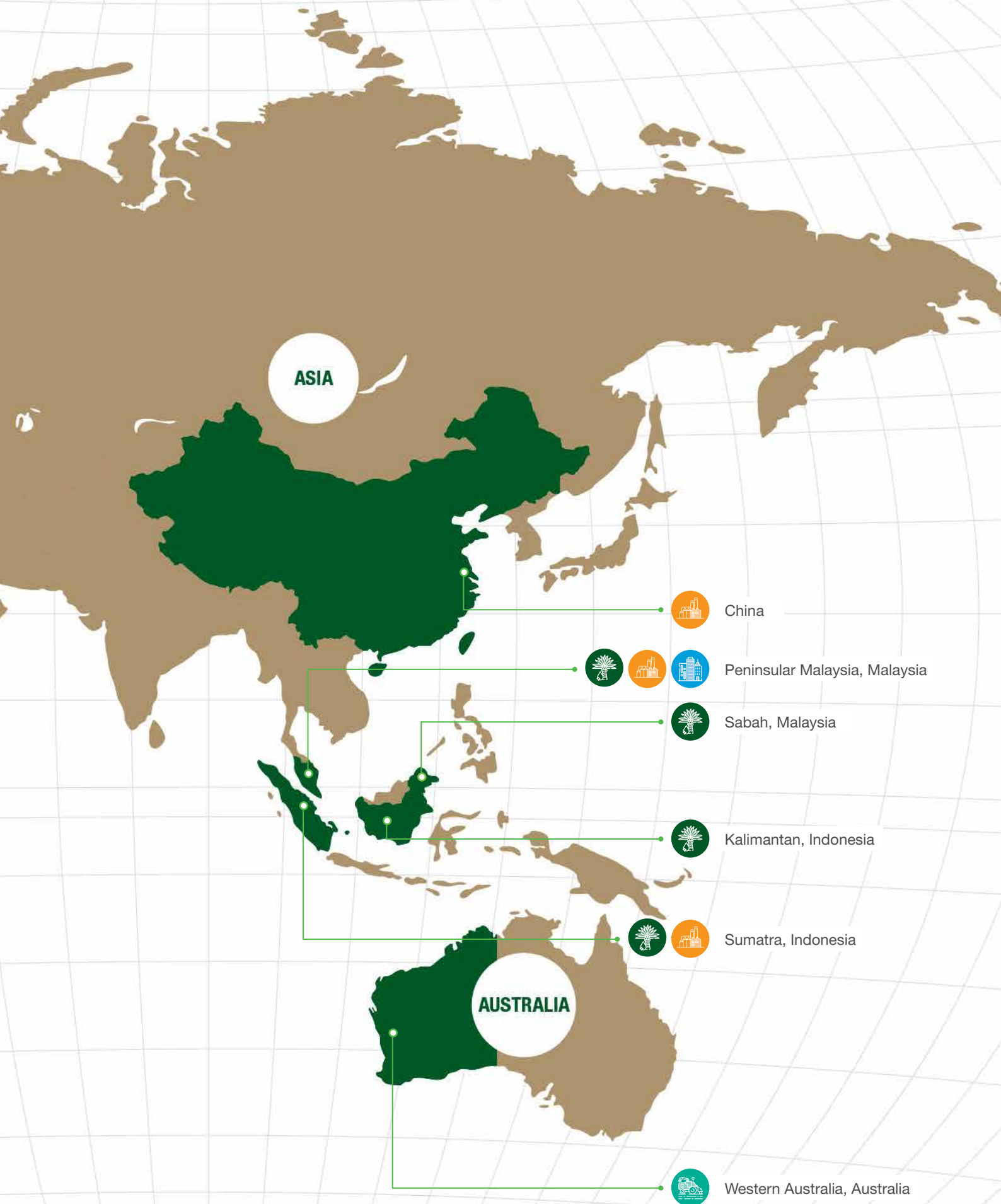
MANUFACTURING



PROPERTY  
DEVELOPMENT



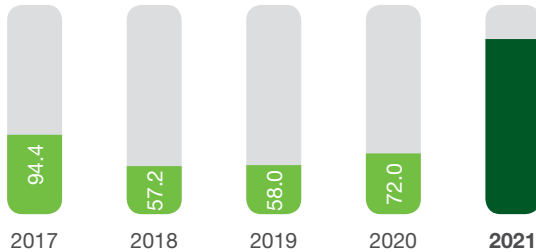
OTHERS  
(FARMING)



# FINANCIAL HIGHLIGHTS

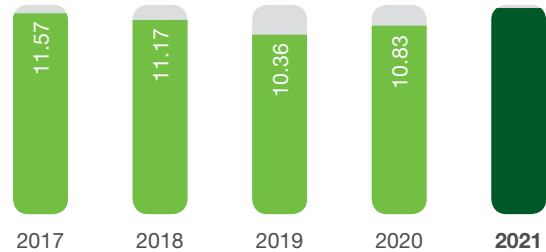
## EARNINGS PER SHARE (SEN)

### 209.3



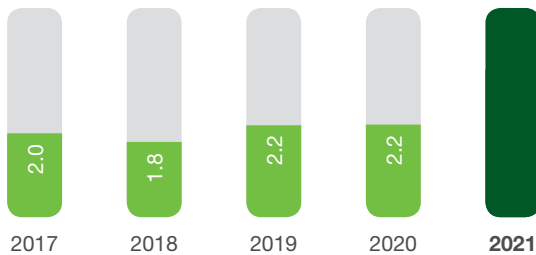
## SHAREHOLDERS' EQUITY (RM BILLION)

### 11.86



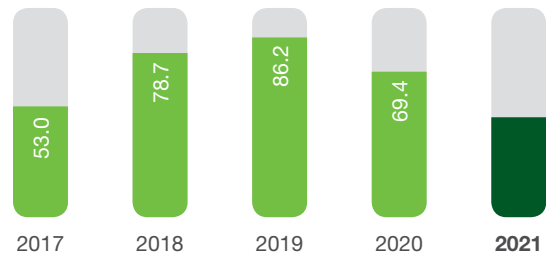
## DIVIDEND YIELD (%)

### 5.0



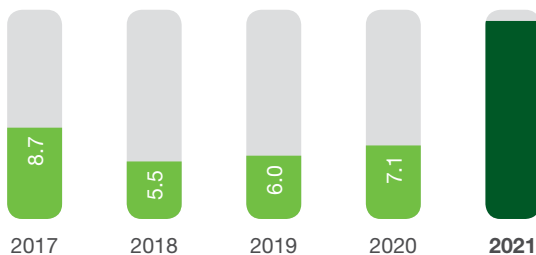
## DIVIDEND PAYOUT RATIO (%)

### 47.8



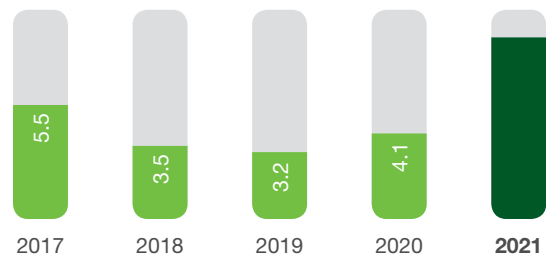
## RETURN ON SHAREHOLDERS' EQUITY (%)

### 19.0



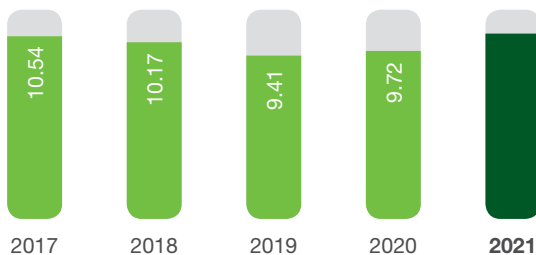
## RETURN ON TOTAL ASSETS (%)

### 8.7



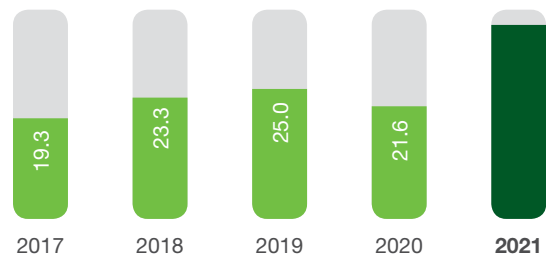
## NET TANGIBLE ASSETS PER SHARE (RM)

### 10.68



## NET DEBT TO EQUITY (%)

### 37.3



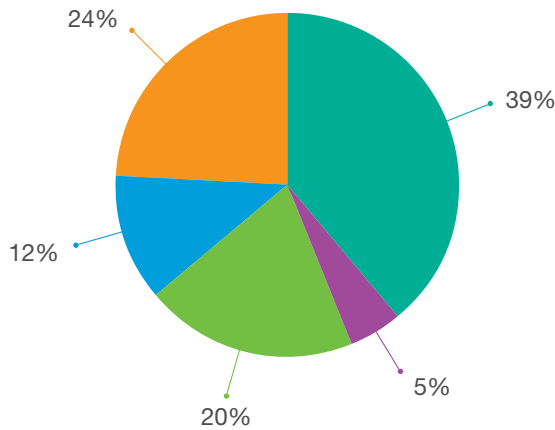
In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the information for FY2018 to FY2021 have been prepared in accordance with MFRS, while the information for FY2017 has been prepared in accordance with Financial Reporting Standards ("FRS").

# SIMPLIFIED GROUP ASSETS & LIABILITIES

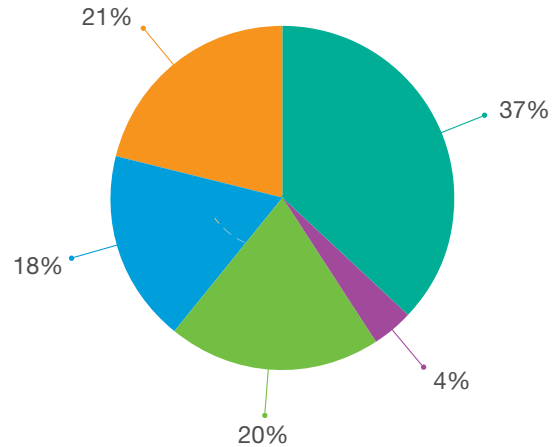
AS AT 30 SEPTEMBER 2021

## TOTAL ASSETS

2021  
**RM28,077**  
MILLION



2020  
**RM20,946**  
MILLION

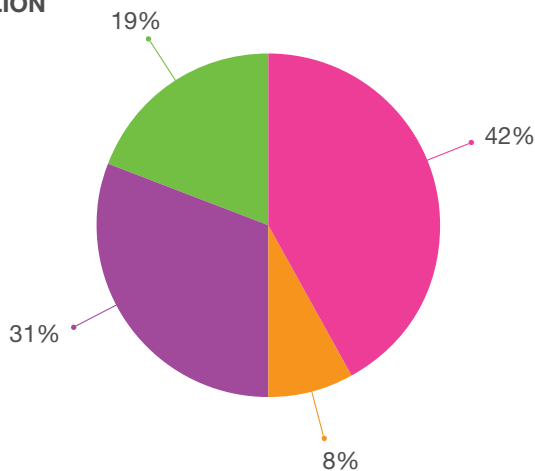


- Property, Plant and Equipment
- Right-of-use Assets
- Other Non-Current Assets
- Short Term Funds and Cash and Cash Equivalents
- Other Current Assets

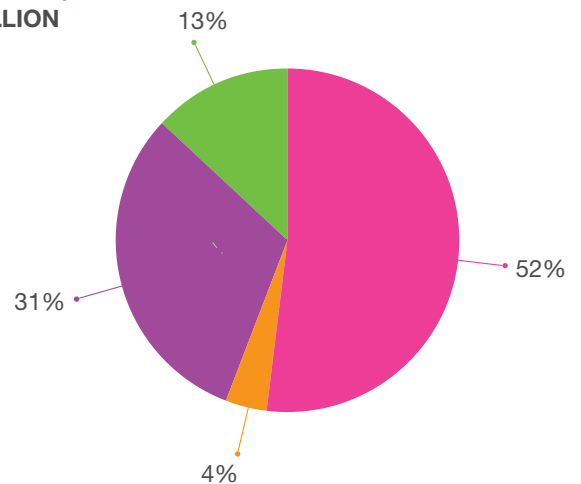
	2021		2020
Property, Plant and Equipment	RM11,015 million	39%	RM7,657 million
Right-of-use Assets	RM1,317 million	5%	RM868 million
Other Non-Current Assets	RM5,723 million	20%	RM4,147 million
Short Term Funds and Cash and Cash Equivalents	RM3,459 million	12%	RM3,873 million
Other Current Assets	RM6,563 million	24%	RM4,401 million

## TOTAL EQUITY & LIABILITIES

2021  
**RM28,077**  
MILLION



2020  
**RM20,946**  
MILLION



- Shareholders' Equity
- Non-Controlling Interests
- Borrowings
- Other Liabilities

	2021		2020
Shareholders' Equity	RM11,859 million	42%	RM10,827 million
Non-Controlling Interests	RM2,348 million	8%	RM977 million
Borrowings	RM8,765 million	31%	RM6,421 million
Other Liabilities	RM5,105 million	19%	RM2,721 million

# PROFILE OF DIRECTORS

Meeting  
Attendance



**R. M. ALIAS**

Aged 89

Male

Malaysian

**Chairman**

Independent Non-Executive Director  
Chairman of Remuneration Committee

Joined the Board on 1 July 1978 and has been the Chairman of KLK since 2008.

He holds a Bachelor of Arts (Honours) degree from the University of Malaya, Singapore, a Certificate in Public Administration from the Royal Institute of Public Administration, London and has attended the Advanced Management Program at Harvard Business School.

He is also a member on the Board of Trustees of the Yayasan KLK.

Meeting  
Attendance



**TAN SRI DATO' SERI LEE OI HIAN**

Aged 70

Male

Malaysian

**Chief Executive Officer**

Executive Director

Joined the Board on 1 February 1985 and is the Chief Executive Officer ("CEO") of KLK.

