Annual Report

2022

KUALA LUMPUR KEPONG BERHAD

197301001526 (15043-V)

INSIDE THIS REPORT

OUR ORGANISATION

FINANCIAL STATEMENTS

GOVERNANCE

OTHERS

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CORPORATE INFORMATION

BOARD OF DIRECTORS

R. M. ALIAS
Non-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
Non-Independent Non-Executive Director

TAN SRI AZLAN BIN MOHD ZAINOL
Senior 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

Wisma Taiko
No. 1, Jalan S.P. Seenivasagam
30000 Ipoh
Perak, Malaysia
Tel : +605-240 8000
Fax : +605-240 8115
Email : cosec@klk.com.my
Website : *www.klk.com.my*

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th 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*

PRINCIPAL BANKERS

CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking 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

50TH ANNUAL GENERAL MEETING

Day/Date:
Thursday,
23 February 2023

Time:
11.00 a.m.

Venue:
Conference Room, Ground Floor
Wisma Taiko, No. 1, Jalan S.P. Seenivasagam
30000 Ipoh, Perak, Malaysia

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 30 SEPTEMBER 2022

ANNOUNCEMENT OF RESULTS

First Quarter
16 FEBRUARY 2022

Second Quarter
24 MAY 2022

Third Quarter
17 AUGUST 2022

Fourth Quarter
23 NOVEMBER 2022

INTERIM DIVIDEND

Announcement
24 MAY 2022

Entitlement Date
12 JULY 2022

Payment Date
2 AUGUST 2022

FINAL DIVIDEND

Announcement
9 DECEMBER 2022

Entitlement Date
20 FEBRUARY 2023

Payment Date
28 FEBRUARY 2023

KEY INDICATORS

REVENUE
RM27.149 Billion
FY2021: RM19.916 billion

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
RM2.166 Billion
FY2021: RM2.258 billion

SHARE PRICE
RM20.70
30 September 2021: RM20.12

MARKET CAPITALISATION*
RM22.318 Billion
30 September 2021: RM21.687 billion

DIVIDEND PER SHARE
100 Sen
FY2021: 100 sen

EARNINGS PER SHARE
200.9 Sen
FY2021: 209.3 sen

* *Based on closing price on 30 September 2022*

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 (97% oil palm). 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 Developments Berhad, a wholly owned subsidiary of IGB Berhad. It is currently focused on Bandar Seri Coalfields, a 1,001-acre township in Sungai Buloh and Caledonia in Ijok, 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

THRIIL

TEAMWORK

Going beyond geographical, divisional and functional boundaries to achieve common goals. Collaboration is at the heart of all we do.

HUMILITY

Having an open mind to recognise the strength of others and willingness to stretch ourselves and grow.

RESULTS

Committed to exceptional execution and excellence to make a difference in everything we do.

INTEGRITY

Ethical leadership with a strong moral compass that inspires every individual to do the right thing.

INNOVATION

Levelling up through new ideas and continuous improvement to consistently exceed expectations.

LOYALTY

Committed to building a better future together, with mutual trust and care while upholding the Company's interest as our own.

LOCATION OF THE GROUP'S OPERATIONS

AS AT 30 SEPTEMBER 2022

Germany

Netherlands

Belgium

Switzerland

Liberia

PLANTATION

MANUFACTURING

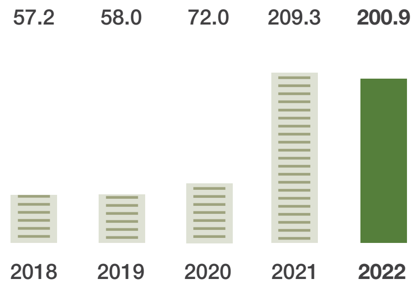
PROPERTY DEVELOPMENT

OTHERS (FARMING)

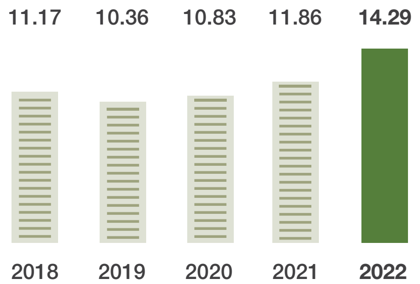

ASIA
AUSTRALIA
China
Peninsular Malaysia, Malaysia
Sabah, Malaysia
Kalimantan, Indonesia
Sumatra, Indonesia
Western Australia, Australia

FINANCIAL HIGHLIGHTS

EARNINGS PER SHARE (SEN)

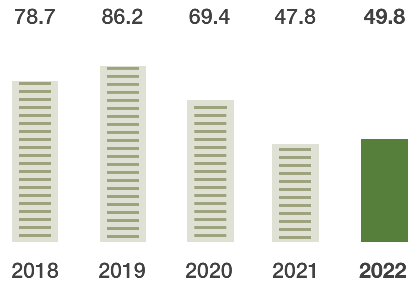


SHAREHOLDERS' EQUITY (RM BILLION)

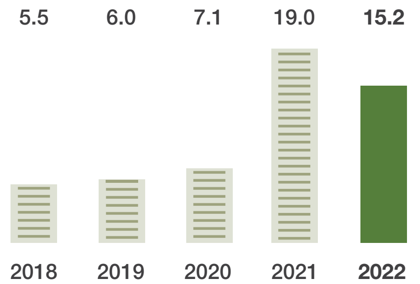


DIVIDEND YIELD (%)

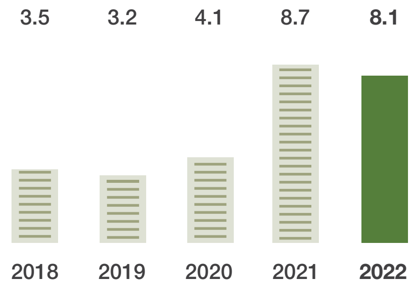
DIVIDEND PAYOUT RATIO (%)



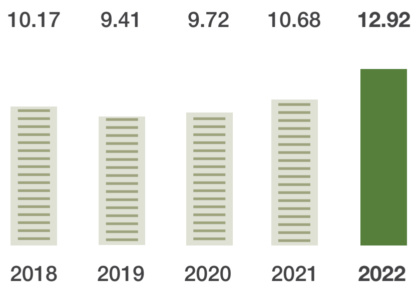
RETURN ON SHAREHOLDERS' EQUITY (%)



RETURN ON TOTAL ASSETS (%)



NET TANGIBLE ASSETS PER SHARE (RM)

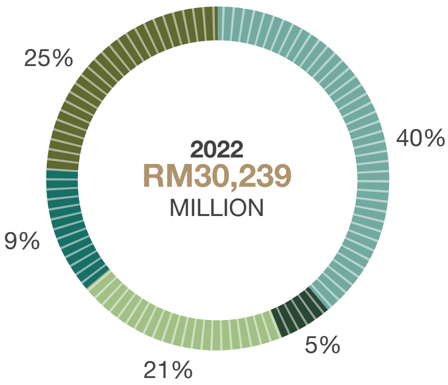


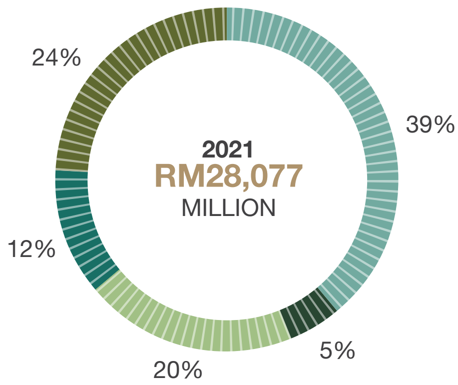
NET DEBT TO EQUITY (%)

SIMPLIFIED GROUP ASSETS & LIABILITIES

AS AT 30 SEPTEMBER 2022

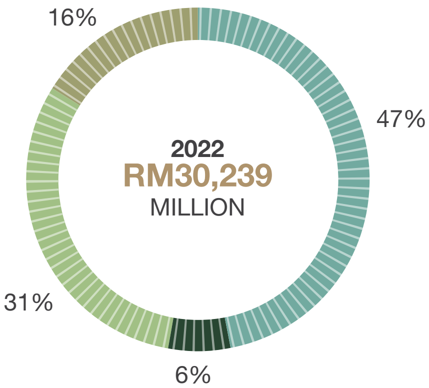
TOTAL ASSETS

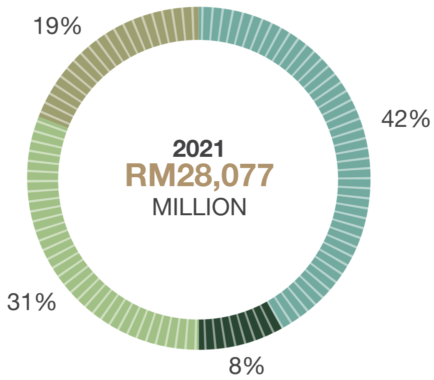




	2022		2021	
Property, Plant and Equipment	RM12,123 million	40%	RM11,015 million	39%
Right-of-use Assets	RM1,339 million	5%	RM1,317 million	5%
Other Non-Current Assets	RM6,272 million	21%	RM5,723 million	20%
Short Term Funds and Cash and Cash Equivalents	RM2,852 million	9%	RM3,459 million	12%
Other Current Assets	RM7,653 million	25%	RM6,563 million	24%

TOTAL EQUITY & LIABILITIES





	2022		2021	
Shareholders' Equity	RM14,287 million	47%	RM11,859 million	42%
Non-Controlling Interests	RM1,765 million	6%	RM2,348 million	8%
Borrowings	RM9,382 million	31%	RM8,765 million	31%
Other Liabilities	RM4,805 million	16%	RM5,105 million	19%

BOARD OF DIRECTORS

Seated, left to right:

TAN SRI DATO' SERI LEE OI HIAN
R. M. ALIAS
DATO' YEOH ENG KHOON

Standing, left to right:

CHERYL KHOR HUI PENG
LEE JIA ZHANG
DATO' LEE HAU HIAN
TAN SRI AZLAN BIN MOHD ZAINOL
QUAH POH KEAT
ANNE RODRIGUES

PROFILE OF DIRECTORS

R. M. ALIAS

Aged 90 • Male • Malaysian

Chairman
Non-Independent Non-Executive Director

Meeting Attendance: 6/6

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.

TAN SRI DATO' SERI LEE OI HIAN

Aged 71 • Male • Malaysian

Chief Executive Officer
Executive Director

Meeting Attendance: 6/6

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, and the Chairman of KLK Sawit Nusantara Berhad (formerly known as IJM Plantations Berhad). He also serves as a member on the Board of Trustees of the Perdana Leadership Foundation, 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

DATO' LEE HAU HIAN

Aged 69 • Male • Malaysian

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

Meeting Attendance: 6/6

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.

DATO' YEOH ENG KHOON

Aged 75 • Male • Malaysian

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

Meeting Attendance: 6/6

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.

PROFILE OF DIRECTORS

TAN SRI AZLAN BIN MOHD ZAINOL

Aged 72 • Male • Malaysian

Senior Independent Non-Executive Director
Chairman of Nomination Committee
Chairman of Remuneration Committee

Meeting Attendance: 6/6

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, Malaysia Building Society Berhad and YX Precious Metals Berhad, all of which are listed on Bursa Malaysia Securities Berhad. He is also the Chairman of MBSB Bank Berhad, Amanat Lebuhraya Rakyat Berhad, Tokio Marine Life Insurance Malaysia Berhad, Board of Trustees of Yayasan Astro Kasih and a member on the Board of Trustees of the OSK Foundation.

QUAH POH KEAT

Aged 70 • Male • Malaysian

Independent Non-Executive Director
Chairman of Audit and Risk Committee
Member of Remuneration Committee

Meeting Attendance: 6/6

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 Finance Ltd, Public Financial Holdings Ltd, Cambodian Public Bank Ltd, Campu Lonpac Insurance Plc and Campu Securities Plc.

PROFILE OF DIRECTORS

ANNE RODRIGUES

Aged 72 • Female • Malaysian

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

Meeting Attendance: 6/6

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 Master 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.

LEE JIA ZHANG

Aged 39 • Male • Malaysian

Chief Operating Officer
Executive Director

Meeting Attendance: 6/6

Appointed to the Board on 16 May 2018.

Mr. Lee Jia Zhang holds a Masters degree in Chemical Engineering (MEng) (Hons) 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. In addition, Mr. Lee was also appointed as the Chief Executive Officer of the Group's Oleochemical Division on 1 April 2022.

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

CHERYL KHOR HUI PENG

Aged 48 • Female • Malaysian

Independent Non-Executive Director
Member of Audit and Risk Committee

Meeting Attendance: 5/5*

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 Malaysia Airports Holdings Berhad, all of which are listed on Bursa Malaysia Securities Berhad. 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 89.

PROFILE OF KEY SENIOR MANAGEMENT

TAN SRI DATO' SERI LEE OI HIAN

Aged 71 • 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 13.

LEE JIA ZHANG

Aged 39 • 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 was also appointed as the Chief Executive Officer of the Group's Oleochemical Division on 1 April 2022.

Mr. Lee 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 16.

PATRICK NG HONG CHUAN

Aged 48 • Male • Malaysian

Group Plantations Director

Mr. Patrick Ng holds a Bachelor of Engineering degree with Honours (Civil Engineering) from Universiti Sains Malaysia and was awarded the 2006 British-Chevening (Malaysia) Scholarship to pursue his Master of Science in Imperial College (University of London) where he graduated with Distinction in Environmental Engineering and Sustainable Development. He also completed the Harvard Business School Online Program on Leadership Principles in 2021.

He is a Graduate Member of the Institution of Engineers Malaysia, Life Member of the International Society of Oil Palm Agronomist and a Member of the Incorporated Society of Planters.

Mr. Patrick Ng was appointed as the Group Plantations Director on 1 October 2022. Prior to his appointment, he was the President Commissioner of KLK's subsidiaries in Indonesia. He joined KLK in May 2021 after serving as the Deputy Director of KLK's Associate Company, Applied Agricultural Resources Sdn. Bhd. ("AAR"). He was with AAR since 1998 overseeing Research and Development with emphasis on palm nutrition and agro-management practices.

LEE WEN LING

Aged 33 • Female • Malaysian

Managing Director
Property Development

Ms. Lee Wen Ling holds a degree in Economics from the University of Bristol, United Kingdom and joined KLK Land in June 2012 as a Sales Executive. She worked her way up the ranks, and has been involved in overseeing the sales & marketing, business development, planning and implementation of KLK's property projects. She was the Deputy Managing Director of KLK Land before she was appointed as the Managing Director of KLK Land.

Ms. Lee Wen Ling is the daughter of Tan Sri Dato' Seri Lee Oi Hian, the Group CEO and a major shareholder of KLK. She is the sister of Mr. Lee Jia Zhang, the Group Chief Operating Officer, and niece of Dato' Lee Hau Hian, a Director and major shareholder of KLK.

PROFILE OF KEY SENIOR MANAGEMENT

WILLIAM ONG ENG SAN

Aged 39 • Male • Malaysian

Acting Group Chief Financial Officer

Mr. William Ong graduated from Heriot-Watt University, Edinburgh with a Bachelor of Arts in Accountancy and Finance. He is a Chartered Accountant and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. He is also a Member of the Malaysian Institute of Accountants.

Mr. William Ong joined KLK Group in November 2021 as KLK Oleo Group Financial Controller and was appointed as the Acting Group Chief Financial Officer of KLK on 1 October 2022. Prior to joining KLK, he began his career with PricewaterhouseCoopers PLT in 2004 before he joined I Berhad in 2013, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

YAP MIOW KIEN

Aged 53 • Female • Malaysian

Company Secretary

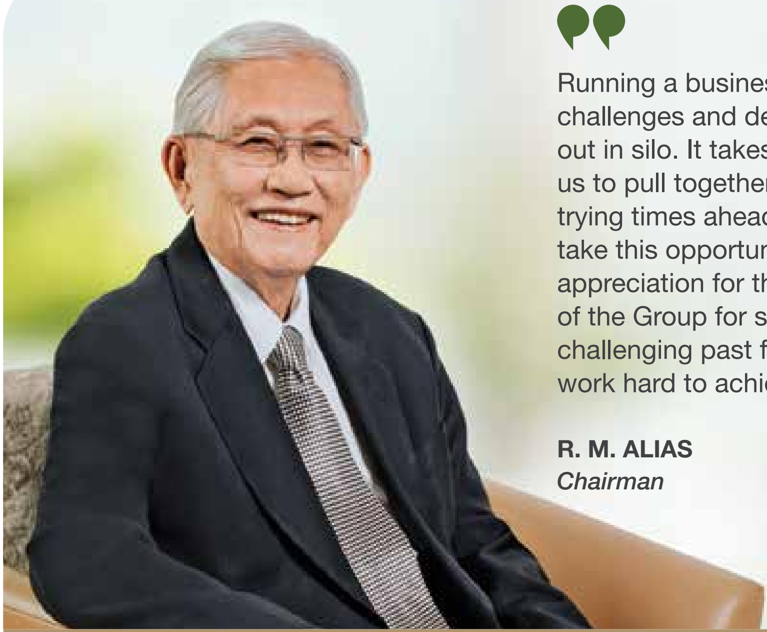
Ms. Yap has an LL.B (Hons) degree from the University of Leeds, United Kingdom. She also qualified as a Barrister-at-Law of the Middle Temple, London, and as an Advocate & Solicitor of the High Court of Malaya. She is an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators.

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.

ADDITIONAL INFORMATION

1. Save as disclosed above, none of the Key Senior Management 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 Key Senior Management 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.

CHAIRMAN'S STATEMENT



> Running a business is not without its challenges and definitely cannot be carried out in silo. It takes each and every one of us to pull together to come out of these trying times ahead as a team. I would like to take this opportunity to express our special appreciation for the efforts and commitment of the Group for staying resilient through the challenging past few years and continuing to work hard to achieve commendable results.

R. M. ALIAS
Chairman

I am delighted to report that in the financial year 2021/22 your Group has produced a net profit attributable to shareholders of RM2.166 billion. This is a reasonable marginal decline when compared with last year's figure of RM2.258 billion, which was boosted by one-off items. The year's excellent result is predominantly due to the unprecedented rise in palm prices, the growth in fresh Fruit Bunches ("FFB") volume through corporate acquisitions, and the excellent performance of our oleochemicals business. Based on an earnings per share of 200.9 sen, your Board is recommending a final dividend of 80 sen per share, in addition to the earlier interim dividend of 20 sen, which will constitute a payout ratio of 49.8%.

Post-pandemic, KLK continues to remain resilient as a Group. We continue to focus on operations by strengthening processes and increasing the use of mechanisation to reduce the high dependency on workers, where possible. This has also been a year where we strategically integrated the plantation acquisitions of 2021.

Your Board and Management have an uncompromising stance on Environmental, Social and Governance ("ESG") matters. At the plantations level, urgent efforts are being taken for the newly acquired plantations to be RSPO (Roundtable on Sustainable Palm Oil) certified by end of 2024. We are also committed to ensure that the raw materials for our refineries and oleochemical plants are sustainable and come from traceable sources. Rest assured the Group will continue to address the ESG challenges it is faced with by supporting policies which, amongst others, protect the environment, combat climate change, promote the welfare of workers and communities, and foster ethical behaviour.

PERFORMANCE AND CHALLENGES

The global economy's continued growth is uncertain as measures to tame inflationary pressures have resulted in rising interest rates, hampering growth. Fortunately, most of our borrowings are long term with fixed rates. With global palm oil prices now below RM4,000/mt, and with high business taxes levied coupled with escalating costs, the obvious option is for us to improve our productivity in yields and manpower.

CHAIRMAN'S STATEMENT

HRH Sultan Nazrin Shah graced the opening of the remodernised Wisma Taiko and the launch of the book "Lee Loy Seng - The Taiko of Plantations" on 27 September 2022. Witnessing the launch were (from left) R.M. Alias, Menteri Besar of Perak YAB Dato' Seri Saarani bin Mohamad and KLK CEO Tan Sri Dato' Seri Lee Oi Hian.

As mentioned earlier, KLK's growth in FFB volume has been solely through corporate acquisitions. Our palm yield of 19.7 mt per hectare is the lowest for the Group over the past 10 years. Whilst there may be valid constraints such as labour shortages, wet weather and issues relating to operational integration leading to crop losses, I believe these setbacks should now be behind us.