Tan Sri Dato' Seri Lee graduated with a Bachelor of Agricultural Science (Honours) degree from the University of Malaya and obtained his Master in Business Administration from Harvard Business School.

He joined the Company in 1974 as an executive and was subsequently appointed to the Board in 1985. In 1993, he was appointed as the Group's Chairman/CEO and held the position until 2008, when he relinquished his role as Chairman, but remains as Executive Director and CEO of the Group.

He is the Chairman of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Board of IJM Plantations Berhad and serves as a member on the Board of Trustees of the Perdana Leadership Foundation, Yayasan KLK, UTAR Education Foundation and Yayasan Wesley. He was formerly the Chairman of the Malaysian Palm Oil Council.

Tan Sri Dato' Seri Lee is the brother of Dato' Lee Hau Hian and the father of Mr. Lee Jia Zhang. He is deemed connected with Batu Kawan Berhad, one of the major shareholders of KLK, and is also deemed interested in various related party transactions with the KLK Group.

## PROFILE OF DIRECTORS

**Meeting Attendance**




**DATO' LEE HAU HIAN**

Aged 68 Male Malaysian

**Non-Independent Non-Executive Director**  
Member of Remuneration Committee  
Member of Nomination Committee

Joined the Board on 20 December 1993.

Dato' Lee graduated with a Bachelor of Science (Economics) degree from the London School of Economics and has a Master in Business Administration from Stanford University.

He is the Managing Director of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, and the Chairman of Chemical Company of Malaysia Berhad. He is also a Director of See Sen Chemical Berhad and Synthomer plc, a company listed on the London Stock Exchange. He is also the President of the Perak Chinese Maternity Association. He also serves as a member on the Board of Trustees of the Tan Sri Lee Loy Seng Foundation, Yayasan KLK and Yayasan De La Salle.

He is the brother of Tan Sri Dato' Seri Lee Oi Hian and the uncle of Mr. Lee Jia Zhang. He is deemed connected with Batu Kawan Berhad, a major shareholder of KLK, and is also deemed interested in various related party transactions with the KLK Group.

**Meeting Attendance**




**DATO' YEOH ENG KHOON**

Aged 74 Male Malaysian

**Senior Independent Non-Executive Director**  
Member of Audit and Risk Committee  
Member of Nomination Committee

Joined the Board on 24 February 2005.

Dato' Yeoh obtained his Bachelor of Arts (Honours) degree in Economics (Business Administration) from the University of Malaya in 1968 and was called to the Bar of England and Wales at Lincoln's Inn in 1979.

His past working experience included banking, manufacturing and retail business.

He is a Director of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of See Sen Chemical Berhad as well as a member on the Board of Trustees of Yayasan KLK.

## PROFILE OF DIRECTORS



**TAN SRI AZLAN BIN MOHD ZAINOL**

Aged 71

Male

Malaysian

**Independent Non-Executive Director**

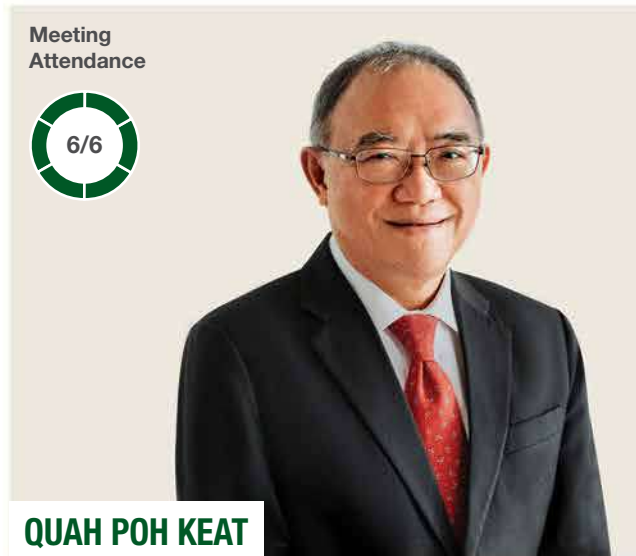
Chairman of Nomination Committee  
Member of Remuneration Committee

Joined the Board on 13 May 2013.

Tan Sri Azlan is a Fellow of the Institute of Chartered Accountants in England and Wales; a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants; and a Fellow and Chartered Banker of the Asian Institute of Chartered Bankers.

He served as the Chief Executive Officer of the Employees Provident Fund Board from 2001 to April 2013. He has more than 30 years of experience in the financial sector, having served as the Managing Director of AmFinance Berhad (1982 to 1994), AmBank Berhad (1994 to 2001), and Director for several subsidiaries of AmBank Group (1996 to 2001). Prior to that, he was a partner with Messrs. BDO Binder. He was also a Council Member of the Asian Institute of Chartered Bankers.

Currently, he is the Chairman of Malaysian Resources Corporation Berhad, Eco World International Berhad and Malaysia Building Society Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad, and the Chairman of MBSB Bank Berhad. He is also the Chairman on the Board of Trustees of Yayasan Astro Kasih and a member on the Board of Trustees of the OSK Foundation.



**QUAH POH KEAT**

Aged 69

Male

Malaysian

**Independent Non-Executive Director**

Chairman of Audit and Risk Committee

Appointed to the Board on 18 February 2016.

Mr. Quah is a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants; and a Member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and Chartered Institute of Management Accountants.

He was a partner of KPMG since October 1982 and was appointed Senior Partner (also known as Managing Partner in other practices) in October 2000 until 30 September 2007. He retired from the firm on 31 December 2007.

He had served as a Director of Public Bank Berhad Group from 30 July 2008 to 1 October 2013 until his appointment as the Deputy Chief Executive Officer of Public Bank from 1 October 2013 until 31 December 2015. Prior to that, he was also a Director of IOI Properties Berhad, PLUS Expressways Berhad, IOI Corporation Berhad and Telekom Malaysia Berhad.

Mr. Quah is experienced in auditing, tax and insolvency practices and has worked in Malaysia and the United Kingdom; his field of expertise includes restructuring, demergers and privatisation.

Currently, he is a Director of LPI Capital Bhd, Paramount Corporation Berhad and Malayan Flour Mills Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Boards of Public Mutual Berhad, Lonpac Insurance Berhad, Public Bank (Hong Kong) Ltd, Public Finance Ltd, Public Financial Holdings Ltd, Cambodian Public Bank Ltd, Campu Lonpac Insurance Plc and Campu Securities Plc.



## PROFILE OF DIRECTORS

Meeting Attendance





**ANNE RODRIGUES**

Aged 71

Female

Malaysian

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**Independent Non-Executive Director**  
Member of Audit and Risk Committee

Meeting Attendance





**LEE JIA ZHANG**

Aged 38

Male

Malaysian

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**Chief Operating Officer**  
Executive Director

Appointed to the Board on 6 September 2017.

Mrs. Anne Rodrigues is a member of Malaysian Institute of Accountants and was a Fellow of the Association of Chartered Certified Accountants. She also holds a Masters in Business Administration (Distinction) from the University of Bath MIM and a Bachelor of Economics (Class 1 Honours) degree from University of Malaya.

Mrs. Anne Rodrigues was the Group Chief Financial Officer of Felda Global Ventures Holdings Berhad (“FGV”) till her official retirement in December 2010. Subsequent to that, she continued as Finance Advisor in FGV and also was posted to Boston as Chief Financial Officer of TRT Holdings Boston USA. She retired in December 2012.

She has more than 30 years’ experience in the financial sector, having been previously appointed as the Corporate Treasurer and subsequently Finance Director of Malaysia International Shipping Corporation and previous to that as Finance Manager, Boustead Travel Sdn Bhd. She also serves as a member of the Financial Reporting Foundation currently.

Appointed to the Board on 16 May 2018.

Mr. Lee Jia Zhang holds a Master in Chemical Engineering (Hons) degree (MEng) from Imperial College, United Kingdom. He is a Chartered Accountant and a Member of the Institute of Chartered Accountants Scotland (ICAS). He has also completed the Accelerated Development Programme from the University of Chicago Booth School of Business (Executive Education).

He began his career with Ernst & Young LLP, United Kingdom from 2006 to 2009 and thereafter with KPMG, Kuala Lumpur in 2009 both in audit. He then joined KLK Group in 2010 and has since held various positions in the Oleochemical and Corporate divisions. He started his career in KLK as a Senior Manager and is currently the Group’s Chief Operating Officer assisting the CEO to formulate, drive and execute operation strategies and determine the overall strategic direction of the Group.

In his capacity as KLK Group Chief Operating Officer, Mr. Lee directs the daily conduct of the Group’s operations, management and administration across the Group’s business sectors. He also oversees several of the Group’s corporate functions and works with Senior Management to create, implement and roll out operational processes, internal infrastructures, reporting systems and company policies.

Mr. Lee is the son of Tan Sri Dato’ Seri Lee Oi Hian and the nephew of Dato’ Lee Hau Hian. Both Tan Sri Dato’ Seri Lee Oi Hian and Dato’ Lee Hau Hian are Directors and major shareholders of KLK.

## PROFILE OF DIRECTORS

**Meeting Attendance**





**CHERYL KHOR HUI PENG**

Aged 47
Female
Malaysian

**Independent Non-Executive Director**  
Member of Audit and Risk Committee

Appointed to the Board on 1 December 2021.

Ms. Cheryl Khor Hui Peng graduated from University Putra Malaysia with a Bachelor of Mathematics (Honours). She is a Fellow and Faculty Member of the Institute of Corporate Directors Malaysia where she conducts training for directors on various board and governance topics across all industries. She is also a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Institute of Internal Auditors Malaysia.

Ms. Cheryl Khor has more than 25 years of experience covering financial, operational and internal audits as well as governance, controls, sustainability, internal audit and risk assessments for clients across a broad range of industries.

She began her career in 1998 as a financial auditor and chartered accountant at Ernst & Young. Ms. Cheryl Khor diversified her skill sets and breadth of experience when she joined Deloitte in 2013 where she led the Risk Advisory practice, complementing her chartered accountant experience with sustainability, governance and risk expertise. She was appointed as its Managing Director in 2014 and held the position until May 2021. Whilst in Deloitte, she held numerous leadership roles culminating in the position of Asia Pacific Accounting and Internal Control Leader and was also elected onto the Deloitte South East Asia Board of Directors.

Ms. Cheryl Khor serves as an Independent Director on the Boards of Hong Leong Industries Berhad, Alliance Bank Malaysia Berhad and VSTECS Berhad, all of which are listed on Bursa Malaysia. She is also a Director of Chubb Insurance Malaysia Berhad, a public company.

\* Reflects the attendance and the number of meetings held during the period the Director held office.

### ADDITIONAL INFORMATION

1. Save as disclosed in the Profile of Directors, none of the Directors has:
  - (i) any directorship in public companies and listed issuers;
  - (ii) any family relationship with any Director and/or major shareholder of KLK; and
  - (iii) any conflict of interest with KLK.
2. None of the Directors has:
  - (i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
  - (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.
3. Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement on page 99.

# PROFILE OF KEY SENIOR MANAGEMENT



**TAN SRI DATO' SERI LEE OI HIAN**

Aged 70 Male Malaysian

**Chief Executive Officer**

Tan Sri Dato' Seri Lee was appointed as the Group's Chairman/Chief Executive Officer ("CEO") in 1993 and held the position until 2008. On 1 May 2008, he relinquished his role as Chairman but has retained his position as Executive Director and CEO of the Group. His profile is listed in the Profile of Directors on page 12.



**LEE JIA ZHANG**

Aged 38 Male Malaysian

**Chief Operating Officer**

Mr. Lee Jia Zhang was appointed as the Executive Director of KLK on 16 May 2018 and he is currently the Group's Chief Operating Officer assisting the CEO to formulate, drive and execute operation strategies and determine the overall strategic direction of the Group. He joined KLK Group in 2010 and has since held various positions in the Oleochemical and Corporate divisions. His profile is listed in the Profile of Directors on page 15.



**PATRICK KEE CHUAN PENG**

Aged 62 Male Malaysian

**Group Plantations Director**

Mr. Patrick Kee was appointed as the Group Plantations Director on 1 October 2017. Prior to his appointment, he was the President Director of KLK's subsidiaries in Indonesia.

He is an Associate Member of the Incorporated Society of Planters. He joined KLK on 1 February 1982 and has served KLK's subsidiaries in various capacities from Assistant, Manager, General Manager to Regional Director (both in West Malaysia and Sabah) prior to his posting to Indonesia.

He has attended the Senior Management Development Program conducted by Harvard Business School and Advance Management Program of INSEAD.



**MADHEV A/L BALA SUBRAMANIAM**

Aged 61 Male Malaysian

**Chief Executive Officer  
Oleochemical Division**

Mr. Madhev holds an Honours Degree in Chemical Engineering and a Master Degree in Engineering Science from University of Malaya.

He is a member of the Board of Engineers Malaysia. He has been with KLK Group since 1990. Prior to joining KLK Group, he was a faculty member at the Department of Chemical Engineering in University of Malaya.

## PROFILE OF KEY SENIOR MANAGEMENT



**DATO' DAVID TAN THEAN THYE**

Aged 67

Male

Malaysian

**Executive Director**  
**Property Development**

Dato' David Tan is the Executive Director of KLK Land. He joined the Group on 1 January 2013 and is responsible for overseeing the business development, planning and implementation of KLK property projects.

Dato' David Tan holds a BSc (Hons) in Housing, Building & Planning and MSc in Planning from Universiti Sains Malaysia. He is a Corporate Member of the Malaysian Institute of Planners and a Registered Planner with the Board of Town Planners, Malaysia.

He has more than 40 years of experience in the property industry with 22 years as Head of Property in IOI Group where he was also a Director of IOI Properties Berhad.



**YAP MIOW KIEN**

Aged 52

Female

Malaysian

**Company Secretary**

Ms. Yap has an LL.B (Hons) degree from the University of Leeds, United Kingdom. She also qualified as a Barrister-at-Law of the Middle Temple, London, and as an Advocate & Solicitor of the High Court of Malaya. She is an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators.