For the Manufacturing segment, we foresee challenges with the softened demand, high energy costs especially in Europe, anticipated capacities coming onstream, and the consequences of China's Covid lockdowns. Our motivated, skillful and talented teams worldwide, are working synergistically together and are ready to face these hurdles. Over the years, substantial investments to finetune efficiencies, to integrate further to more specialized products and to deepen relationships with big customers, will further solidify our foundation.

The coming year will be a challenging one for our cashflow, as our committed major oleochemicals expansions in Indonesia, Malaysia, China and Europe are currently on schedule. A cash outflow of RM1.5 billion will be required over the coming two years. Plantations sector also has capital expenditure requirements to upgrade and renew some existing Palm Oil Mills and infrastructure. However, our Net Debt at 40.7 % is still able to cushion any impact from a shortfall in cash generation.

ACKNOWLEDGEMENT

As we know, running a business is not without its challenges and definitely cannot be carried out in silo. It takes each and every one of us to pull together to come out of these trying times ahead as a team. I would like to take this opportunity to express our special appreciation for the efforts and commitment of the Group for staying resilient through the challenging past few years and continuing to work hard to achieve commendable results. The THRIIL culture grows strong within the organization, among our loyal workforce, reaffirming its focus on Teamwork, Humility, Results, Integrity, Innovation and Loyalty.

At this juncture, I would like to mention two highly significant events, that is the gracing of HRH Sultan Nazrin Shah and HRH Tuanku Zara Salim at the opening of the re-modernised Wisma Taiko, our Head Office in Ipoh, and the launch of the book "Lee Loy Seng – The Taiko of Plantations". An interesting fact to note was that when Wisma Taiko was first opened in 1985, we had the honour of Al-Marhum Sultan Azlan Shah, the father of our current HRH Sultan Nazrin Shah officiating at that function.

As this new financial year emerges, our Group Chief Financial Officer Leong Sean Meng, Group Plantations Director Patrick Kee and Operations Director Tan Kei Yoong are retiring, and the Group's senior management is transitioning to a new team. These excellent, loyal gentlemen have served the Group in excess of 100 years altogether and contributed immensely to KLK's current wellbeing. Words cannot adequately express our appreciation to them. They will be succeeded by William Ong, Patrick Ng and Mah Fak Chin respectively.

We did well for FY2022. I would like to express my gratitude to the management and employees of KLK for their loyalty, commitment and continued hard work. On behalf of the Board, I would also like to thank our stakeholders, including our business partners, customers, bankers, government authorities, non-governmental organisations and to our shareholders for their continued support and confidence in KLK.

From left: Mr. Leong Sean Meng, Mr. Patrick Kee and Mr. Sin Chuan Eng at their retirement dinner in September 2022.

KENYATAAN PENGERUSI

> Perniagaan mempunyai cabarannya dan sudah tentu ia tidak boleh dijalankan secara silo. Kita semua perlu bersama-sama keluar daripada tempoh yang sukar ini sebagai satu pasukan. Saya ingin mengambil kesempatan untuk menzahirkan penghargaan istimewa kami atas usaha dan komitmen Kumpulan kerana terus bertahan sepanjang beberapa tahun ini dan kerana terus bekerja keras untuk mencapai keputusan terpuji.
>
> **R. M. ALIAS,** *Pengerusi*

Sukacita saya melaporkan bahawa pada tahun kewangan 2021/2022 Kumpulan KLK telah mencatat keuntungan bersih boleh diagihkan kepada pemegang saham sebanyak RM2.166 bilion. Jumlah ini berkurang sedikit berbanding dengan RM2.258 bilion tahun lepas, disebabkan oleh item-item sekali bayar. Keputusan cemerlang tahun ini sebahagian besarnya adalah hasil daripada peningkatan harga sawit yang belum pernah berlaku sebelum ini. Ia juga disumbangkan oleh pertumbuhan dalam volum tandan buah segar ("TBS") menerusi pembelian korporat, serta prestasi cemerlang perniagaan oleokimia kami. Berdasarkan pendapatan sesaham sebanyak 200.9 sen, Lembaga Pengarah mengesyorkan dividen akhir sebanyak 80 sen sesaham, tambahan kepada dividen interim sebanyak 20 sen sebelum ini yang merangkumi nisbah pembayaran sebanyak 49.8%.

Pasca pandemik, KLK terus kekal berdaya tahan sebagai sebuah Kumpulan. Kami meneruskan tumpuan terhadap operasi dengan mengukuhkan proses dan meningkatkan penggunaan penjenteraan bagi mengurangkan kebergantungan yang tinggi ke atas pekerja. Ini juga adalah tahun di mana kami menyepadukan secara strategik pengambilalihan ladang pada 2021.

Lembaga Pengarah dan Pengurusan berpendirian teguh dalam hal ehwal Alam Sekitar, Sosial dan Tadbir Urus ("ESG"). Pada peringkat perladangan, usaha-usaha segera sedang diambil untuk mendapatkan pensijilan Meja Bulat Minyak Sawit Lestari ("RSPO") menjelang 2024 bagi ladang-ladang yang baru diperoleh. Kami juga komited dalam memastikan bahawa bahan-bahan mentah untuk kilang penapisan dan loji oleokimia kami mampan dan datang daripada sumber-sumber boleh dikesan asalnya. Yakinlah bahawa Kumpulan akan terus menangani cabaran-cabaran ESG yang kami hadapi dengan menyokong dasar yang antara lainnya, melindungi alam sekitar, memerangi perubahan iklim, menggalakkan kebajikan pekerja dan komuniti, dan memupuk tata laku beretika.

PRESTASI DAN CABARAN

Pertumbuhan berterusan ekonomi global adalah tidak pasti oleh kerana langkah-langkah mengurangkan tekanan inflasi telah membawa kepada peningkatan kadar faedah, lalu menghalang pertumbuhan. Mujurlah kebanyakan pinjaman kami adalah bertempoh jangka panjang dengan kadar tetap. Dengan harga minyak sawit global kini di bawah paras RM4,000 setiap tan metrik, dan dengan cukai perniagaan tinggi yang dikenakan serta kos yang semakin bertambah, pilihan yang jelas bagi kami adalah untuk menambah baik produktiviti dalam hasil dan tenaga kerja.

KENYATAAN PENGERUSI

Seperti dinyatakan sebelum ini, pertumbuhan KLK dalam volum TBS adalah semata-mata menerusi pembelian korporat. Hasil sawit kami sebanyak 19.7 tan metrik sehektar adalah yang paling rendah untuk Kumpulan sepanjang 10 tahun lalu. Walaupun mungkin terdapat kekangan sebenar seperti kekurangan tenaga buruh, cuaca buruk dan isu-isu berkaitan penyepaduan operasi dan sebagainya yang membawa kepada kerugian hasil tanaman, saya percaya segala rintangan ini kini telah diatasi.

Bagi segmen Pembuatan, kami meramalkan cabaran dengan permintaan yang berkurang, kos tenaga yang tinggi terutamanya di Eropah, jangkaan keupayaan operasi, dan kesan daripada sekatan pergerakan Covid China. Pasukan kami yang bemotivasi, mahir dan berbakat di seluruh dunia bersama-sama berusaha secara sinergistik dan bersedia untuk mendepani rintangan ini. Selama bertahun, sejumlah besar pelaburan telah dibuat untuk menyelaraskan kecekapan, untuk menyepadukan lagi kepada produk lebih khusus dan untuk mengakrabkan perhubungan dengan para pelanggan utama. Semua ini akan mengukuhkan lagi asas kami.

Tahun seterusnya akan menjadi satu tahun yang mencabar bagi aliran tunai kami, memandangkan pengembangan oleokimia utama kami di Indonesia, Malaysia dan Eropah buat masa ini adalah mengikut jadual. Aliran keluar tunai sebanyak RM1.5 bilion akan diperlukan sepanjang dua tahun akan datang. Sektor perladangan juga memerlukan perbelanjaan modal bagi tujuan menaik taraf dan memperbaharui beberapa Kilang Minyak Sawit dan infrastruktur yang sedia ada. Walau bagaimanapun, Hutang Bersih kami pada 40.7% masih boleh mengurangkan sebarang kesan daripada kurangan dalam penjanaan tunai.

PENGHARGAAN

Sepertimana yang kita tahu, perniagaan mempunyai cabarannya dan sudah tentu ia tidak boleh dijalankan secara silo. Kita semua perlu bersama-sama keluar daripada tempoh yang sukar ini sebagai satu pasukan. Saya ingin mengambil kesempatan untuk menzahirkan penghargaan istimewa kami atas usaha dan komitmen Kumpulan kerana terus bertahan sepanjang beberapa tahun ini dan kerana terus bekerja keras untuk mencapai keputusan terpuji. Budaya THRIIL berkembang dalam organisasi, di kalangan tenaga kerja kami yang setia, menegaskan tumpuannya terhadap Kerja Berpasukan, Kerendahan Hati, Keputusan, Integriti, Inovasi dan Kesetiaan.

Saya ingin menyatakan dua peristiwa yang sangat signifikan, iaitu keberangkatan DYMM Sultan Nazrin Shah dan DYMM Tuanku Zara Salim ke upacara perasmian Wisma Taiko yang dimodenkan, ibu pejabat kami di Ipoh, dan pelancaran buku “Lee Loy Seng – The Taiko of Plantations”. Menariknya adalah apabila Wisma Taiko pertama kali dibuka pada 1985, kami menerima penghormatan dengan keberangkatan ayahanda DYMM Sultan Nazrin Shah iaitu Al-Marhum Sultan Azlan Shah untuk merasmikan acara tersebut.

Memasuki tahun kewangan baharu, Ketua Pegawai Kewangan Kumpulan kami Leong Sean Meng, Pengarah Perladangan Kumpulan Patrick Kee dan Pengarah Operasi Tan Kei Yoong akan bersara. Begitu juga, pengurusan kanan Kumpulan akan beralih kepada pasukan baharu. Kesemua mereka ini telah berkhidmat kepada Kumpulan dengan penuh setia. Jika dikumpulkan semuanya, tempoh perkhidmatan mereka adalah lebih daripada 100 tahun di mana sumbangan tersebut adalah begitu besar terhadap kemakmuran KLK pada masa ini. Tiada kata yang boleh diungkapkan secukupnya untuk menyatakan penghargaan kami kepada mereka. Mereka masing-masing akan digantikan oleh William Ong, Patrick Ng dan Mah Fak Chin.

Kami menjalankan perniagaan dengan baik untuk TK2022. Saya ingin mengucapkan terima kasih kepada pihak pengurusan dan kakitangan KLK atas kesetiaan, komitmen dan kerja keras mereka yang berterusan. Bagi pihak Lembaga Pengarah, saya juga ingin berterima kasih kepada semua pihak berkepentingan, termasuk rakan perniagaan, pelanggan, bank, badan kerajaan, badan bukan kerajaan dan para pemegang saham kami atas sokongan dan keyakinan berterusan mereka dalam KLK.

MANAGEMENT DISCUSSION & ANALYSIS

The Group is grateful that despite having to operate under the strain of labour shortage and a challenging business environment, we have managed to achieve a net profit attributable to equity holders of RM2.166 billion for FY2022. This is testament to the commitment of the management team.

TAN SRI DATO' SERI LEE OI HIAN
Chief Executive Officer

OVERVIEW

The current course in which the world economy is navigating is unprecedented. Just when things were starting to open up and returning to normalcy, we are yet again faced with another challenging period ahead globally. These include the surging cost of food, fuel and energy, coupled with a looming recession and political hegemony. As a result, prices of raw materials have increased, further worsened by the ongoing Ukraine-Russia war which caused major (and expensive) disruptions to the global supply chain. Fertiliser cost, for instance, has increased multiple fold over recent months.

With constant headwinds foreseeable in the short term, it is important for the Group to be alert and agile. Resilience will remain the hallmark of KLK in facing challenges for the coming years, especially if a recession of unknown length and extent sets in. Our focus must, and should always be on operational excellence. Better yields and higher production will help us tide through the challenging times ahead.

Commodities markets across the world continued to witness immense volatility during 2022, with prices making new highs and inadvertently lifting inflationary risks especially on basic food demands. Against an already tight global supply at the onset of the year driven partly by a drop in Malaysia's foreign labour-stricken palm oil production as well as failing oilseed crops in Canada and South America during the previous season, the war that Russia waged on Ukraine sent the edible oils market into a further frenzy.

By the end of February, prices of Crude Palm Oil ("CPO") had rallied from RM5,300/mt to an all-time high of RM8,700/mt. These record price levels raised concerns with cost of living and motivated the Indonesian government to intercede with measures to help create ample domestic availability and cool prices of cooking oil, including by temporarily limiting exports of palm oil in April 2022. The move effectively tempered local prices in Indonesia in subsequent months and fundamentally impacted our average price achieved for the region as sales there were sold on prompt basis. Coupled with successive interest rate hikes and an overcast on economics performance globally, palm oil prices eventually tumbled to RM3,300/mt at the close of September 2022. The Group's overall average selling price for the financial year was just above RM4,200/mt ex-mill, after taking into account of hedges executed earlier for a portion of the Group's production volume when prices were still reasonable.

MANAGEMENT DISCUSSION & ANALYSIS

Overall demand from key consuming countries next year will be a critical factor in driving the direction of palm oil prices. India, Pakistan and Bangladesh are still reeling from weakening currencies and depleting USD reserves. China's stepping out from its strict COVID-19 control policy is mostly welcomed as positive for raising consumption, but they may first have to contend with an intensifying wave of infections before conditions can normalise. With a record soybean crop expected from South America this season, and an overall better production of global oilseeds for 2022/23 (at 645 million tonnes compared to 605 million tonnes in 2021/22), it will be unlikely for us to again revel in recent record prices going forward.

PERFORMANCE

The Group is grateful that despite having to operate under the strain of labour shortage and a challenging business environment, we have managed to achieve a net profit attributable to equity holders of RM2.166 billion for FY2022. This is testament to the commitment of the management team.

The pre-tax profit contribution from our core Plantation rose 58.3% to RM2.139 billion, from RM1.351 billion* in FY2021. This significant increase was due to stronger selling prices of CPO and palm kernel ("PK") prices, averaging RM4,227 and RM2,972 per metric tonne respectively, offsetting the higher production costs, namely fertilisers, agrochemicals and fuel, as well as higher wages in FY2022.

The total Fresh Fruit Bunches ("FFB") crop for FY2022 stood at 4.994 million tonnes, compared to FY2021 at 3.949 million tonnes. The production volume increased due to contributions from the recently acquired KLK Sawit Nusantara's ("KSN" or previously known as IJM Plantations Berhad) total planted area of 61,336 hectares and PT Pinang Witmas Sejati ("PWS") 14,000 hectares that were fully consolidated this year. The group oil yield stood at 4.2 mt/ha, dropping from FY2021 at 4.66 mt/ha. This decline in oil yield, the lowest seen in the Group for a decade, may arguably be due to labour shortage, integration of newly acquired plantations, etc. Nevertheless, it is a major concern and not acceptable. Detailed efforts are doubled in those problematic estates with crop losses or in unacceptable conditions led by a myriad of causes.

We have also initiated a three-year plan involving slightly over 1,700 houses in various categories, from building new houses, as well as undertaking major and minor renovations of existing houses identified in our commitment to provide decent living conditions for our workers.

Our Manufacturing segment saw another record-breaking year with a pre-tax profit of RM1.071 billion, with impressive improvements seen across all business units. This is despite a slowdown in demand in the second half of the year as customers took a wait and see stance due to the oversupply of feedstock which triggered price corrections.

Our Property division continues to contribute steadily, continuing its launches in Bandar Seri Coalfields in Sungai Buloh and its affordable range in the newly launched Caledonia in Ijok. Despite the rising prices of raw materials, we stand firm in our philosophy of quality and customer-driven products.

Our Western Australian Farms saw improved operating profit of RM37.0 million, from RM28.5 million last year. Out of the 45,555 hectares of arable land, about 85% is dedicated to wheat, canola, barley and other crops.

In AR2021, it was stated that pre-tax profit contribution from Plantation division was RM1.585 billion. Effective from 1 October 2021, refineries and kernel crushing operations were reclassified from Plantation to Manufacturing segment to better reflect the performance of the upstream business. Comparative figures for FY2018 to FY2021 have been restated to conform with the current year's reclassification.

MANAGEMENT DISCUSSION & ANALYSIS

CORPORATE

During the year, KLK had issued in full, RM2.0 billion worth of Islamic bonds or sukuk under its Islamic Medium-Term Notes ("IMTN") programme. The IMTNs were issued via two tranches of RM1.5 billion and RM500.0 million respectively, with annual profit rates of 4.17% and 4.55% for tenures of 10 years and 15 years.

The proceeds of the IMTN programme are for Shariah-compliant general corporate purposes, including capital expenditure, working capital and refinancing requirements.

With the issuance of the above IMTN, our group net debt to equity ratio has increased to 40.7% at the end of FY2022. We believe that this level is still reasonable considering the recently completed major acquisitions and increase in raw material prices. Our FY2023 capital expenditure will be substantial as the integrated oleochemicals plant are still ongoing for new capacities in Kalimantan, Westport, Malaysia and China, in addition to our plantation replanting, upgrading of workers housing and processing facilities.

Our associate, Synthomer, a specialty chemical company issued a downgrade to its FY2022 guidance in late September 2022, impacted by the continuous de-stocking in nitrile butadiene rubber for the disposal gloves market, as well as the softness in the European construction and coating markets. Synthomer's share price has declined sharply and the company has suspended dividend payments until the end of 2023 for cash conservation and has renegotiated bank debt covenants. KLK's shareholding in Synthomer has increased from 21.3% in previous year to 26.25% as at 30 September 2022 in support of the company to weather through this tough period as Synthomer is a long-term strategic investment.

As a responsible plantation company, KLK has been strengthening our commitment in everything sustainable. We are one of the founding members of RSPO and have been growing our corporate responsibility efforts over the years, especially within the communities around the areas where we operate. Building on this strong foundation, we remain fully committed to ESG and we are doubling our efforts in order to benefit the environment, as well as all our stakeholders. In this period, we have strategically assessed areas for improvements, identified and executed priority initiatives, as well as strengthened our governance and risk management structures.

SOME OF THE AWARDS AND RECOGNITIONS RECEIVED BY KLK IN 2022

The Edge Billion Ringgit Club 2022

- Value Creator: Malaysia's Outstanding CEO (Tan Sri Dato' Seri Lee Oi Hian)
- BIG CAP COMPANIES: Highest Growth in Profit After Tax Over Three Years
- PLANTATION: Highest Growth in Profit After Tax Over Three Years

Malaysia's Best Managed Companies 2022

an initiative by Deloitte Private

Export Excellence Award 2022

Thriving in Adversity Award
KLK OLEO

The Global CSR & ESG Awards 2022

Excellence in Provision of Literacy & Education Award (Companies with market capitalisation more than USD 1 Billion) - Silver

FTSE4Good Index Series

- Certificate of Membership
- Constituent company

Malaysia Developer Awards 2022

Special Awards – Rising Star
KLK Land

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

GROUP HIGHLIGHTS

		2022	2021	2020	2019	2018
FINANCIAL						
Revenue	(RM'000)	**27,149,474**	19,915,796	15,595,956	15,533,887	18,383,953
Profit:						
- before taxation	(RM'000)	**3,219,478**	2,976,425	1,185,730	823,928	988,788
- attributable to equity holders of the Company	(RM'000)	**2,166,290**	2,257,584	772,604	617,505	609,366
Earnings per share	(sen)	**200.9**	209.3	72.0	58.0	57.2
Dividend per share (single tier)	(sen)	**100.0**	100.0	50.0	50.0	45.0
Net tangible assets	(RM'000)	**13,933,659**	11,510,938	10,478,396	10,021,488	10,828,248
Net tangible assets per share	(RM)	**12.92**	10.68	9.72	9.41	10.17
KEY CORPORATE RATIOS						
Dividend Yield(1)	(%)	**4.8**	5.0	2.2	2.2	1.8
Dividend Payout Ratio(2)	(%)	**49.8**	47.8	69.4	86.2	78.7
Return on Shareholders' Equity(3)	(%)	**15.2**	19.0	7.1	6.0	5.5
Return on Total Assets(4)	(%)	**8.1**	8.7	4.1	3.2	3.5
Net Debt to Equity(5)	(%)	**40.7**	37.3	21.6	25.0	23.3

(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

	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000
REVENUE					
Plantation	4,082,366	2,646,618	1,997,467	1,695,557	1,879,825
Manufacturing	22,605,225	16,828,378	13,208,870	13,406,080	16,086,491
Property development	195,199	195,070	154,884	170,359	177,676
Investment holding	95,222	96,088	145,071	117,765	135,059
Others	171,462	149,642	89,664	144,126	104,902
	27,149,474	**19,915,796**	**15,595,956**	**15,533,887**	**18,383,953**
GROUP PROFIT					
Plantation	2,139,058	1,350,960	632,248	339,079	860,576
Manufacturing	1,070,570	916,448	496,271	441,175	346,693
Property development	70,858	68,800	54,038	47,355	37,838
Investment holding	(48,138)	167,724	(37,008)	8,731	28,740
Others	35,729	26,788	(19,281)	25,783	1,585
Corporate	(48,599)	445,705	59,462	(38,195)	(286,644)
Profit before taxation	3,219,478	2,976,425	1,185,730	823,928	988,788
Tax expense	(781,121)	(524,373)	(328,681)	(173,195)	(328,471)
Profit for the year	**2,438,357**	**2,452,052**	**857,049**	**650,733**	**660,317**
Attributable to:					
Equity holders of the Company	2,166,290	2,257,584	772,604	617,505	609,366
Non-controlling interests	272,067	194,468	84,445	33,228	50,951
	2,438,357	**2,452,052**	**857,049**	**650,733**	**660,317**

Note: During the financial year, refineries and kernel crushing operations have been reclassified from plantation to manufacturing segment to better reflect their underlying business. Certain comparative figures for FY2018 to FY2021 have been restated to conform with the current year's presentation.