Ms. Yap joined KLK in 2002 as a Legal Manager and was appointed as the Company Secretary of KLK on 2 September 2008 where she oversees the Legal and Secretarial Department. She began her career with a leading law firm in Kuala Lumpur and subsequently joined the private sector as an executive in the legal divisions of the Usaha Tegas Group and Tanjong Plc.



**LEONG SEAN MENG**

Aged 62

Male

Malaysian

**Group Chief Financial Officer**

Mr. Leong holds a Bachelor of Science Degree (Honours) majoring in Mathematics and Physics from the University of Malaya and qualified as an accountant from the Malaysian Institute of Certified Public Accountants. He is also a Member of the Malaysian Institute of Accountants.

Prior to joining KLK, he pursued a career in accountancy in the public accounting firm of Coopers & Lybrand for 10 years. He has been with KLK Group since 1991 and was appointed as Group Chief Financial Officer on 14 November 2018. Prior to this, he was the Group Chief Accountant.

He also sits on the Board of IJM Plantations Berhad, a subsidiary of KLK.

### ADDITIONAL INFORMATION

- Save as disclosed above, none of the Key Senior Management has:
  - any directorship in public companies and listed issuers;
  - any family relationship with any Director and/or major shareholder of KLK; and
  - any conflict of interest with KLK.
- None of the Key Senior Management has:
  - been convicted of any offence (other than traffic offences) within the past five (5) years; and
  - been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

# CHAIRMAN'S STATEMENT



“

Our Group has posted a record-breaking net profit of RM2.258 billion for FY2021. This quantum jump of 192.2% as compared to the previous year was primarily due to the buoyant palm products prices, the sterling performance of our KLK Oleo and practically all our other business sectors.

R.M. ALIAS, *Chairman*

”

No review of our financial year ended 30 September 2021 (“FY2021”) would be complete without addressing the continuing effects of the COVID-19 pandemic. Yet in the midst of it all, Kuala Lumpur Kepong Berhad (“KLK”) maintained its resilience and had a transformative year which included major acquisitions that expanded the size of its plantation landbank by a massive 30.0%. The pandemic has pushed all businesses to reinvent, innovate and make adjustments along the way to adapt to the fast-changing landscape. KLK has responded swiftly to these challenges with the whole-hearted support of its team members. The smooth running of its operations and comprehensive roll-out of an employee vaccination programme are testament to the Group’s resilient make-up.

I am therefore proud that our Group has posted a record-breaking net profit of RM2.258 billion for FY2021. This quantum jump of 192.2% as compared to the previous year was primarily due to the buoyant palm products prices, the sterling performance of our KLK Oleo and practically all our other business sectors. The Group’s earnings per share thus leapt to 209 sen. The final dividend of 80 sen per share declared together with the earlier interim of 20 sen, constitutes a reasonable payout ratio of 47.8% taking into consideration that the year’s profits have been inflated by non-cash fair value accounting gains.

## BUSINESS PERFORMANCE

Fresh Fruit Bunches (“FFB”) production marginally declined to 3.849 million tonnes (FY2020: 3.929 million tonnes) hampered by labour shortages and COVID-19 disruption. Our core Plantation business contributed a pre-tax profit of RM1.585 billion solely due to the higher Crude Palm Oil (“CPO”) and Palm Kernel (“PK”) prices achieved of RM3,211 and RM2,135 per tonne, respectively. In respect of FFB per hectare yields, it was a disappointing 21.4 mt/ha or in CPO term 4.66 mt/ha, which is a long way from our quest of 6 mt/ha CPO.

KLK Oleo had a spectacular performance, with fortuitous raw materials gains, generating RM680.6 million contribution, an increase of 72.6% from the previous year. Our overseas subsidiaries in China and Europe had strong performances despite the Indonesian oleo producers’ duty advantages. It was also a perfect year with all our other operating sectors progressing well. Synthomer plc (“Synthomer”), the UK listed global differentiated chemicals company in which we own 21.3%, too had outstanding results with their huge nitrile rubber margins. Our flagship property development, Bandar Seri Coalfields, had a steady contribution of RM68.8 million despite COVID-19 interrupted sales. This prized development is metamorphosing to a well-planned living community within our 6,000 acres of contiguous landbank.

## CHAIRMAN'S STATEMENT

### EXPANSIONS & OUTLOOK

In September 2021, we acquired control of IJM Plantations Berhad followed by P.T. Pinang Witmas Sejati on 1 October 2021, in line with our strategy to grow through brownfield acquisitions, as we had pledged to No Deforestation, Peat and Exploitation (“NDPE”). Together, this will increase our Group’s planted area to 300,000 hectares, which will enhance our economies of scale and greater control of raw materials to supply our downstream facilities.

Our integrated refinery and oleochemicals complex currently under construction in East Kalimantan will enable us to capture further margins from our approximately 80,000 hectares of nearby producing plantations. This could be a game changer once commissioned starting end 2022 and will enable us to have better control and traceability.

The CPO market so far has been resilient in sustaining the prompt position of above RM5,000. Thus, we are hopeful that a repeat of our record performance will occur. 2022 will be the year we focus on consolidating our assets, enhancing synergies and operational integration. Approved capital expenditure will exceed RM1.8 billion but likely will stretch out over 2 years. Our focus will be on executing these projects well and managing our costs in an inflationary environment efficiently whilst improving productivity.

Nevertheless, we continue to face the same headwinds as other companies. In our businesses, these are centred on Environmental, Social and Governance (“ESG”). They range from climate risks, reducing greenhouse gas, renewable energy to protection of workers’ rights. KLK will play its part to embrace policies which preserve biodiversity and, conservation, promote the welfare and wellbeing of our employees, and foster ethical and responsible behaviour. Prioritising these ESG issues is essential for the sustainability of our businesses.



The CPO market so far has been resilient in sustaining the prompt position of above RM5,000. Thus, we are hopeful that a repeat of our record performance will occur. 2022 will be the year we focus on consolidating our assets, enhancing synergies and operational integration.

On 1 October 2021, KLK appointed Lee Jia Zhang as its Group Chief Operating Officer. Mr Lee will be working alongside the KLK CEO who, together with the contributions of the Board members, will be involved in all strategic decision making and planning the future business direction of the KLK Group. His fresh perspectives have already put KLK on a new transformation trajectory, building upon our many years of success.

### ACKNOWLEDGMENTS

With the commendable financial results this year despite the COVID-19 pandemic affecting all of us one way or another, I would like to acknowledge the Group’s efforts in ensuring not only that our businesses remain competitive, but our loyal workforce stay safe. Vaccination rates within the Group are high (over 90% on average), beside implementing the relevant SOPs and ensuring our civic duty towards one another. We stay united and forge ahead in these challenging times, while keeping true to our THRILL culture focusing on Teamwork, Humility, Results, Integrity, Innovation and Loyalty.

On behalf of the Board, I thank all our stakeholders for your contributions and support. In its role as steward, the Board practices high standards of corporate governance. Their independence and diversity in thought goes a long way towards determining the Group’s success. I am pleased to welcome Ms Cheryl Khor to our Board, our second lady Director, which will no doubt enhance our diversity and skill sets.

My special thanks go to the various Governments in where we operate, as well as our numerous business partners for their belief in our capabilities and for providing a conducive environment for our businesses. Finally, I would like to express gratitude to all our enthusiastic and dedicated employees in steering the organisation forward. I believe we have what it takes to further accelerate the Group’s growth momentum.

## KENYATAAN PENGERUSI



Kumpulan KLK telah mencatat keuntungan bersih tertinggi sebanyak RM2.258 bilion untuk TK2021. Lonjakan 192.2% ini berbanding tahun sebelumnya adalah sebahagian besarnya disumbangkan oleh harga produk sawit yang tinggi, prestasi cemerlang KLK OLEO serta hampir kesemua sektor perniagaan kami.

R.M. ALIAS, *Pengerusi*



Ulasan tahun kewangan berakhir 30 September 2021 (“TK2021”) pastinya tidak lengkap tanpa merangkumkan kesan berterusan pandemik COVID-19. Di sebalik ketidaktentuan ini, Kuala Lumpur Kepong Berhad (“KLK”) terus bingkas dalam menghadapi satu tahun yang transformatif melibatkan pengambilalihan signifikan yang membawa kepada perluasan saiz tanah perladangannya sehingga 30.0%. Pandemik ini telah mendorong semua cabang perniagaan agar bertindak lebih kreatif, inovatif dan berupaya beradaptasi dengan lanskap perniagaan yang pantas berubah. KLK telah menyahut kesemua cabaran ini dengan sokongan penuh warga kerjanya. Perjalanan lancar operasinya serta pelaksanaan program vaksinasi yang menyeluruh ke atas kakitangannya membuktikan daya kebingkasan Kumpulan.

Saya dengan ini menzahirkan rasa bangga bahawa Kumpulan telah mencatat keuntungan bersih tertinggi sebanyak RM2.258 bilion untuk TK2021. Lonjakan 192.2% ini berbanding tahun sebelumnya sebahagian besarnya disumbangkan oleh harga produk sawit yang tinggi, prestasi cemerlang KLK Oleo serta hampir kesemua sektor perniagaan kami. Perolehan sesaham Kumpulan melonjak kepada 209 sen. Dividen akhir sebanyak 80 sen sesaham yang diumumkan bersama interim awal sebanyak 20 sen merangkumi nisbah pembayaran berwajaran sebanyak 47.8% dengan mengambilkira bahawa keuntungan pada tahun tersebut telah melambung ekoran keuntungan perakaunan nilai saksama bukan tunai.

### PRESTASI PERNIAGAAN

Pengeluaran Tandan Buah Segar (“TBS”) berkurang kepada 3.849 juta tan (TK2020: 3.929 juta tan) akibat kekurangan tenaga buruh dan gangguan dari COVID-19. Perniagaan teras kami iaitu Perladangan menyumbang keuntungan sebelum cukai sebanyak RM1.585 bilion berikutan harga Minyak Sawit Mentah (“MSM”) dan Isirung Sawit (“IS”) yang lebih tinggi masing-masing sebanyak RM3,211 dan RM2,135 satu tan. Hasil sehektar TBS agak mengecewakan iaitu sebanyak 21.4 tan metrik sehektar atau dalam istilah MSM sebanyak 4.66 tan metrik sehektar, yang mana masih jauh daripada sasaran kami sebanyak 6 tan metrik sehektar.

KLK Oleo mencatat prestasi cemerlang dengan keberuntungan perolehan bahan-bahan mentah sebanyak RM680.6 juta, iaitu peningkatan 72.6% berbanding tahun sebelumnya. Syarikat-syarikat subsidiari kami di China dan Eropah juga mencatatkan prestasi cemerlang di sebalik kelebihan duti pengeluar oleo di Indonesia. Ini juga merupakan tahun yang sempurna di mana sektor-sektor operasi kami yang lain turut berkembang baik. Synthomer plc (“Synthomer”), syarikat bahan kimia tersenarai di UK yang mana 21.3% daripadanya dimiliki oleh kami, juga mencatat keputusan cemerlang dengan margin getah nitril yang tinggi. Projek pembangunan hartanah utama kami, Bandar Seri Coalfields, terus menyumbang RM68.8 juta di sebalik gangguan jualan akibat COVID-19. Projek pembangunan ini sedang berkembang menjadi satu komuniti tempatan terancang di atas tanah seluas 6,000 ekar.

## KENYATAAN PENERUSI

### PENGEMBANGAN & TINJAUAN

Pada September 2021, kami telah mengambilalih kawalan IJM Plantations Berhad diikuti dengan P.T. Pinang Witmas Sejati pada 1 Oktober 2021, sejajar dengan strategi kami untuk berkembang menerusi pengambilalihan ladang yang pernah diusahakan (*brownfield*), dengan ikrar Tiada Penebangan Hutan, Tiada Gambut, Tiada Eksploitasi (“NDPE”). Usaha ini akan meningkatkan keluasan kawasan tanaman Kumpulan kepada 300,000 hektar, yang mana akan mempertingkatkan skala ekonomi kami serta kawalan bahan mentah sebagai bekalan kepada fasiliti hiliran kami.

Kompleks penapisan dan oleo kimia bersepadu kami yang sedang dalam pembinaan di Kalimantan Timur akan membolehkan kami mencapai margin yang lebih tinggi daripada ladang terdekat kami seluas hampir 80,000 hektar. Kompleks ini akan memperkukuhkan lagi operasi kami apabila ia mula beroperasi pada lewat 2022 selain memberikan kami kawalan dan kebolehesanan yang lebih baik.

Pasaran MSM kekal bingkis dalam mempertahankan kedudukan pencapaian di atas RM5,000. Justeru, kami berharap agar prestasi tertinggi kami akan berulang. Pada tahun 2022, kami akan menumpukan perhatian ke atas penyatuan aset, peningkatan sinergi, serta integrasi operasi. Perbelanjaan modal diluluskan akan melebihi RM1.8 bilion tetapi akan menjangkau lebih 2 tahun. Tumpuan kami adalah ke atas pelaksanaan terbaik projek-projek ini serta pengurusan kos yang cekap di dalam persekitaran inflasi selain peningkatan produktiviti.

Bagaimanapun, kami terus menghadapi cabaran yang sama seperti syarikat-syarikat lain. Di dalam perniagaan kami, cabaran-cabaran ini tertumpu kepada aspek-aspek Alam Sekitar, Sosial dan Tadbir Urus (“ESG”). Ini merangkumi risiko perubahan iklim, pengurangan gas rumah hijau, tenaga boleh diperbaharui dan perlindungan hak pekerja. KLK akan terus memainkan peranannya dalam mendokong dasar-dasar pemeliharaan kepelbagaian bio, pemuliharaan, kebajikan dan kesejahteraan kakitangan, dan pemupukan tingkah laku beretika dan bertanggungjawab. Pengutamaan isu-isu ESG ini adalah penting demi kemampunan perniagaan kami.