MANAGEMENT DISCUSSION & ANALYSIS

		2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000
ASSETS						
Property, plant and equipment		12,123,317	11,014,851	7,656,584	7,749,121	7,756,571
Right-of-use assets		1,338,533	1,316,628	868,435	–	–
Prepaid lease payments		–	–	–	340,256	375,120
Inventories – Land held for property development		1,991,597	2,035,257	1,096,046	1,108,296	1,100,407
Goodwill on consolidation		336,241	327,417	326,345	316,836	315,304
Intangible assets		17,142	20,907	22,324	22,081	23,358
Investments in associates		2,366,997	1,777,894	1,544,951	1,489,210	153,663
Investments in joint ventures		215,962	179,649	145,783	156,818	160,414
Other investments		595,711	598,959	416,150	411,950	2,390,731
Other receivables		425,925	444,389	228,269	233,980	202,826
Deferred tax assets		322,289	338,660	367,758	437,027	375,996
Current assets		10,504,811	10,022,820	8,273,654	8,133,791	5,991,339
Total assets		**30,238,525**	**28,077,431**	**20,946,299**	**20,399,366**	**18,845,729**
EQUITY						
Share capital		1,379,249	1,375,695	1,373,861	1,067,790	1,067,790
Reserves		12,932,297	10,510,376	9,466,651	9,306,062	10,112,567
Cost of treasury shares		(24,504)	(26,809)	(13,447)	(13,447)	(13,447)
Total equity attributable to equity holders of the Company		14,287,042	11,859,262	10,827,065	10,360,405	11,166,910
Non-controlling interests		1,764,780	2,347,778	977,035	926,250	878,638
Total equity		**16,051,822**	**14,207,040**	**11,804,100**	**11,286,655**	**12,045,548**
LIABILITIES						
Deferred tax liabilities		1,098,679	965,959	452,690	424,603	414,424
Lease liabilities		158,322	133,457	139,856	–	–
Deferred income		90,149	98,465	106,564	110,320	119,004
Provision for retirement benefits		482,598	559,576	545,568	538,480	467,067
Borrowings		7,208,861	5,612,880	5,110,442	5,169,833	3,062,099
Current liabilities		5,148,094	6,500,054	2,787,079	2,869,475	2,737,587
Total liabilities		**14,186,703**	**13,870,391**	**9,142,199**	**9,112,711**	**6,800,181**
Total equity and liabilities		**30,238,525**	**28,077,431**	**20,946,299**	**20,399,366**	**18,845,729**
SHAREHOLDERS' EARNINGS AND DIVIDENDS						
Earnings per share	(sen)	200.9	209.3	72.0	58.0	57.2
Share price at 30 September	(RM)	20.70	20.12	22.80	23.08	24.96
Dividend per share	(sen)	100.0	100.0	50.0	50.0	45.0
Dividend yield at 30 September	(%)	4.8	5.0	2.2	2.2	1.8
P/E ratio at 30 September	(times)	10.3	9.6	31.7	39.8	43.6

PLANTATION

Plantation is KLK's core business with a landbank of 355,485 hectares spread across Malaysia (Peninsular and Sabah), Indonesia (Sumatra, Belitung Island and Kalimantan) and Liberia. Out of the 297,983 hectares of planted area, about 97% is planted with oil palm. Geographically, 58% of the oil palm planted area is in Indonesia, 40% 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 32 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 three 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 five 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 eight power generating biogas plants in our POMs.

MANAGEMENT DISCUSSION & ANALYSIS

TOTAL PLANTED AREA 297,983 ha

Oil Palm
97%

Malaysia
117,186 ha

Indonesia
166,346 ha

Liberia
6,118 ha

Rubber
3%

Malaysia
8,333 ha

PRODUCTION FACILITIES & CAPACITY

FACILITY

Palm Oil Mills
32 POMs

Refineries
3

Kernel Crushing Plants
5

Biogas Power Plants
8

Filter Belt Press
25

CAPACITY

From
20 to 120
FFB mt/hr

Total Refining
3,500
CPO mt/day

Total Crushing
2,055
PK mt/day

Total Installed Power
18
mw Electricity

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

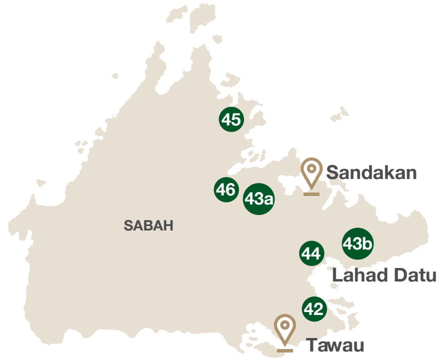
RSPO Certified Palm Products

Certified Sustainable Palm Oil
950,291 mt
(91% of total production of CPO)

Certified Sustainable Palm Kernel
167,695 mt
(83% of total production of palm kernels)

MANAGEMENT DISCUSSION & ANALYSIS

LOCATION OF THE GROUP'S PLANTATION OPERATIONS AS AT 30 SEPTEMBER 2022



GROUP HIGHLIGHTS

32 Palm Oil Mills	5 Kernel Crushing Plants
3 Refineries	3 Rubber Factories
8 Biogas Power Plants	

MALAYSIA

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. Tuan Mee

NEGERI SEMBILAN
16. Ayer Hitam
17. Batang Jelai
18. Gunong Pertanian
19. Jeram Padang
20. Kombok
21. Ulu Pedas

JOHOR
22. Ban Heng
23. Fraser
24. Kekayaan
25. KL-Kepong Edible Oils
26. Landak
27. Paloh
28. See Sun
29. Sungai Bekok
30. Sungei Penggeli
31. Voules

PAHANG
32. Kemasul
33. Renjok
34. Selborne
35. Sungei Kawang
36. Tuan

KELANTAN
37. Kerilla
38. Kuala Gris
39. Kuala Hau
40. Pasir Gajah
41. Sungai Sokor

SABAH
42. **Tawau Region**
    Jatika
    Pang Burong
    Pangeran
    Pinang
    Ringlet
    Sigalong
    Sri Kunak
    Tundong

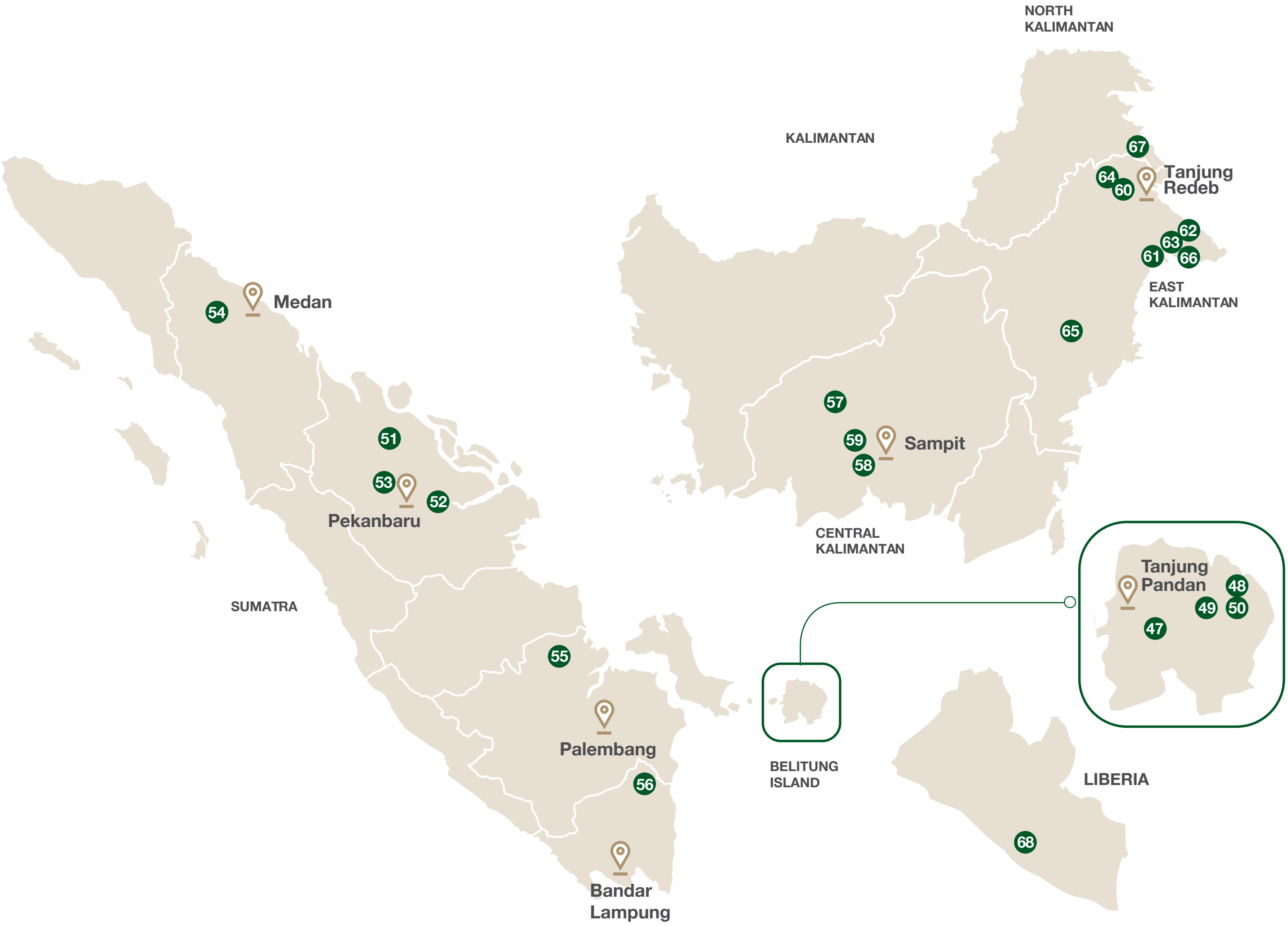
43. **Lahad Datu Region**

43a. Bornion
    Segar Usaha

43b. Bukit Tabin
    Lungmanis
    Rimmer
    Sungai Silabukan
    Tungku

44. KLK Premier Oils
45. **Sugut Region**
    Berakan Maju
    Excellent Challenger I
    Excellent Challenger II
    Rakanan Jaya North
    Rakanan Jaya South
    Sungai Sabang
46. **Sandakan Region**
    Desa Talisai North
    Desa Talisai South
    Meliau
    Minat Teguh
    Sijas

MANAGEMENT DISCUSSION & ANALYSIS



INDONESIA

SUMATRA

Bangka Belitung
47. Alam Karya Sejahtera
48. Bumi Makmur Sejahtera Jaya
49. Parit Sembada
50. Steelindo Wahana Perkasa

Riau
51. Mandau
52. Nilo
53. Sekarbumi Alamlestari

North Sumatra
54. Basilam
Bekiun
Bukit Lawang
Gohor Lama
Maryke
Padang Brahrang
Tanjung Beringin
Tanjung Keliling

South Sumatra
55. Pinang Witmas Sejati

Lampung
56. Prima Alumga

KALIMANTAN

Central Kalimantan
57. Karya Makmur Abadi
58. Menteng Jaya Sawit Perdana
59. Mulia Agro Permai

East Kalimantan
60. Hutan Hijau Mas
61. Indonesia Plantation Synergy
62. Jabontara Eka Karsa
63. Karya Bakti Sejahtera Agrotama
64. Malindomas Perkebunan
65. Putra Bongan Jaya
66. Sinergi Agro Industri

North Kalimantan
67. Primabahagia Permai

LIBERIA

68. Palm Bay Estate

- With Palm Oil Mill
- With Kernel Crushing Plant
- With Refinery
- With Rubber Factory
- With Biogas Power Plant

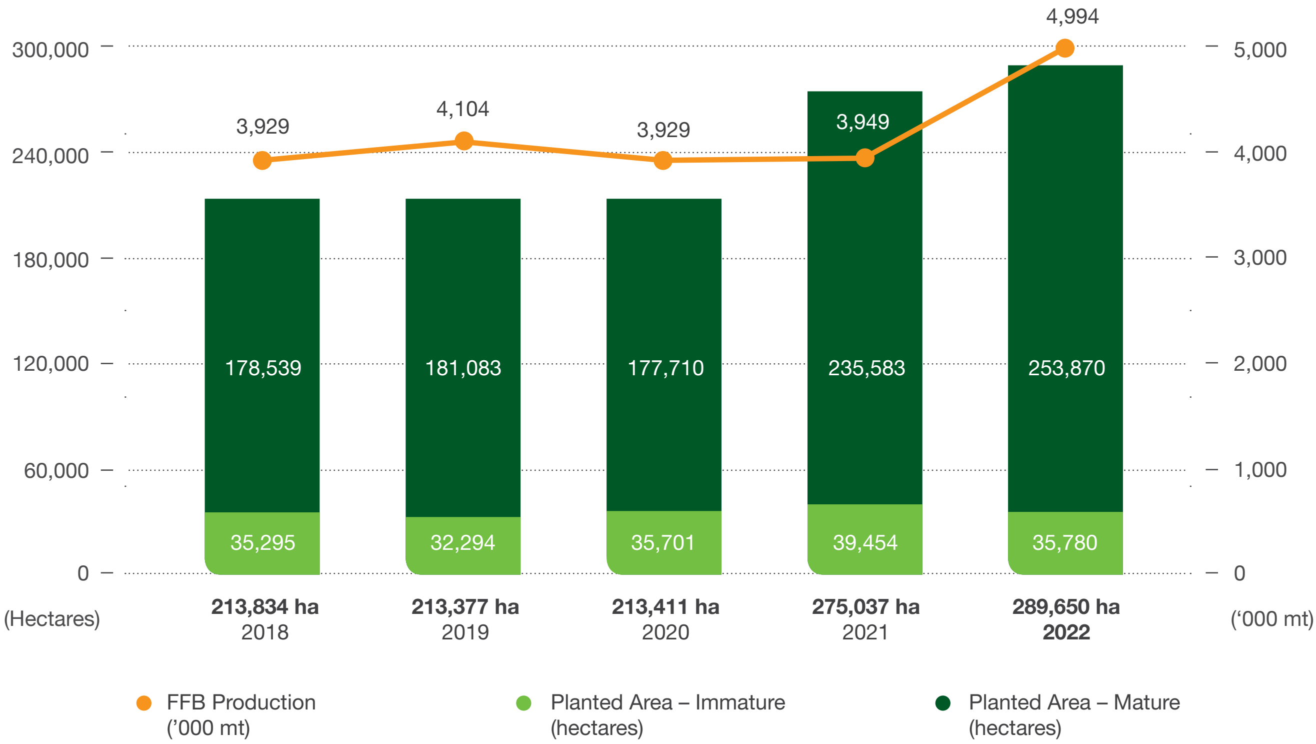
MANAGEMENT DISCUSSION & ANALYSIS

PLANTATION AREA STATEMENT AS AT 30 SEPTEMBER 2022

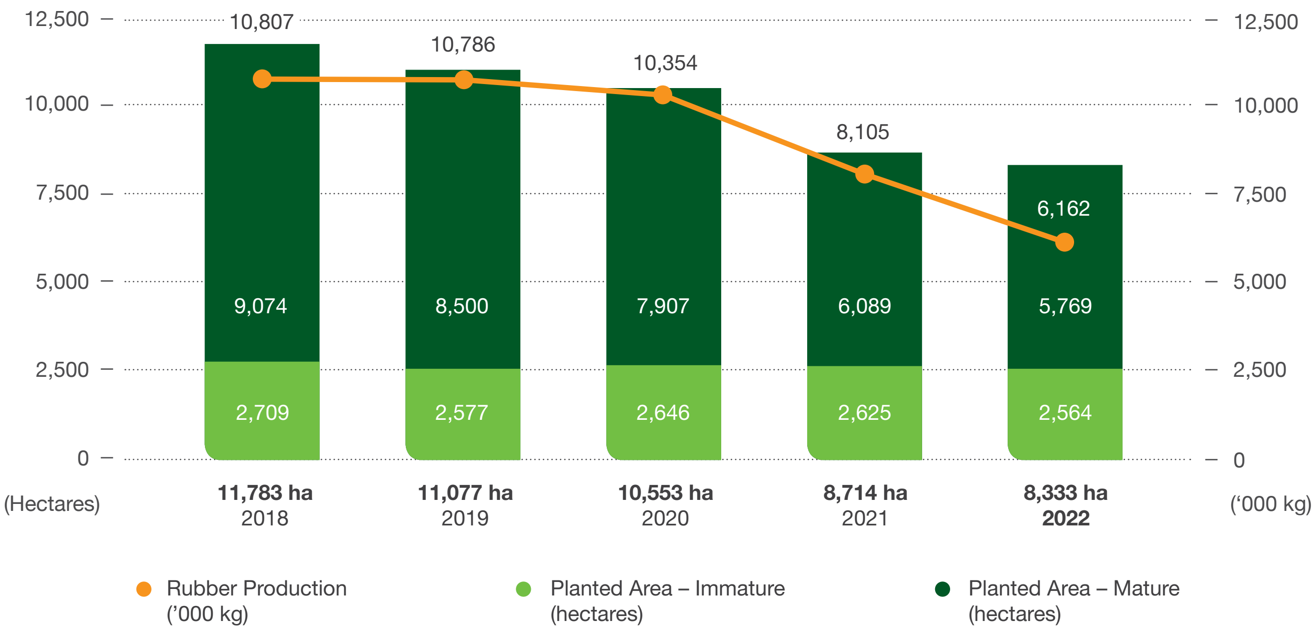
		2022			2021		
	AGE IN YEARS	HECTARES	% UNDER CROP	% OF TOTAL PLANTED AREA	HECTARES	% UNDER CROP	% OF TOTAL PLANTED AREA
OIL PALM							
	4 to 9	62,648	22		66,503	24	
	10 to 18	118,440	41		102,895	37	
	19 and above	72,782	25		66,185	25	
	Mature	253,870	88	85	235,583	86	83
	Immature	35,780	12	12	39,454	14	14
	Total	**289,650**	**100**	**97**	**275,037**	**100**	**97**
RUBBER							
	6 to 10	288	3		348	4	
	11 to 15	1,717	21		1,856	21	
	16 to 20	1,835	22		1,825	21	
	21 and above	1,929	23		2,060	24	
	Mature	5,769	69	2	6,089	70	2
	Immature	2,564	31	1	2,625	30	1
	Total	**8,333**	**100**	**3**	**8,714**	**100**	**3**
TOTAL PLANTED AREA		**297,983**		**100**	**283,751**		**100**
Plantable Reserves		17,868			18,435		
Conservation Areas		27,640			34,176		
Building Sites, etc.		11,994			11,956		
	Grand Total	**355,485**			**348,318**		