KLK juga telah melantik Encik Lee Jia Zhang sebagai Ketua Pegawai Operasi Kumpulan pada 1 Oktober 2021. Encik Lee akan bertugas seiringan dengan CEO KLK dan bersama Lembaga Pengarah, akan terlibat secara langsung dalam membuat semua keputusan strategik dan perancangan masa hadapan perniagaan. Beliau telah membawa perspektif yang baru yang meletakkan KLK di trajektori transformasi, berlandaskan kejayaan yang telah dikecapi selama ini.

### PENGHARGAAN

Dengan keputusan kewangan yang membanggakan pada tahun ini di sebalik kesan meluas pandemik COVID-19, saya ingin mengiktiraf usaha Kumpulan dalam mengekalkan daya persaingan perniagaan kami selain memastikan keselamatan tenaga kerja. Kadar vaksinasi Kumpulan adalah tinggi (melebihi purata 90%), di samping pelaksanaan prosedur operasi standard (“SOP”) yang relevan dan kewajipan sivik kami terhadap satu sama lain. Kami kekal bersatu dan terus maju ke hadapan dalam waktu-waktu mencabar ini, serta terus berpegang teguh kepada nilai teras THRILL kami iaitu Kerja Berpasukan, Kerendahan Hati, Keputusan, Integriti, Inovasi dan Kesetiaan.

Bagi pihak Lembaga Pengarah, saya ingin menzahirkan ucapan terima kasih kepada pihak-pihak berkepentingan kami atas segala sumbangan dan sokongan anda.

Dalam peranan kepimpinannya, Lembaga Pengarah mengamalkan piawai tadbir urus korporat yang tinggi. Kebebasan dan kepelbagaian mereka memberi sumbangan besar kepada kejayaan Kumpulan. Saya dengan berbesar hati mengalu-alukan perlintakan Cik Cheryl Khor ke dalam Lembaga Pengarah, selaku Pengarah wanita kami yang kedua, yang pastinya akan memperkayakan kepelbagaian dan set kemahiran kami.

Ucapan terima kasih khusus disampaikan kepada pihak-pihak Kerajaan di mana kami beroperasi, serta rakan-rakan perniagaan kami di atas kepercayaan mereka terhadap kebolehan kami selain menyediakan persekitaran yang kondusif untuk perniagaan kami. Akhir kata, saya ingin menyampaikan penghargaan kepada semua kakitangan kami yang bersemangat dan berdedikasi dalam memajukan organisasi ini. Saya yakin bahawa kita memiliki kebolehan untuk terus meningkatkan momentum pertumbuhan Kumpulan.



Pasaran MSM kekal bingkis dalam mempertahankan kedudukan pencapaian di atas RM5,000. Justeru, kami berharap agar prestasi tertinggi kami akan berulang. Pada tahun 2022, kami akan menumpukan perhatian ke atas penyatuan aset, peningkatan sinergi, serta integrasi operasi.



# MANAGEMENT DISCUSSION & ANALYSIS



With all the disruptions to our lifestyle and the uncertainties, our KLK Group is so blessed to be able to achieve our record net profit of RM2.258 billion. We are hopeful that this level of profits can be sustained in the coming year through our committed management team and planned growth path.

**TAN SRI DATO' SERI LEE OI HIAN,**  
*Chief Executive Officer*



## OVERVIEW

As the world slowly emerges from the COVID-19 pandemic, we have to confront with greater urgency, questions about the way we work, what we have learnt along the way and how we will manage similar crises going forward. Movement restrictions, broken supply chains, plummeting demand, job losses, deaths and infections – all of these test our ability to bounce back from adversity. Resilience must be among the top priorities for any company, economy and society. Resilience must therefore be the hallmark of KLK in facing the challenges for the coming year.

Crude Palm Oil (“CPO”) prices scaled from about RM3,200/mt at the beginning of January 2021 and stayed largely on a bullish trend for most part of the year, and making historical highs beyond RM5,000/mt. Along with these high prices we also observed increasing volatility and a steep backwardation, signaling how tight supplies have remained especially for prompt positions. Our selling price however averaged well below RM4,000/mt due to hedging executed earlier for a portion of the Group’s production volume at lower levels, which at the time were thought to be excellent. Current supply and demand fundamentals could still be pointing to prices being sustained in the short term, though probably at lower than current values. This is in part due to palm production in Malaysia and Indonesia having constantly performed below industry expectations and oilseeds (particularly US soybeans and the Canadian canola crop) looking relatively tight at least until the harvest of soybeans in South America, which is expected to provide some relief. It is imperative to note that sharp rises across

commodity prices and for palm oil, in particular, are raising concerns of inflationary pressures globally. Already, key consuming countries like India, Pakistan and Bangladesh are risking demand destruction or at least have cut back demand temporarily. Even in China, during its recent energy crisis which saw the industry’s inability to crush enough soybeans to meet its domestic demand, government interventions were critical in stemming speculative elements in the market which could have otherwise sent vegetable oil prices skyrocketing.

The travel restrictions imposed due to the COVID-19 pandemic have caused a major issue for Malaysia, (which is highly dependent on foreign workers) as it resulted in the Plantation industry experiencing only outflows but no inflows of workers. It is estimated that at least 10% of our national crop, equivalent to 2 million tonnes of CPO have been lost due to delayed or non-harvesting. Fortunately, our Malaysian Government is now proactive in allowing the recruitment of 32,000 foreign workers, a much-needed relief.

## PERFORMANCE

With all the disruptions to our lifestyle and the uncertainties, our KLK Group is so blessed to be able to achieve our record net profit of RM2.258 billion, even though it is assisted by RM486.9 million of one off items. We are hopeful that this level of profits can be sustained in the coming year through our committed management team and planned growth path.

## MANAGEMENT DISCUSSION & ANALYSIS

Our core Plantation business more than doubled our pre-tax profit contribution to RM1.585 billion mainly the result of the unforeseen prices of CPO and PK, as well as the improved performance of our refineries. Had our management not taken earlier aggressive move to mechanise field operations, the slight decline of our Fresh Fruit Bunches (“FFB”) production (3.849 million tonnes) will be much more. Admittedly, while our CPO yields of 4.66 mt/ha is unacceptably low, we take encouragement from our 98,000 hectares of mature palms in Indonesia averaging CPO yields of 5.15 mt/ha, though still a long way from our 6 mt/ha target. Our Manufacturing division broke new ground with pre-tax profit rising to RM682.4 million. Momentum is good and our fatty acid plant in Dumai, Indonesia has in a small way provided support to our businesses to mitigate the Indonesian Oleo duty advantages. All our businesses performed impressively despite interrupted operations, logistics disruptions, raw material volatility and other pandemic constraints. KLK Land, our property sector, is contributing steady profits as Bandar Seri Coalfields matures and will continue to do so in the coming years. Our Philosophy of quality, customer-driven products and assets especially our policy to ensure our affordable homes appreciate with time, is our model for harmony living for all Malaysians.

Our Western Australian Farms, which as a business entity has now grown to 45,000 hectares of arable land, with 85% of the land dedicated to wheat, canola and other crops. Although the yearly return on farming is rather small, these farm lands have appreciated reasonably. FY2021 registered an operating profit of RM28.5 million from a loss position last year.

### CORPORATE

It is indeed fortunate that KLK has been able to expand our planted areas substantially to 300,000 hectares, through the acquisitions of IJM Plantations Berhad (“IJMP”) and P.T. Pinang Witmas Sejati (“PWS”). We welcome both companies into our KLK family and our focus will be integrating the synergies that are now possible.



It is indeed fortunate that KLK has been able to expand our planted areas substantially to 300,000 hectares, through the acquisitions of IJM Plantations Berhad (“IJMP”) and P.T. Pinang Witmas Sejati (“PWS”). We welcome both companies into our KLK family and our focus will be integrating the synergies that are now possible.

We are grateful that IJM Corporation has deemed us worthy to continue stewarding this esteemed company of over 36 years.

IJMP, besides balancing our ratio of plantations between Malaysia and Indonesia will increase the traceable feedstocks for our downstream processing. Our target is to ensure that these new assets are Roundtable on Sustainable Palm Oil (“RSPO”) certified within three years, if not sooner. There are many strengths in IJMP, such as their better planning and infrastructure, just as much as strengths on our side to impart. Now, with the mandatory offer of IJMP, our ownership is 95% sufficient for delisting but not compulsory acquisition.

With these acquisitions, our Group net debt to equity ratio has increased to 37.3% at the end of FY2021. This level is still reasonable considering that our NTA per share is RM10.68 versus the market value of RM20.00. Our FY2022 capital expenditure will be substantial as we execute over 2 years an integrated oleochemicals plan for new capacities in Kalimantan, Westport, Malaysia and China in addition to our plantation replanting, upgrading of workers housing and processing facilities.

Fortunately, palm product prices are holding up well with a good chance for us to repeat the past 2021 results, even though the past year results were assisted by non-operational gains. Hopefully, the contributions of our newly acquired plantations will partly offset the above one-offs.

Palm Products	2021	2020	% Change
CPO (RM/mt ex-mill)	3,211	2,344	37
PK (RM/mt ex-mill)	2,135	1,374	55

Our associate Synthomer acquired the Adhesive Resin business of Eastman Chemical Company for US\$1 billion, financed by loans and new share issues. As the post-acquisition EBITDA multiple of 8.3x is an attractive one, KLK took up proportional shares issued to maintain our holding of 21.3%, costing us RM251.1 million. In FY2021, significant higher share of equity profit from Synthomer amounted to RM260.6 million.

## MANAGEMENT DISCUSSION & ANALYSIS

### FINANCIAL REVIEW

#### GROUP HIGHLIGHTS

		2021	2020	2019	2018	2017
<b>FINANCIAL</b>						
Revenue	(RM'000)	<b>19,915,796</b>	15,595,956	15,533,887	18,383,953	21,004,036
Profit:						
- before taxation	(RM'000)	<b>2,976,425</b>	1,185,730	823,928	988,788	1,450,205
- attributable to equity holders of the Company	(RM'000)	<b>2,257,584</b>	772,604	617,505	609,366	1,005,130
Earnings per share	(sen)	<b>209.3</b>	72.0	58.0	57.2	94.4
Dividend per share (single tier)	(sen)	<b>100.0</b>	50.0	50.0	45.0	50.0
Net tangible assets	(RM'000)	<b>11,510,938</b>	10,478,396	10,021,488	10,828,248	11,228,464
Net tangible assets per share	(RM)	<b>10.68</b>	9.72	9.41	10.17	10.54
<b>KEY CORPORATE RATIOS</b>						
Dividend Yield <sup>(1)</sup>	(%)	<b>5.0</b>	2.2	2.2	1.8	2.0
Dividend Payout Ratio <sup>(2)</sup>	(%)	<b>47.8</b>	69.4	86.2	78.7	53.0
Return on Shareholders' Equity <sup>(3)</sup>	(%)	<b>19.0</b>	7.1	6.0	5.5	8.7
Return on Total Assets <sup>(4)</sup>	(%)	<b>8.7</b>	4.1	3.2	3.5	5.5
Net Debt to Equity <sup>(5)</sup>	(%)	<b>37.3</b>	21.6	25.0	23.3	19.3

In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the information for FY2018 to FY2021 have been prepared in accordance with MFRS, while the information for FY2017 has been prepared in accordance with Financial Reporting Standards ("FRS").

(1) Based on Dividend expressed as a percentage of KLK Share Price as at 30 September

(2) Based on Dividend expressed as a percentage of Basic Earnings Per Share

(3) Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Equity attributable to Equity Holders

(4) Based on Profit for the year expressed as a percentage of Total Assets

(5) Based on Net Debt (being Total Borrowings less Short Term Funds and Cash and Cash Equivalents) expressed as a percentage of Total Equity

## MANAGEMENT DISCUSSION & ANALYSIS

### 5-YEAR FINANCIAL STATISTICS

	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
<b>REVENUE</b>					
Plantation	8,692,670	6,999,576	6,338,240	7,836,236	10,668,581
Manufacturing	10,782,326	8,206,761	8,763,397	10,130,080	9,923,716
Property development	195,070	154,884	170,359	177,676	141,521
Investment income	96,088	145,071	117,765	135,059	139,223
Others	149,642	89,664	144,126	104,902	130,995
	<b>19,915,796</b>	<b>15,595,956</b>	<b>15,533,887</b>	<b>18,383,953</b>	<b>21,004,036</b>
<b>GROUP PROFIT</b>					
Plantation	1,585,004	725,187	394,632	826,146	1,291,045
Manufacturing	682,404	403,332	385,622	381,123	134,040
Property development	68,800	54,038	47,355	37,838	40,496
Investment Income	167,724	(37,008)	8,731	28,740	37,154
Others	26,788	(19,281)	25,783	1,585	8,270
Corporate	445,705	59,462	(38,195)	(286,644)	(60,800)
Profit before taxation	2,976,425	1,185,730	823,928	988,788	1,450,205
Tax expense	(524,373)	(328,681)	(173,195)	(328,471)	(383,329)
<b>Profit for the year</b>	<b>2,452,052</b>	<b>857,049</b>	<b>650,733</b>	<b>660,317</b>	<b>1,066,876</b>
Attributable to:					
Equity holders of the Company	2,257,584	772,604	617,505	609,366	1,005,130
Non-controlling interests	194,468	84,445	33,228	50,951	61,746
	<b>2,452,052</b>	<b>857,049</b>	<b>650,733</b>	<b>660,317</b>	<b>1,066,876</b>