MANAGEMENT DISCUSSION & ANALYSIS

OIL PALM PLANTED AREA/FFB PRODUCTION



RUBBER PLANTED AREA/RUBBER PRODUCTION



MANAGEMENT DISCUSSION & ANALYSIS

5-YEAR PLANTATION STATISTICS

		2022	2021	2020	2019	2018
OIL PALM						
FFB Production						
- Own estates	(mt)	4,993,776	3,948,785*	3,929,426	4,103,861	3,928,616
- Sold	(mt)	237,157	115,671	75,428	142,960	139,455
- Purchased	(mt)	927,772	793,110	715,423	716,642	800,014
- Total processed	(mt)	5,684,391	4,626,224	4,569,421	4,677,543	4,589,175
Weighted Average Hectarage						
- Mature	(ha)	253,357	184,271	178,562	183,108	181,559
- Immature	(ha)	35,059	37,704	28,111	29,992	25,592
Total planted area	(ha)	288,416	221,975	206,673	213,100	207,151
FFB yield per mature hectare	(mt/ha)	19.71	21.43	22.01	22.41	21.64
CPO yield per mature hectare	(mt/ha)	4.20	4.66	4.81	4.90	4.72
Mill Production						
- CPO	(mt)	1,212,417	1,006,111	999,219	1,023,484	999,981
- PK	(mt)	241,362	192,316	192,139	197,147	200,576
Oil Extraction Rate						
- CPO	(%)	21.33	21.75	21.87	21.88	21.79
- PK	(%)	4.25	4.16	4.20	4.21	4.37
Cost of Production						
- FFB	(RM/mt ex-estate)	336	270	260	260	244
- CPO (exclude windfall profit levy and Sabah sales tax)	(RM/mt ex-mill)	1,952	1,509	1,465	1,456	1,370
Average Selling Prices						
- CPO	(RM/mt ex-mill)	4,227	3,211	2,344	1,924	2,335
- PK	(RM/mt ex-mill)	2,972	2,135	1,374	1,210	1,967
Average profit per mature hectare	(RM)	8,603	7,396	3,610	1,912	4,769
RUBBER						
Production						
- Own estates	('000 kg)	6,162	8,105	10,354	10,786	10,807
Weighted Average Hectarage						
- Mature	(ha)	6,024	7,017*	8,061	8,640	9,047
- Immature	(ha)	2,617	2,795	3,115	3,243	3,367
Total planted area	(ha)	8,641	9,812	11,176	11,883	12,414
Yield per mature hectare	(kg/ha)	1,023	1,155	1,284	1,248	1,194
Cost of Production	(sen/kg ex-estate)	693	574	476	484	467
Average Selling Prices (net of cess)	(sen/kg)	928	883	720	713	803
Average (loss)/profit per mature hectare	(RM)	(1,053)	1,173	(486)	(233)	(868)

* *Includes one month of KSN production of 99,049 mt.*

MANAGEMENT DISCUSSION & ANALYSIS

SEGMENTAL FINANCIAL PERFORMANCE

Our Plantation segment's pre-tax profit surged 58.3% to RM2.139 billion from RM1.351 billion in FY2021. The sharp rise in profit was predominantly supported by stronger selling prices of crude palm oil ("CPO") and palm kernel ("PK"), averaging at RM4,227/mt and RM2,972/mt respectively. These results were achieved despite higher production cost brought about by soaring costs of fertilisers, agrochemicals and fuel, as well as higher wages in FY2022. Correspondingly, prices for CPO and PK averaged higher this financial year, bolstered by tight supply as a result of falling palm production both in Malaysia and Indonesia especially during 1H2022. Grave concerns of dwindling availability of sunflower oil with the closing of trading routes through Sea of Azov and Black Sea following the eruption of the Russia-Ukraine war during the same period had also kept the market nervously buoyant.

Subsidiaries acquired in FY2021 have also contributed favourably to the Group's profitability. Added to the results was the full-year profit of KLK Sawit Nusantara Bhd ("KSN" or formerly known as IJM Plantations Berhad), as opposed to a mere one-month profit contribution in the previous year. Also included in FY2022 was contribution from PT Pinang Witmas Sejati ("PT PWS"), which has a total planted area of approximately 14,000 hectares, of which the majority is of old and prime age.

Average selling prices Palm Product	FY2022 (RM/mt ex-mill)	FY2021 (RM/mt ex-mill)	Change (RM/mt ex-mill)	Change %
CPO				
- Group	4,227	3,211	1,016	32%
- Malaysia	4,774	3,485	1,289	37%
- Indonesia	3,813	2,994	819	27%

Without a doubt, a turning point for the CPO market in 2022 would be Indonesia's jolting efforts in stemming the crisis of runaway prices of its local cooking oil driven by tight availability and the worrying impact on affordability for its large population. Its domestic market obligation ("DMO") policy and a momentary halt of exports of palm oil in April 2022 managed to tame local prices significantly. This was correspondingly reflected in the price achieved for Indonesia where the Group's selling policy was to pace with the prevailing prompt market. Similarly, concerns with high prices for almost all commodities were felt across the globe. Since March 2022 central banks have embarked on successive interest rates hikes with the single focus on taming inflation, even at the risk of setting off a recession. Taken together, CPO prices eventually eased and currently are valued just about RM4,000/mt.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL PERFORMANCE

The ripple effects from COVID-19 continued to disrupt the Plantation sector in FY2022 post pandemic, more so in the first half of FY2022. These include periods of reinfection of Covid (albeit different subvariants), and the worsening labour situation experienced in Peninsular Malaysia this year compared to FY2021 due to the delayed arrival of guest workers despite approvals given by the Government. The delay in arrivals occurred while Governments from the countries involved find amicable solutions to the issues raised. Nevertheless, the safety of all our employees, including our guest workers and their families were our top priority. A tight labour situation was also experienced generally in Kalimantan where the majority of the workforce comes from different parts of Indonesia. The labour shortage in various regions of our operations have resulted in significant losses in the field.

As an example, prior to the pandemic, the typical worker to land ratio was 1 to 8 hectares in our estates. During the crisis, however, due to the labour shortage experienced in Peninsular Malaysia, this saw an increase in the ratio to as much as 1 to 14 hectares. We estimate a CPO loss of 2 million tonnes within the industry due to labour shortage.

Thankfully, we started seeing more guest workers arriving in Peninsular Malaysia from July 2022 to work in various industries including plantations. Nevertheless, the slow entry of guest workers into Peninsular Malaysia, as well as the movement of workers within Indonesia, will continue to impact our operations as seasonally, FFB production picks up in the second half of the year. It will also take some time for operations to normalise.

While CPO prices may be relatively high compared to around three years ago, the cost of operations has increased significantly and is also affecting our bottom line.

Besides COVID-19, the Ukraine-Russia crisis has caused a disruption in global supply chain. Since the crisis earlier this year, fuel and fertiliser costs had increased multiple fold. Fortunately, KLK managed to secure fertilisers ahead and this helped limit the cost impact.

In order to compensate existing guest workers working throughout the pandemic, they were given monetary incentives. Although this contributed to the increasing cost of our operations, our workers had more disposable income to assist in the rising cost of living. In addition to that, their families were also included in the Group-wide vaccination drive.

Moving forward, with an even higher cost of labour anticipated aside from the minimum wage effective in May 2022, we will need to work towards even higher labour and work productivity as well as increased efficiencies in order to maintain a healthy bottom line.

Our Rubber segment accounts for about 3% of our planted areas, standing at 8,333 hectares. Over the years, the yields have been declining to 1,023 kg/ha (FY2021:1,155 kg/ha) mainly due to lack of skilled labour. Weather conditions such as frequent rain have also caused disruption in tapping and coupled with lower crop have resulted in higher ex-estate cost. In addition to that, to mitigate the acute labour shortage in Peninsular Malaysia and higher CPO prices, about 40% of old rubber fields were fallowed to allow tappers to be diverted to oil palm operations.

Guest workers from Bangladesh and the estate's Senior Assistant

Father and son guest worker from Bangladesh in our Perak estate

MANAGEMENT DISCUSSION & ANALYSIS

OIL PALM – FFB PRODUCTION, YIELDS AND OIL EXTRACTION RATE

For FY2022, our total FFB crop stood at 4.994 million tonnes, compared to FY2021 at 3.949 million tonnes. The increase in production volume was mainly attributed to crop increase from new acquisitions of KSN's total planted area of 61,336 hectares and PT PWS' 14,000 hectares.

Despite the increase in total crop, overall yields achieved for FY2022 at 19.71 mt/ha was amongst the lowest recorded in the past 10 years. This was a further drop from the year before of 21.43 mt/ha mainly due to yield dilution from new acquisitions which were in progress of integration to our existing operations. The new acquisitions in Indonesia also have significant challenges in labour, roads and drainage which are being aggressively addressed. Lower yields were also recorded in Sabah which had unfavourable palm age (primarily older palms).

Average oil extraction rate ("OER") for FY2022 at 21.33% was marginally lower compared to 21.75% in FY2021, mainly due to dilution from poorer OER achieved in new acquisitions and generally wet weather.

Continued extreme wet weather conditions, experienced especially in both Sumatera and Kalimantan, resulted in frequent flooding and difficult road conditions. These have also led to challenging in-field accessibility, disruptions in harvesting and overall estate operations. Ultimately, this also led to lower yields and therefore put us further away from our target yield of 6 mt/ha.

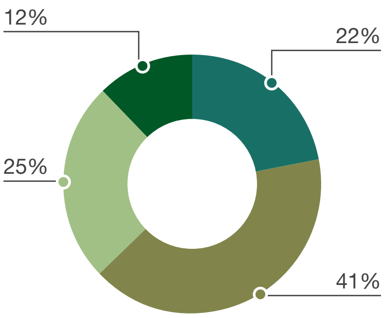
Despite the numerous challenges of supply chain disruptions, labour and weather, we are quite fortunate that KLK (particularly in Malaysia) is highly mechanised including in field operations, crop evacuation, upkeep and fertiliser applications. These have managed to help the Group mitigate the negative impacts of the above challenges. Offering of incentives in the form of cash, as well as other assistance to guest workers who stayed on through the pandemic, have also helped with the daily operations in the plantations.

There has also been more emphasis on mechanisation in Indonesia, including expanding the use of the jointly developed Verion Smart Fertiliser Spreader to Sumatera, especially in Belitung region. The various forms of mechanisation implemented in KLK certainly assisted in contributing to increased productivity, lower costs, more reliable estate operations, higher accuracy of fertiliser applications, better transparency as well as remote monitoring of certain critical operations via Google Earth.

Mechanisation of our operations has been an integral strategy to reduce the burden of labour on our workers. In addition to this, KLK also reaffirms its commitment to provide a decent living environment for its workers. An initiative involving slightly over 1,700 houses in various categories, from building new houses, as well as upgrading of existing houses have been identified. The project will take three years to complete, starting with our estates in the Southern region in Peninsular Malaysia.