## MANAGEMENT DISCUSSION & ANALYSIS

	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
<b>ASSETS</b>					
Property, plant and equipment	11,014,851	7,656,584	7,749,121	7,756,571	5,220,852
Right-of-use assets	1,316,628	868,435	–	–	–
Prepaid lease payments	–	–	340,256	375,120	309,611
Biological assets	–	–	–	–	2,624,038
Inventories – Land held for property development	2,035,257	1,096,046	1,108,296	1,100,407	1,091,471
Goodwill on consolidation	327,417	326,345	316,836	315,304	324,686
Intangible assets	20,907	22,324	22,081	23,358	15,325
Investments in associates	1,777,894	1,544,951	1,489,210	153,663	144,538
Investments in joint ventures	179,649	145,783	156,818	160,414	158,902
Other investments	598,959	416,150	411,950	2,390,731	2,270,239
Other receivable	444,389	228,269	233,980	202,826	210,272
Deferred tax assets	338,660	367,758	437,027	375,996	439,794
Current assets	10,022,820	8,273,654	8,133,791	5,991,339	6,694,386
<b>Total assets</b>	<b>28,077,431</b>	<b>20,946,299</b>	<b>20,399,366</b>	<b>18,845,729</b>	<b>19,504,114</b>
<b>EQUITY</b>					
Share capital	1,375,695	1,373,861	1,067,790	1,067,790	1,067,790
Reserves	10,510,376	9,466,651	9,306,062	10,112,567	10,514,132
Cost of treasury shares	(26,809)	(13,447)	(13,447)	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	11,859,262	10,827,065	10,360,405	11,166,910	11,568,475
Non-controlling interests	2,347,778	977,035	926,250	878,638	871,567
<b>Total equity</b>	<b>14,207,040</b>	<b>11,804,100</b>	<b>11,286,655</b>	<b>12,045,548</b>	<b>12,440,042</b>
<b>LIABILITIES</b>					
Deferred tax liabilities	965,959	452,690	424,603	414,424	259,056
Lease liabilities	133,457	139,856	–	–	–
Deferred income	98,465	106,564	110,320	119,004	117,365
Provision for retirement benefits	559,576	545,568	538,480	467,067	479,132
Borrowings	5,612,880	5,110,442	5,169,833	3,062,099	3,067,168
Current liabilities	6,500,054	2,787,079	2,869,475	2,737,587	3,141,351
<b>Total liabilities</b>	<b>13,870,391</b>	<b>9,142,199</b>	<b>9,112,711</b>	<b>6,800,181</b>	<b>7,064,072</b>
<b>Total equity and liabilities</b>	<b>28,077,431</b>	<b>20,946,299</b>	<b>20,399,366</b>	<b>18,845,729</b>	<b>19,504,114</b>
<b>SHAREHOLDERS' EARNINGS AND DIVIDENDS</b>					
Earnings per share (sen)	209.3	72.0	58.0	57.2	94.4
Share price at 30 September (RM)	20.12	22.80	23.08	24.96	24.56
Dividend per share (sen)	100.0	50.0	50.0	45.0	50.0
Dividend yield at 30 September (%)	5.0	2.2	2.2	1.8	2.0
P/E ratio at 30 September (times)	9.6	31.7	39.8	43.6	26.0

In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the information for FY2018 to FY2021 have been prepared in accordance with MFRS, while the information for FY2017 has been prepared in accordance with Financial Reporting Standards ("FRS").

## MANAGEMENT DISCUSSION & ANALYSIS



# PLANTATION



Plantation is KLK's core business with a plantation landbank of around 350,000 hectares spread across Malaysia (Peninsular and Sabah), Indonesia (Sumatra, Belitung Island and Kalimantan) and Liberia. Out of the 283,751 hectares of planted area, about 97% is planted with oil palm. Geographically, 55% of the oil palm planted area is in Indonesia, 43% in Malaysia and about 2% in Liberia. Meanwhile, Rubber is planted only in Peninsular Malaysia and makes up the remaining 3% of planted area.

### OUR FACILITIES

#### CROP PROCESSING

Processing of fresh fruit bunches ("FFB") is carried out at 31 of KLK's own palm oil mills ("POMs") of various capacities ranging from 20 mt/hour FFB to 120 mt/hour FFB (depending on size of the supplying estates).

#### REFINING

We also operate four (4) refineries which process crude palm oil ("CPO") into refined bleached deodorised ("RBD") palm oil, RBD olein, RBD stearin and palm fatty acid distillate.

#### CRUSHING

Further value is derived from palm kernels ("PK") which are crushed by seven (7) plants to produce crude palm kernel oil ("CPKO") and expellers.

#### BIOGAS

Biogas power plant is another value-add improvement that the Plantation segment has invested in to reduce methane gas emissions. We currently have seven (7) power generating biogas plants in our palm oil mills.

## MANAGEMENT DISCUSSION & ANALYSIS



\* Total planted area as at 30 September 2021 includes the hecтарage for IJMP.

## PRODUCTION FACILITIES & CAPACITY

### FACILITY



Palm Oil Mills

31



Refineries

4



Kernel Crushing Plants

7



Biogas Power Plants

7



Filter Belt Press

30

### CAPACITY



From  
**20** to  
**120**  
FFB mt/hr



Total Refining  
**4,000**  
CPO mt/day



Total Crushing  
**2,065**  
PK mt/day



Total Installed Power  
**17**  
mw Electricity



Reduces  
**20%**  
of total GHG emissions in a palm oil mill



### RSPO Certified Palm Products

Certified Sustainable Palm Oil  
**839,478** mt  
(86% of total production of CPO)

Certified Sustainable Palm Kernel  
**156,877** mt  
(84% of total production of palm kernels)

## MANAGEMENT DISCUSSION & ANALYSIS

### LOCATION OF THE GROUP'S PLANTATION OPERATIONS AS AT 30 SEPTEMBER 2021



## MALAYSIA

15  
Palm  
Oil Mill



3  
Kernel  
Crushing  
Plant



2  
Refinery



3  
Rubber  
Factory



3  
Biogas  
Power  
Plant



#### KEDAH

1. Batu Lintang ✓
2. Buntar
3. Pelam

#### PERAK

4. Allagar
5. Changkat Chermin ✓
6. Glenealy
7. Kuala Kangsar
8. Lekir
9. Raja Hitam
10. Serapoh
11. Subur

#### SELANGOR

12. Changkat Asa ✓ ✓
13. Fajar Palmkel ✓
14. Kerling
15. Sungai Gapi
16. Tuan Mee ✓

#### NEGERI SEMBILAN

17. Ayer Hitam
18. Batang Jelai
19. Gunung Pertanian
20. Jeram Padang ✓ ✓ ✓
21. Kombok
22. Ulu Pedas

#### JOHOR

23. Ban Heng
24. Fraser
25. Kekayaan ✓ ✓

26. KL-Kepong Edible Oils ✓
27. Landak
28. New Pogoh
29. Paloh
30. See Sun
31. Sungai Bekok
32. Sungei Ponggeli
33. Voules ✓

#### PAHANG

34. Kemasul
35. Renjok
36. Selborne
37. Sungei Kawang
38. Tuan

#### KELANTAN

39. Kerilla
40. Kuala Gris
41. Kuala Hau
42. Pasir Gajah ✓
43. Sungai Sokor

#### SABAH

44. **Tawau Region**
  - Jatika
  - Pang Burong
  - Pangeran ✓
  - Pinang
  - Ringlet
  - Sigalong
  - Sri Kunak
  - Tundong ✓ ✓

### GROUP HIGHLIGHTS

31  
Palm Oil  
Mill

7  
Kernel Crushing  
Plant

4  
Refinery

3  
Rubber Factory

7

Biogas Power Plant

#### 45. Lahad Datu Region

- 45a. Bornion ✓
  - Segar Usaha
- 45b. Bukit Tabin
  - Lungmanis ✓
  - Rimmer
  - Sungai Silabukan
  - Tungku
46. KLK Premier Oils ✓ ✓
47. **Sugut Region**
  - Berakan Maju
  - Excellent Challenger I
  - Excellent Challenger II ✓
  - Rakanan Jaya North
  - Rakanan Jaya South
  - Sungai Sabang ✓
48. **Sandakan Region**
  - Desa Talisai North
  - Desa Talisai South ✓
  - Meliau
  - Minat Teguh ✓
  - Sijas
49. IJM Edible Oil ✓



# MANAGEMENT DISCUSSION & ANALYSIS

## LOCATION OF THE GROUP'S PLANTATION OPERATIONS AS AT 30 SEPTEMBER 2021



### INDONESIA

<p><b>15</b> Palm Oil Mill</p> <p><b>3</b> Kernel Crushing Plant</p> <p><b>2</b> Refinery</p> <p><b>3</b> Biogas Power Plant</p>	<p><b>SUMATRA</b></p> <p><b>Bangka Belitung</b></p> <p>50. Alam Karya Sejahtera</p> <p>51. Parit Sembada ✓</p> <p>52. Steelindo Wahana Perkasa ✓☑️♦️🔴</p> <p><b>Riau</b></p> <p>53. Mandau ✓☑️♦️🔴</p> <p>54. Nilo ✓✓</p> <p>55. Sekarbumi Alamlestari ✓</p> <p><b>North Sumatra</b></p> <p>56. Basilam</p> <p>Bekiun</p> <p>Bukit Lawang</p> <p>Gohor Lama ✓</p> <p>Maryke</p> <p>Padang Brahrang</p> <p>Tanjung Beringin</p> <p>Tanjung Kelling ✓</p> <p><b>Lampung</b></p> <p>57. Prima Alumga</p>	<p><b>KALIMANTAN</b></p> <p><b>Central Kalimantan</b></p> <p>58. Karya Makmur Abadi ✓</p> <p>59. Menteng Jaya Sawit Perdana</p> <p>60. Mulia Agro Permai ✓</p> <p><b>East Kalimantan</b></p> <p>61. Hutan Hijau Mas ✓🔴</p> <p>62. Indonesia Plantation Synergy ✓☑️</p> <p>63. Jabontara Eka Karsa ✓</p> <p>64. Karya Bakti Sejahtera Agrotama</p> <p>65. Malindomas Perkebunan</p> <p>66. Putra Bongan Jaya</p> <p>67. Sinergi Agro Industri ✓</p> <p><b>North Kalimantan</b></p> <p>68. Prima Bahagia Permai ✓</p>
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### LIBERIA

<p><b>1</b> Palm Oil Mill</p> <p><b>1</b> Kernel Crushing Plant</p> <p><b>1</b> Biogas Power Plant</p>	<p>69. Palm Bay Estate ✓☑️🔴</p>
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## MANAGEMENT DISCUSSION & ANALYSIS

### PLANTATION AREA STATEMENT AS AT 30 SEPTEMBER 2021

AGE IN YEARS	2021			2020		
	HECTARES	% UNDER CROP	% OF TOTAL PLANTED AREA	HECTARES	% UNDER CROP	% OF TOTAL PLANTED AREA
<b>OIL PALM</b>						
4 to 9	66,503	24		53,706	25	
10 to 18	102,895	37		69,526	33	
19 and above	66,185	25		54,478	25	
Mature	235,583	86	83	177,710	83	79
Immature	39,454	14	14	35,701	17	16
<b>Total</b>	<b>275,037</b>	<b>100</b>	<b>97</b>	<b>213,411</b>	<b>100</b>	<b>95</b>
<b>RUBBER</b>						
6 to 10	348	4		716	7	
11 to 15	1,856	21		2,348	22	
16 to 20	1,825	21		2,076	20	
21 and above	2,060	24		2,767	26	
Mature	6,089	70	2	7,907	75	4
Immature	2,625	30	1	2,646	25	1
<b>Total</b>	<b>8,714</b>	<b>100</b>	<b>3</b>	<b>10,553</b>	<b>100</b>	<b>5</b>
<b>TOTAL PLANTED AREA</b>	<b>283,751</b>		<b>100</b>	<b>223,964</b>		<b>100</b>
Plantable Reserves	18,435			13,604		
Conservation Areas	34,176			30,819		
Building Sites, etc.	11,956			6,104		
<b>Grand Total</b>	<b>348,318</b>			<b>274,491</b>		

## MANAGEMENT DISCUSSION & ANALYSIS

### SEGMENTAL FINANCIAL PERFORMANCE

Our Plantation segment's pre-tax profit more than doubled for the FY to RM1.585 billion, or 118.6% higher than FY2020 of RM725.2 million. This significant jump was primarily due to higher selling prices of crude palm oil ("CPO") and palm kernel ("PK"), averaging at RM3,211 and RM2,135 per metric tonne respectively.

During this period, profit contribution of our newly acquired IJMP was only a nominal one month, and full effects will only take place in FY2022. At first glance, our average CPO prices achieved very much below Malaysian Palm Oil Board ("MPOB") monthly CPO average of RM4,358 mainly due to two reasons.

1. Majority of our CPO production is in Indonesia and due to their heavily taxed duty structure, the domestic price can be as much as RM1,000 below Peninsular Malaysia.
2. The earlier mentioned hedging of a portion of Malaysian production at lower levels, which at the time was considered as prudent.

Our Industry in both Malaysia and Indonesia bears huge taxes levied on the revenue line before the normal tax on profits. We appreciate that Malaysian windfall taxes threshold has been adjusted upwards to cater for the inflationary costs of production. Whereas a portion of the Indonesian taxes are being utilized to subsidise their Biodiesel program. This is a key support strategy for Palm prices in times of surplus supply as 8 million tonnes CPO can be potentially used in their B30 biodiesel.

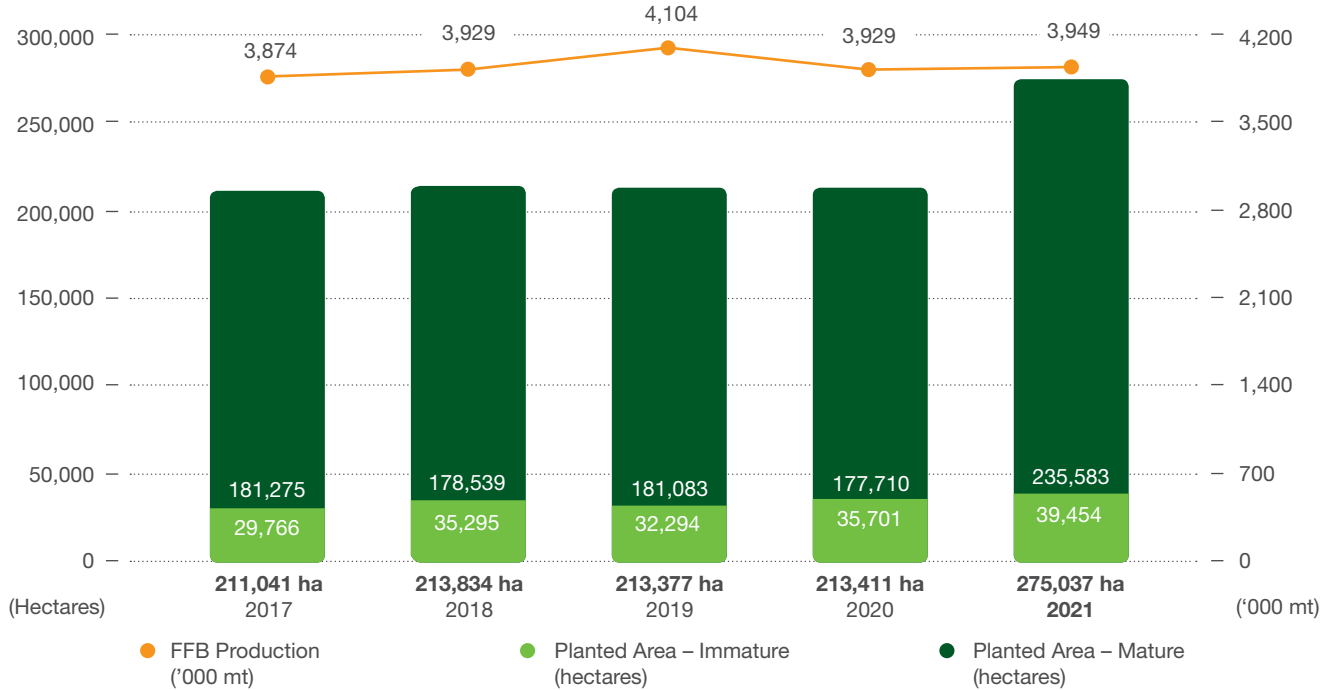
Average selling prices Palm Product	FY2021 (RM/mt ex-mill)	FY2020 (RM/mt ex-mill)	Change	
			(RM/mt ex-mill)	%
CPO				
- Group	3,211	2,344	867	37
- Malaysia	3,485	2,431	1,054	43
- Indonesia	2,994	2,280	714	31

While the export demand of CPO remains surprisingly strong, the output in both producing countries was affected by dry spell over the past years and in Malaysia compounded by labour issue. The result is the prolonged period of monthly low stocks, data that is released by MPOB. Together with the failure of the Canola crop, resurgent of soybean imports by China etc, the scenario is a perfect setting for massive bull run.

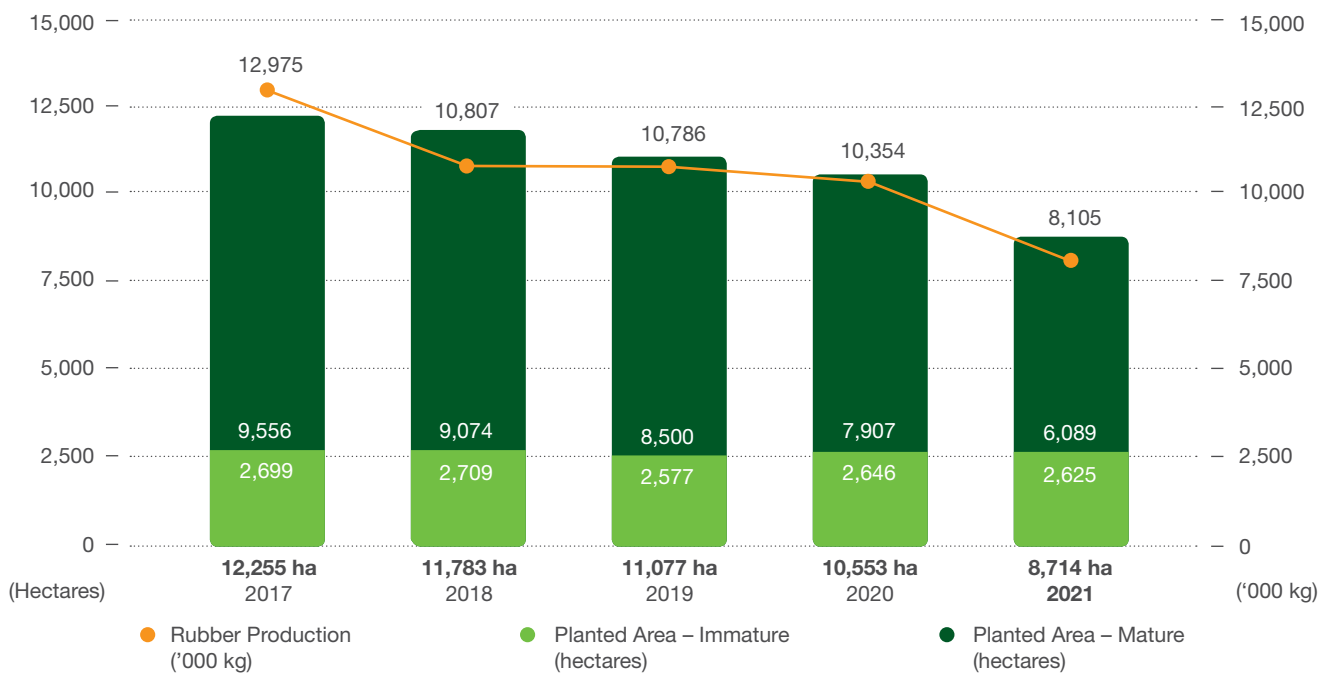
The record prices of CPO more than outweigh the reduction of CPO output and thus we are able to produce this excellent result despite derivative losses in our CPO hedging.

## MANAGEMENT DISCUSSION & ANALYSIS

### OIL PALM PLANTED AREA/FFB PRODUCTION



### RUBBER PLANTED AREA/RUBBER PRODUCTION



## MANAGEMENT DISCUSSION & ANALYSIS

### 5-YEAR PLANTATION STATISTICS

		2021	2020	2019	2018	2017
<b>OIL PALM</b>						
<b>FFB Production</b>						
- Own estates	(mt)	3,948,785*	3,929,426	4,103,861	3,928,616	3,873,805
- Sold	(mt)	115,671	75,428	142,960	139,455	85,964
- Purchased	(mt)	793,110	715,423	716,642	800,014	791,128
- Total processed	(mt)	4,626,224	4,569,421	4,677,543	4,589,175	4,578,969
<b>Weighted Average Hectarage</b>						
- Mature	(ha)	184,271	178,562	183,108	181,559	181,139
- Immature	(ha)	43,356	45,061	41,308	41,996	33,686
Total planted area	(ha)	227,627	223,623	224,416	223,555	214,825
<b>FFB yield per mature hectare</b>	(mt/ha)	21.43	22.01	22.41	21.64	21.39
<b>CPO yield per mature hectare</b>	(mt/ha)	4.66	4.81	4.90	4.72	4.64
<b>Mill Production</b>						
- CPO	(mt)	1,006,111	999,219	1,023,484	999,981	992,524
- PK	(mt)	192,316	192,139	197,147	200,576	199,157
<b>Oil Extraction Rate</b>						
- CPO	(%)	21.75	21.87	21.88	21.79	21.68
- PK	(%)	4.16	4.20	4.21	4.37	4.35
<b>Cost of Production</b>						
- FFB	(RM/mt ex-estate)	270	260	260	244	240
- CPO (exclude windfall profit levy and Sabah sales tax)	(RM/mt ex-mill)	1,509	1,465	1,456	1,370	1,389
<b>Average Selling Prices</b>						
- CPO	(RM/mt ex-mill)	3,211	2,344	1,924	2,335	2,735
- PK	(RM/mt ex-mill)	2,135	1,374	1,210	1,967	2,534
<b>Average profit per mature hectare</b>	(RM)	7,396	3,610	1,912	4,769	6,815
<b>RUBBER</b>						
<b>Production</b>						
- Own estates	('000 kg)	8,105	10,354	10,786	10,807	12,975
<b>Weighted Average Hectarage</b>						
- Mature	(ha)	7,017	8,061	8,640	9,047	9,746
- Immature	(ha)	2,795	3,115	3,243	3,367	3,309
Total planted area	(ha)	9,812	11,176	11,883	12,414	13,055
<b>Yield per mature hectare</b>	(kg/ha)	1,155	1,284	1,248	1,194	1,331
<b>Cost of Production</b>	(sen/kg ex-estate)	574	476	484	467	420
<b>Average Selling Prices</b> (net of cess)	(sen/kg)	848	720	713	803	895
<b>Average profit/(loss) per mature hectare</b>	(RM)	1,173	(486)	(233)	(868)	3,256

\* Includes one month of IJMP production of 99,049 mt.

## MANAGEMENT DISCUSSION & ANALYSIS

### OPERATIONAL PERFORMANCE

FY2021 was the most challenging one we had experienced for the Plantation sector. First, there was the COVID-19 disruptions, then the occasional clusters of infections, which lead to isolation and then resulted in halted operations, as well as the strict Standard Operating Procedures (“SOPs”) that had to be imposed and the vaccination drive. These were just some of the challenges we had faced and overcame.

We had a successful vaccination drive for not only our workers but also their dependents, which was appreciated. At the time of writing, 99% of our workers in Malaysia have received the 2 doses recommended and in Indonesia, the rate stands at 80% due to vaccine supply. What is interesting to note is that in Peninsular Malaysia, where 70% of our workers are foreign, the infection rate among the local workers and their dependents were higher compared to the foreign workers. However, the biggest challenge is the outflow of our foreign workers, with absolutely no inflow. Our Plantation industry, together with all the other industries, felt this labour shortage worsening over time. Huge crop losses were inevitable as harvesting cycles were extended, even for as long as a month. Our estates, which prior to this crisis have normal workers ratio of 1 to 8 hectares now must do with 1 to 14 hectares or more. It is a huge economic loss for the coffers, both of our industry and our Government, as the estimated loss of CPO is 2 million tonnes at this period of record prices.

Our Malaysian Government has heard the cry of distress for the urgent need of foreign workers inflow and are now taking steps to address the issue.

As for our Rubber segment, though only 3% of our planted areas, is still considered significant at 8,714 hectares. Yields have been declining over the years to 1,155 kg/ha partly due to labour. Most of the areas except the steep hills will be gradually replaced with Oil Palm. Nevertheless, the decline in yields must be arrested and the management lapse in attention to be rectified. Currently, all our field latex is being produced and customised concentrate for specialty usage.



Our guest workers from Nepal, India and Bangladesh.



KLK workers in Peninsular Malaysia, Sabah and Indonesia receiving their COVID-19 vaccination.

## MANAGEMENT DISCUSSION & ANALYSIS

### OIL PALM – FFB PRODUCTION, YIELDS & EXTRACTION RATE

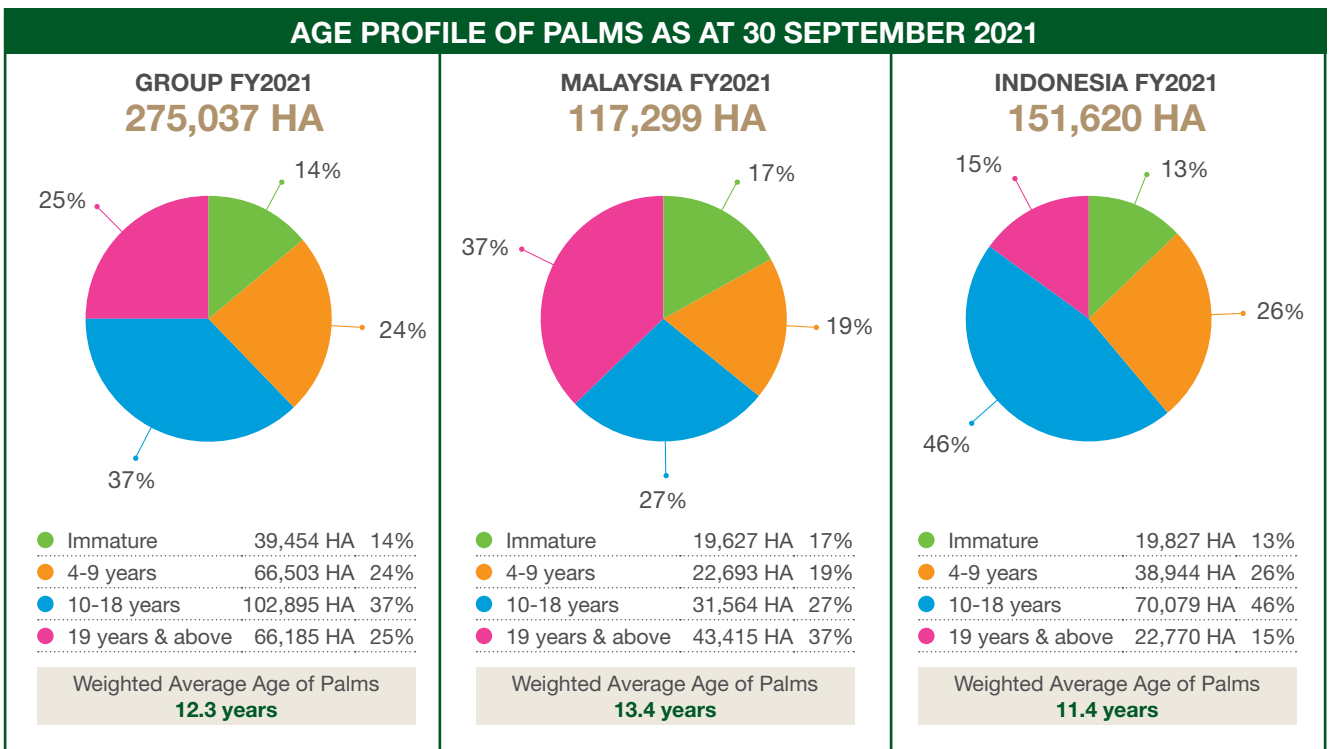
Our total FFB crop (on a comparable basis with FY2020) for the year in review is only 3.849 million tonnes, down by a marginal 80,000 tonnes or 2%. This is disappointing as it is near 11% off our budget. Labour shortages and COVID-19 disruptions together with the few months of consecutive low rainfall in 2019 had contributed to this dismal outcome. Overall yields per hectare is only 21.43 mt.

The major shortfall is from our Sabah areas with yields of only 17 mt/ha compared to 21.2 mt/ha in Peninsular. In contrast, Indonesia, where 55% of our palms are located, yielded an average 23.5 mt/ha over the 98,000 hectares. That is our best results so far and an indeed commendable one.

Average Oil Extraction Rate (“OER”) declined slightly to 21.75% translating our group oil yield to 4.66 mt/ha. We have yet to be able to cross the 5 mt/ha mark in the last 5 years and this sobering fact is an urgent cry for us to be more focused on the details.

Our ex-mill costs of RM1,509/mt, though our palm kernels as a zero cost by product, will be facing strong headwinds with the doubling of fertiliser prices and the inflationary cost. A point to note is that our Corporate overheads for the Plantations will add another RM200 plus per tonne to the above ex-mill costs. Our all-in forthcoming costs for FY2022 will be around the RM2,000 mark. Our only avenue to alleviate these rising costs is through labour productivity through mechanising even faster and increasing our yields. We are fine-tuning the usage of our various machines for better in-field crop collection and eliminating unnecessary operations like unloading on FFB platforms and reloading. Innovative ideas from our experienced field teams are encouraged and limited exploratory projects like irrigations are ongoing.

We have made satisfactory progress in Liberia where our yields on the 6,000 hectares planted have improved to 11.16 mt/ha. On a operating profit basis with the current prices, it has a slight surplus. Although we have made a small prudent provision for FY2021, we are optimistic that the improvements will continue and future write-offs may not be needed.



In order to manage the age profile of our palms, a progressive replanting programme was put in place. At present, 61% of our planted area comprises favourable age profile with young and prime palms (ranging between 4 and 18 years). However, there was a slight drop to 15% from 17% in FY2020 in immature palm trees.

## MANAGEMENT DISCUSSION & ANALYSIS

### REPLANTING

Quality replants are the foundation of our future yields targetted to exceed the 6 mt/ha, hence, there should not be compromise in standards. We are glad that currently, more than 75% of the replants are off to a good start yielding 20 mt/ha or more on the first year of maturity. Our quest for continuous improvements through reassessments and innovative practices continue.

During FY2021, our Group replanted 10,000 hectares and will continue to do so in similar quantum for the coming years. Concentration of these areas are in Lahad Datu in Sabah, Peninsular and Belitung and Nilo in Indonesia. How time flies as Belitung was our first venture in Indonesia in 1994. In Lahad Datu, we have over the years replanted 13,000 hectares with another 6,000 hectares to go.

Recognition must be given to our team there in maintaining the sizeable immature areas without hiccups. The quality of our replants is high, arising from the detailed planning and almost impeccable execution to obtain the uniformity seen throughout. Detailed attention in every critical step such as chopping, pulverisation, deboling, drainage and nursery upkeep are constantly refreshed via in-field trainings through the whole chain of estate management.



*Aerial view of replanted fields in Ladang Rimmer, Sabah.*



*Ladang Pinang, Sabah.*



*Ladang Paloh in Johor, Malaysia.*



*Ladang Batu Lintang in Kedah, Malaysia.*



## MANAGEMENT DISCUSSION & ANALYSIS

### MECHANISATION

Our aggressive mechanisation drive has proven to be a blessing particularly during the labour shortage. We have innovated and mechanised various processes since 2018 to reduce the high dependency on labour, including Verion, Kaiser, Longstar with Scissor Lift, Power barrow and Crawler. We have expanded the use of mechanisation over the years to cover 80% of the areas identified that are suitable for machines to be used for in-field collection and upkeep of the estates.



*Semi-mechanised process of infield EFB application.*



*Power barrow for ease of FFB evacuation in terraced areas and also for fertiliser application.*

## MANAGEMENT DISCUSSION & ANALYSIS

### RESEARCH & DEVELOPMENT

Research & Development (“R&D”) initiatives have always been paramount in our efforts to continuously improve our planting materials. Better planting materials lead to significant improvements in both Fresh Fruit Bunches (“FFB”) and Oil Extraction Rate (“OER”). In turn, better oil yield also means less pressure on Indirect Land Use Change (“ILUC”). R&D is carried out via Applied Agricultural Resources Sdn Bhd (“AAR”), an associate company of KLK, with more than 35 years of experience in this field. AAR produces one of the most desirable planting materials and advocates sustainable agricultural practices in order to achieve high yield.

The R&D strategies of AAR are aligned with KLK’s target to achieve more than 20 tons/ha of FFB yield in the first year of harvesting and 6 mt/ha/yr of average oil yield.

Among some of the R&D highlights include:

1. AAR is gearing up to produce AA Hybrida II with a potential 15% gain in oil yield that will complement the group ambition of achieving and sustaining more than 6 mt/ha/yr of oil yield. AAR Hybrida II was planted widely effective 2020 in our plantations.
2. KLK has been using the Verion Smart Fertiliser Spreader in its estates since 2018. Introduced from Argentina and jointly localised by AAR, it allows estates to split fertilisers into smaller dosages and more rounds of application to increase nutrient uptake efficiency. This has resulted in a 4-fold increase in labour productivity.



*Smaller cost-effective Verion 600 Smart Fertiliser Spreader to cater for smaller estates.*

3. Working with the IT team of KLK, AAR’s Smart Farming Division has been installing digital weather and rain gauges to eliminate manual recording. Also, piezometers are placed at strategic locations to automatically monitor water-table at set times in alluvial and acid sulphate soils. Exploration of the usage of drones for Rhinoceros beetles control in immature palms are being developed besides the usual spatial mapping/planning purposes.

## MANAGEMENT DISCUSSION & ANALYSIS

### NEW FACILITIES

📍 **PASIR GUDANG, JOHOR, MALAYSIA**


<b>Site</b>	KL Kepong Edible Oils
<b>Facility</b>	3-monochloro-propanediol esters (“3-MCPDE”) and glycidyl esters (“GE”) Mitigation Plant
<b>Purpose</b>	The plant will achieve low levels of 3-MCPDE and GE substances which can form during refining process at high temperature.
<b>Status</b>	Commissioned in May 2021



*New 3-MCPDE and GE mitigation plant at Pasir Gudang, Johor.*

📍 **EAST KALIMANTAN, INDONESIA**

<b>Site</b>	P.T. Putra Bongan Jaya
<b>Facility</b>	Palm Oil Mill
<b>Planted Hectarage</b>	7,400 hectares
<b>Capacity</b>	60 mt/hr
<b>Status</b>	Commissioned on 7 October 2021



*P.T. Putra Bongan Jaya.*

## MANAGEMENT DISCUSSION & ANALYSIS

### 📍 P.T. PERINDUSTRIAN SAWIT SYNERGI

#### Site

P.T. Perindustrian Sawit Synergi

#### Facility

Refinery/KCP/Jetty

#### Capacity

Refinery: 2,000 mt/day

#### Status (as at 31 October 2021)

Development Progress:

Jetty - 69.5%.

Refinery plant - 11.5%

KCP - 6%

Expected date of commission: August 2022



*P.T. Perindustrian Sawit Synergi.*

### 📍 BELITUNG, INDONESIA

#### Site

P.T. Steelindo Wahana Perkasa, Belitung, Indonesia

#### Facility

Kernel Crushing Plant ("KCP")

#### Capacity

Extension of capacity from 180 MT PK/Day to 280 MT PK/Day

#### Status

Commissioned on 22 October 2021

#### Description

The increase in the KCP's capacity to 280 MT PK/day included the construction of a new 1,000 MT Kernel Bulk Silo. Construction work commenced in April 2021 to extend the KCP building, adding on 8 units 20 mt PK/day expellers, filters, pumps, hoppers, conveyors and upgrading of the electrical system.



*New 1,000 mt Kernel Bulk Silo.*

### REFINERY

Our refinery and trading business have played a significant role in growing our palm products access to key markets, creating high value-adding opportunities for our refined oil (and ultimately, for our own CPO as raw material) in functional uses across multiple consumer segments. We put strong focus in strengthening collaboration with our key customers to continuously develop products and solutions that meet the changing requirements as demanded by their respective businesses.

It is noteworthy that we have successfully undertaken an operational transformation of our refinery in Pasir Gudang

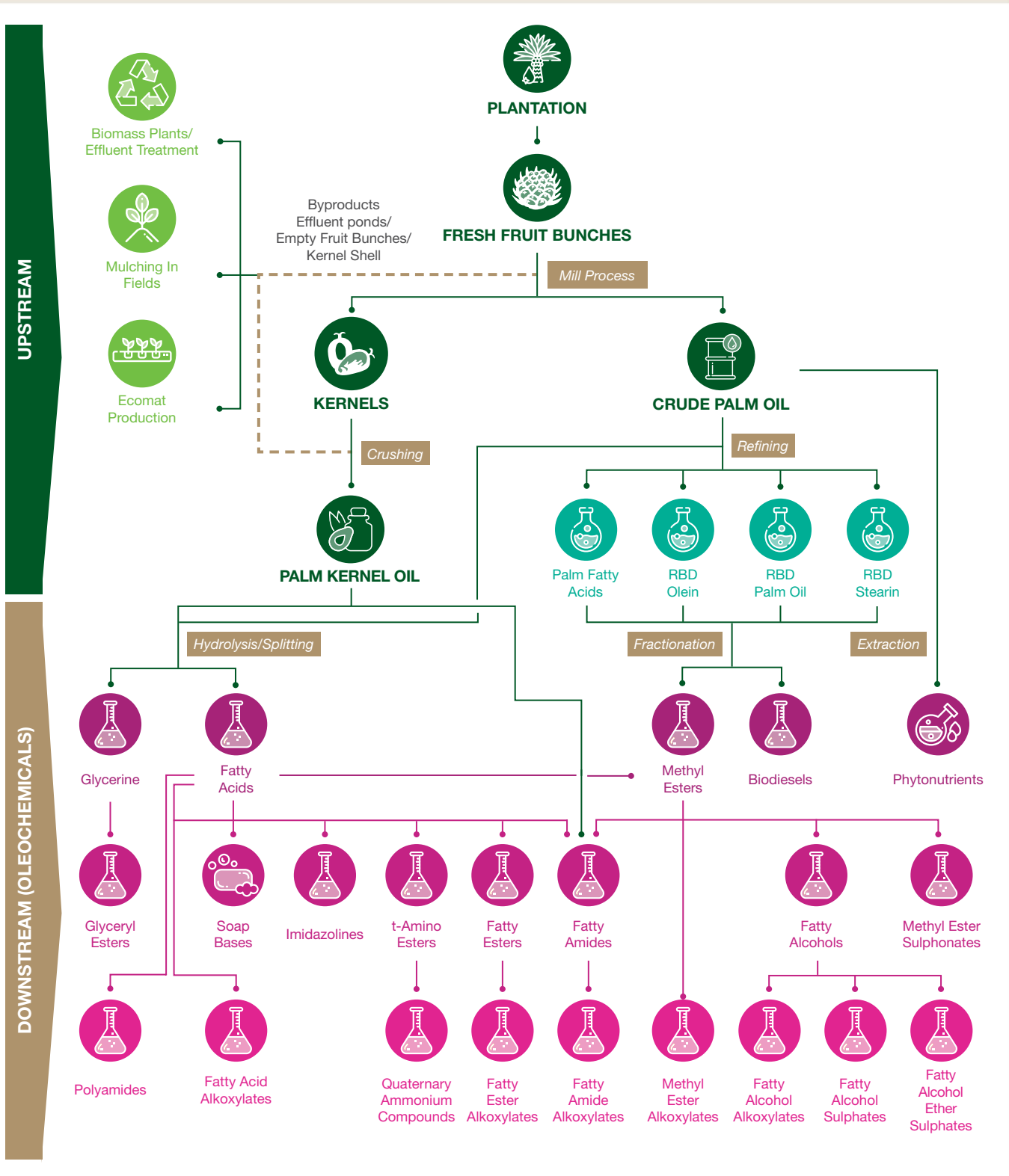
this year. Supported by a highly competent team, the refinery has performed well, steered with high operational excellence while delivering strong results to the Group's overall profitability. Its recently completed 3-MCPD and GE mitigation plant will also expand KLK's products offering that can enable our customers to comply with the current legislation in the EU.

The Group will continue with its transformation roadmap to bolster capabilities across all refineries and competency building for its people in this division as it extends its footprint in the value-added products ("VAP") business segment, targeting industrial and food processing customers with stringent quality requirements.

# MANAGEMENT DISCUSSION & ANALYSIS

## INTEGRATED BUSINESS VALUE CHAIN

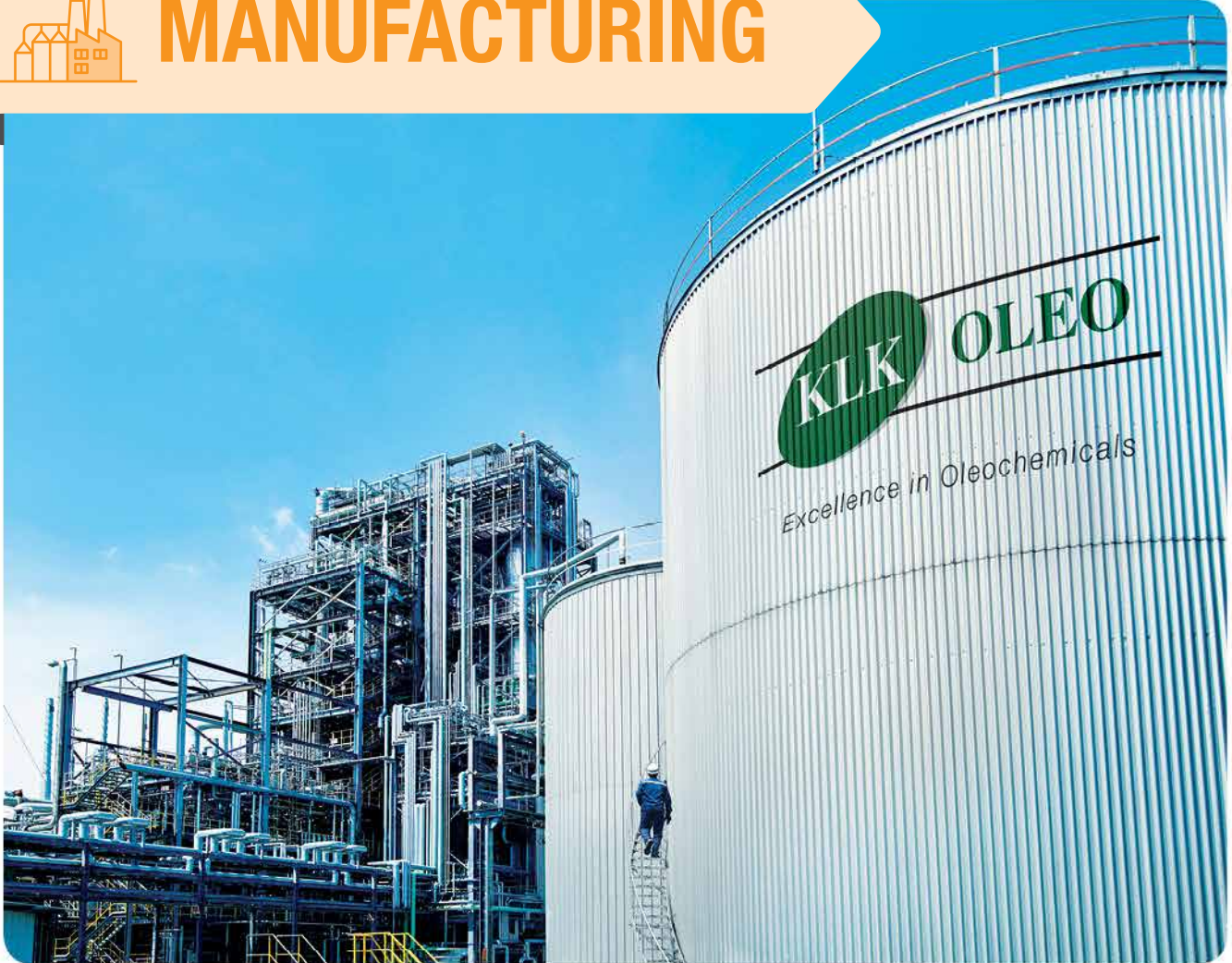
The vertical integration between the upstream business (Plantation) and downstream business of Oleochemical is able to generate synergic benefits to the KLK Group. This value chain enables the Group to further diversify into different market segments and mitigate risks of volatilities in the respective business segments.



## MANAGEMENT DISCUSSION & ANALYSIS



# MANUFACTURING



### OLEOCHEMICAL DIVISION

#### VISION

Growing to be the most trusted global partner in oleo-based products and solutions, thus enriching human lives in a sustainable manner every day.

#### MISSION

- Consistent delivery of competitive high-quality products and solutions that are focused on meeting and exceeding customer expectations.
- Value addition through commitment to the highest standards of operational excellence driven by a culture of continuous improvement and innovation.
- Cultivating a team that values and develops people of all backgrounds through empowerment and recognition.
- Values built on the legacy of ethical practices embraced by its founder, committed to operate responsibly and with integrity.

## MANAGEMENT DISCUSSION & ANALYSIS

### SEGMENTAL PERFORMANCE

KLK OLEO Group achieved a pre-tax profit of RM680.6 million, significantly ahead of last year's achievement of RM394.4 million. Despite the challenging economic and business landscape, all business units performed strongly. We were marginally impacted during the pandemic lockdowns due to the control of manpower per the SOP compliance at each site, but we were still able to operate as our industry is classified under the essential goods sector.

The second half saw challenges in the volatility of raw material prices where palm oil price rallied to record highs, resulting in many customers staying on the sidelines. Business also faced concerning logistics issues, with extended and uncertain lead times across the whole supply chain affecting both raw material intake as well as deliveries to our customers. On top of inflated vessel and container freight rates, the prolonged shortage of containers, port congestion and vessel capacity also put our operations teams on high alert in securing shipment and ensuring timely delivery.

The Malaysian basic oleo units continue to be the mainstay of the OLEO business. With the pandemic, there was increased demand for our Fatty Acids and Fatty Alcohols, which go into the consumer staples market, in particular household and personal care sectors.

Rising palm feedstock prices dampened the buying appetite for our Soap Noodles. The business is heavily impacted by the Indonesian price advantage, eroding both volume and margins. The fire incident at our fatty acid unit in Klang caused a disruption in the intermediate feedstock supply to both our Soap and Fatty Alcohol production, which required alternative sourcing of the feedstock. Within a year of the unfortunate incident, restoration work has been fully completed, and this will hopefully allow the businesses to be more competitive as we regain the efficiency of an integrated production complex.

With the lifting of lockdown and as industrial activities momentum started to rise, we saw improvements in the sales of our downstream derivative and specialties products. This included Fatty Esters which go into personal care and industrial applications, and Ethylene Bis Stearamide ("EBS") which primarily goes into the Acrylonitrile Butadiene Styrene ("ABS") for automotive industry. However, buying sentiment is still cautious as customers view prices to be excessively high. EBS sales dipped near the year end as ABS demand fell in the light of the global energy shortage, in particular our target market in China.

Our China unit, Taiko Palm-Oleo Zhangjiagang ("TPOZ") continued to maintain a positive momentum with robust sales. Market and logistics uncertainties have led customers to source locally. The prolonged container shortage, resulting in delays in shipment arrival of imported products, plus tremendous freight cost increases were advantageous to TPOZ as a local player. This has somewhat moderated the threat from Indonesian fatty acids imports with their export duty and levy advantages. The unit was also able to tap on its strong reputation in the domestic market built over the years, and its good end user reach.

The completion of a new Ester plant in TPOZ during the year will also allow the business to focus on serving our domestic market better. This new ester pot will produce Isopropyl Esters ("IP") and Ethylhexyl Esters ("EH") mainly for the home and personal care market and TMP esters for the lubrication industry. Our Triacetin business faced challenges of high secondary raw material prices and tight supply of its key ingredients Acetic Acid and Acetic Anhydride. This is further exacerbated by energy shortage at the year end, with China implementing energy rationing and the ensuing electricity cost increases and plant stoppages.

In Europe, logistical disruptions and escalating freight rates have led to more customers sourcing supply locally. This preference for local buying strengthened the position for KLK Emmerich during the year. However, the fundamentals of the market dynamics remain for our European basic oleochemical unit. Once the current logistics issues are resolved, we will again be faced with competition from cheap Indonesian imports which benefit from preferential tariff under the European Union Generalised Scheme of Preference ("EU GSP") scheme as well as export duty and levy advantages. The Dusseldorf operation continues to be challenging with tallow prices reaching new highs, as they are being diverted as feedstock into the energy business which enjoy taxation benefits.

KLK Kolb closed with a strong performance, supported by several supply disruptions both on a global level, viz. the shutdowns during the Houston winter storm, and force majeure at fellow alkoxylates co-producers. With the reorganisation and streamlining of the Kolb plant operations completed, and ongoing debottlenecking and plant efficiency projects, KLK Kolb was able to win additional business. Our added capacity coupled with strong management of our supply chain, allowed the business to react faster to the market supply disruption. In addition, we also saw the rebound in some markets such as in Textiles, which was greatly affected by the pandemic in the previous year. Our Swiss operation also achieved good results in the pharma segment, where one of our products is used in COVID-19 test kits.

## MANAGEMENT DISCUSSION & ANALYSIS

### OUTLOOK

We maintain a cautious outlook for the coming year. With high palm prices and expected market correction, inventory management is highly critical. Co-producers are putting up new capacities, especially in Indonesia and this is juxtaposed against an uncertain economic climate. Uncertainties due to the resurgence of COVID-19 and its variants will continue to impede global economic recovery as many countries are still confronting lockdowns.

The global supply chain crisis is expected to continue well into the first half of calendar year 2022, perpetuating the raw material shortages and high raw material prices. Shipping rates are at multi-year highs, yet the operations will have to contend with freight availability and long and uncertain lead times.

Overall, global energy costs are also on the uptrend. Coupled with escalating price of EU CO2 permits, these will add pressure on an already high production cost structure, especially at our European operations. China's energy shortages and rationing will result in plant stoppages, but so far, the impact on TPOZ has been mitigated. The liberalisation of the natural gas market in Malaysia did provide some cost relief during the year but with escalating energy prices this will also add to costs. Fortunately, our co-generation projects will help mitigate some of the cost burden arising from these foreseeable challenges.

The Group is undertaking capital expansion projects to balance its product portfolio across our companies, and the coming year will see us focusing on filling the new ester plants in China and Europe. We will continue to drive further cost efficiency at our plants and focus on value addition in the integrated value chain.

### NON-OLEOCHEMICALS

For KL-Kepong Rubber Products ("KLKRP"), 2021 was both a challenging and exciting year. As the pandemic is still with us, the market faced gloves shortages worldwide, particularly medical examination/disposable gloves. Being in the reusable glove market segment, KLKRP experienced the spill-over effect from the single-use gloves shortage, and achieved an unprecedented sales revenue/volume.

We are therefore growing our gloves business by expanding our product range and venturing into single-use glove manufacturing. As such, a 9.58-acre site was acquired opposite our existing plant in Bercham Industrial Estate, Ipoh. Construction activities started at the end of 2020 and we expect the commissioning of the first dipping line by end December 2021 or early 2022. There will be a total of 15 dipping lines to be completed by Q12023, with a total annual capacity of 4.5 billion pieces.





## MANAGEMENT DISCUSSION & ANALYSIS



# PROPERTY DEVELOPMENT



### VISION

The Nation's Preferred Property Developer

### MISSION

- To deliver quality products and services
- To create sustainable communities
- To acknowledge and appreciate the talents and contributions of our stakeholders

## MANAGEMENT DISCUSSION & ANALYSIS

### MARKET OVERVIEW

FY2021 saw the property industry facing a myriad of challenges with the prolonged pandemic, economic uncertainties, persistent property overhang, credit pullback by financial institutions and continuing job and business insecurities.

The Federal Government had implemented policies including extending the Home Ownership Campaign (“HOC”) until 31 December 2021 in an attempt to relieve the property overhang situation.



*The Walden Residences – exclusive detached homes in a resort setting.*



*Hampton Residences comprising 191 bungalows, semi-detached and superlink homes were completed with vacant possession and delivered on schedule.*

### PERFORMANCE

For FY2021, KLK Land managed to record RM195.1 million in revenue, i.e. 26% higher than previous financial year (FY2020: RM154.9 million). Pre-tax profit was higher at RM68.8 million, an increase of 27% compared to FY2020 of RM54.0 million. The commendable results during this challenging FY were attributed to accelerated digitalisation in management practices including in marketing and accounting and sales of Hampton Residences in Bandar Seri Coalfields and the follow up billings and collections.

Despite the various Movement Control Orders (“MCO”) imposed during the period, KLK Land managed to secure the Certificate of Completion and Compliance (“CCC”) for Hampton Residences comprising 191 units of bungalows, semi-detached and superlink homes and deliver Vacant Possession (“VP”) in August 2021 as scheduled upon approval to resume site office operations.

Throughout the MCO period, there were no compromises on workers’ safety and welfare, quality standards in construction, environmental care, level of security, maintenance and customer service as evident by the latest stakeholders and customer survey results.

Based on user feedback, marketable products of spacious landed homes were planned and launched during the FY. Initial responses to the launches of Walden Phase 1 (41 bungalows) and Jardin Residences Phase 1 (106 units of superlink homes) in April and May 2021 respectively, were encouraging. MCO disruptions from mid-May to August were minimised via stepped up promotional efforts in digital marketing, e-signing, e-billing and e-payment initiatives. Pent-up demand returned in August and follow-up launches of Phase 2 Walden (28 bungalows) and Phase 2 Jardin (126 superlink) will be brought forward to November 2021 and January 2022.

## MANAGEMENT DISCUSSION & ANALYSIS



*Hemingway Residences – Best Completed Landed Development Award*

### ACCOLADES

Hemingway Residences, the first premium project in Bandar Seri Coalfields was awarded the Best Completed Landed Development by iProperty Development Excellence Award (“iDEA”) 2021.

These 252 double storey superlink and semi-detached homes were completed in June 2020.

To-date, KLK Land has received awards in various categories from Star Property, Property Insight, Property Guru and Asia Pacific Property attesting to its achievements in promoting quality and sustainable developments.



*Completed view of Hemingway Residences*

### OUTLOOK

Unresolved property industry issues continue to pose concerns to property developers. The persistent overhang is now aggravated by rising compliance and material costs, shortage of construction workers with increasing competition whilst keeping prices affordable.

KLK Land is cautious but confident of riding out this challenging period with close monitoring of market conditions, efficient operations, launches and construction of marketable products catering for the needs of specific target groups, cost control measures without sacrificing quality and sustainability standards and prudent cashflow initiatives.

The new 202-acre Caledonia township in Ijok, Selangor is scheduled for launch in April 2022 offering affordable range of landed homes. Launches of premium freehold landed homes with spacious gardens will also continue following sell-out responses to Hemingway and Hampton Residences. These would include launches of Walden Phase 2 bungalows in November 2021 and Jardin Phase 2 superlink in January 2022.

In the pipeline will also be Hampton 2 Superlink, Cluster homes as well as the affordable Hibiscus Rumah Selangor Ku (“RSKu”) landed homes that have been very successful in housing the B40 community in Bandar Seri Coalfields.

Efforts to enhance and promote Bandar Seri Coalfields as a modern self-contained lifestyle township and KLK Land as a reputable quality developer of sustainable communities will also be stepped up.