Age Profile of Palms as at 30 September 2022

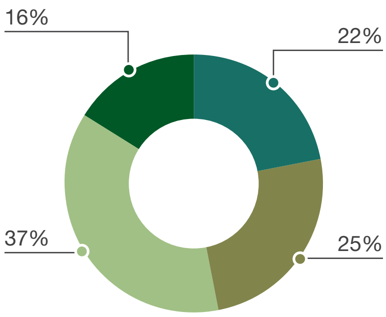
GROUP FY2022
289,650 ha



Immature	35,780 ha	12%
4-9 years	62,648 ha	22%
10-18 years	118,440 ha	41%
19 years & above	72,782 ha	25%

Weighted Average Age of Palms
12.8 years

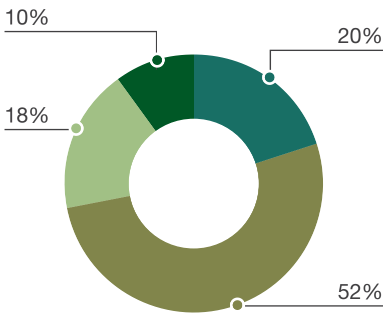
MALAYSIA FY2022
117,186 ha



Immature	18,686 ha	16%
4-9 years	26,074 ha	22%
10-18 years	29,099 ha	25%
19 years & above	43,327 ha	37%

Weighted Average Age of Palms
13.2 years

INDONESIA FY2022
166,346 ha



Immature	17,094 ha	10%
4-9 years	32,610 ha	20%
10-18 years	87,187 ha	52%
19 years & above	29,455 ha	18%

Weighted Average Age of Palms
12.7 years

At present, 63% of our planted area are in the favorable age profile with young and prime palms (ranging between 4 and 18 years), in particular in our Indonesia estates. The immature palm trees area has dropped from 15% to 11% in FY2022.

MANAGEMENT DISCUSSION & ANALYSIS

REPLANTING

During FY2022, the Group replanted close to 6,000 hectares, which is below the norm as some fields were deferred to benefit from the prevailing palm prices. Minus a few exceptions, all the replants have been meticulously executed from land preparation to planting of multi-species of legumes as well as quality oil palm planting materials nurtured in the best conditions from the nursery to field planting and up to their maturity. These have resulted in good quality uniform replants and in compliance to the stringent RSPO principles.

At this juncture, we are confident that nearly all our replants, even those in less favourable terrains, are able to achieve our initial targets of 20 mt/ha in their first full year of harvesting. Refinements are still being made to ensure that the steep curve in yields are being achieved in order to plateau to more than 6 mt/ha of oil. Our current major areas of focus are renewing the old palms in Lahad Datu and Belitung regions prior to moving on to the newly acquired Sugut areas in Sabah and Palembang.

A good illustration of our efforts to produce high quality replants is evident in our joint venture with Indonesian Government's PTPN2 in Medan via PT LNK. The replanting program was initiated in 2011 and we have progressively renewed almost the whole 20,000 hectares. Today the average oil yield there is 6 mt/ha.

RESEARCH & DEVELOPMENT

The Group continuously places high importance on research and development ("R&D") with emphasis on applied research to optimise our agro-management inputs, improve our agriculture practices as well as planting materials in order to exploit and achieve the full potential of our palm genetics in a given plant-soil-environment. PT AARI which is now wholly owned by KLK and Applied Agricultural Resources Sdn Bhd ("AAR"), an associate company of KLK, carries out the R&D for the Group.

Among some R&D highlights include:

Planting Materials

In addition to the option of planting the well proven high-yielding semi-clonal AA Hybrida IS which we have been planting since 2012, our estates also have the option to replant their old palms with an even higher-yielding variety i.e. AA Hybrida II. Various sub-varieties of the AA Hybrida II are being planted in KLK's plantations in both Peninsular Malaysia and Sabah.

MANAGEMENT DISCUSSION & ANALYSIS

By-product and Organic Fertiliser

Backed by strong R&D findings, our estates are extensively exploiting the use of empty fruit bunches ("EFB") and other palm oil mill by-products for mulching to improve soil growing conditions and also as part substitution of the inorganic Nitrogen ("N") and Potassium ("K") nutrient requirements. Around 13,000 tonnes of Ammonium Sulphate ("AS") and close to 7,000 tonnes of Muriate of Potash ("MOP") were saved with scientifically backed recommendations and systematic applications of the by-products over nearly 45,000 hectares resulting in significant savings in cost and lower impacts on the environment besides other positive impacts on palm growing conditions.

Substantial resources have been invested to further advance our research and building up capacities to propagate in-house N-fixing and plant growth promoting bacteria for semi-commercial scale field testing next year.

Semi-mechanised process of infield EFB application

Verion Smart Fertiliser Spreader

Geospatial Application

Having successfully developed one of the first in-house automatic accurate palm counting software using self-captured drone images and transferred this technology to our plantations, another useful tool known as Canopy Size Index ("CSI") map has now been developed. The accuracy of the CSI map has been verified with vegetative growth and yield data of palms in our experimental plots and can be used by both agronomists and managers to identify and quantify poorly grown palms or fields for further improvements.

NEW FACILITIES UPDATE

PT Perindustrian Sawit Synergi

PT PERINDUSTRIAN SAWIT SYNERGI

Site
PT Perindustrian Sawit Synergi

Facility
Refinery/KCP/Jetty

Capacity
Refinery: 2,000 mt/day

Status (as at 31 October 2022)

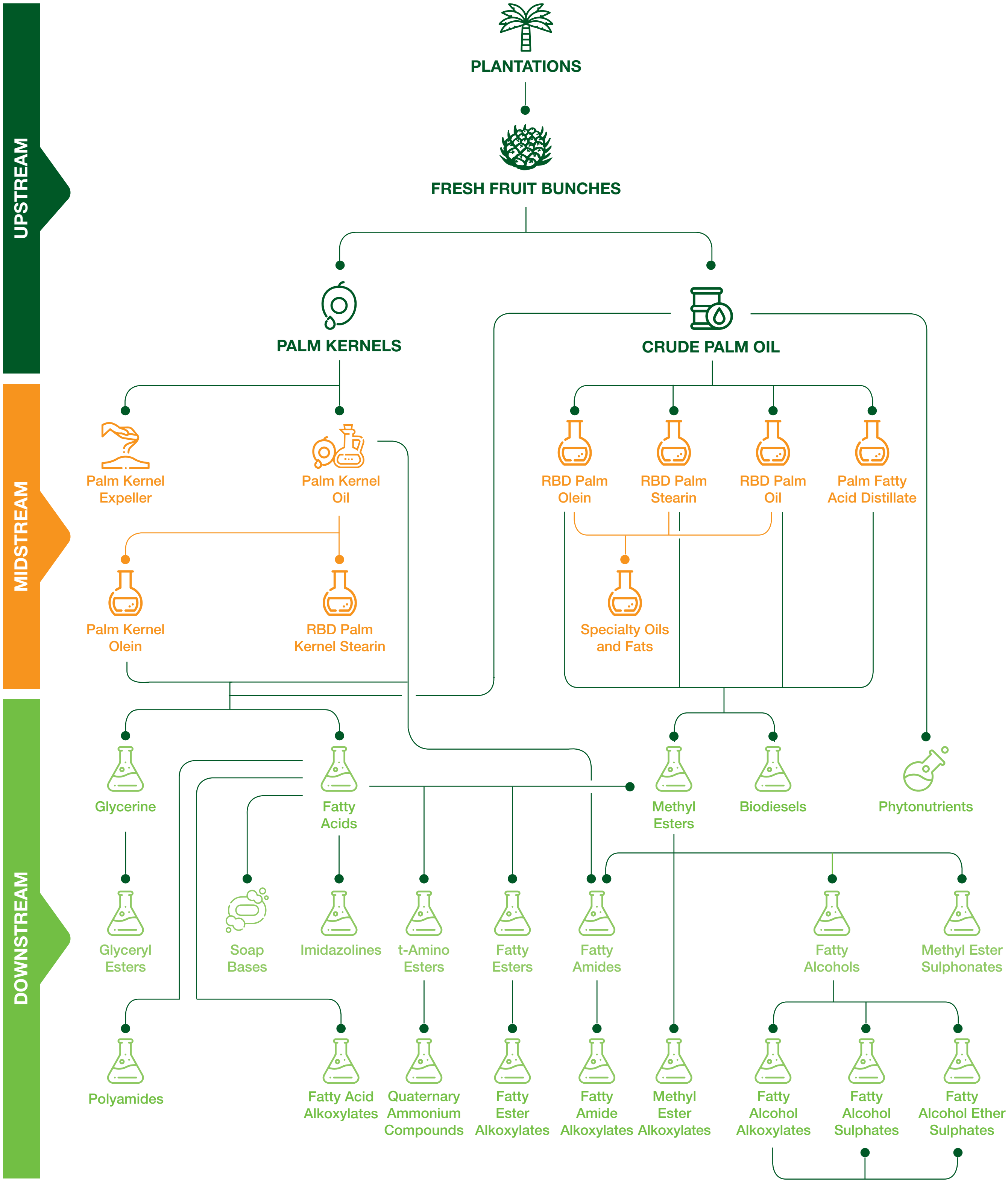
Development Progress
Jetty - 89%
Refinery plant - 78%
KCP - 38%

Expected date of commission
March 2023

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

KLK OLEO

OLEOCHEMICALS

KLK OLEO Group achieved a pre-tax profit of RM916.6 million, another record-breaking year after last year's RM680.6 million. All strategic business units ("SBUs") saw an improvement over the previous year. 2022 was a year of demand recovery, as the world came out of pandemic lockdown and consumption rebounded strongly. During 1H FY2022, the industry experienced strong demand for our basic oleochemicals, namely fatty acids, fatty alcohol and fatty esters, which are base ingredients that go into the manufacture of home and personal care consumer staple goods. The 2H FY2022 saw inflationary pressures and a marked slowdown in demand as customers stayed on the sidelines as an oversupply feedstock situation triggered steep prices corrections.

The 1H FY2022 saw feedstock prices soar, with CPO prices topping RM8,000 by March 2022. Customers began returning to the market in anticipation of further price increase. Severe weather conditions in 2021 both in Indonesia and Malaysia had affected palm oil supply, and the situation in Malaysia was made worse by labour shortage during the harvest season in the plantations. Feedstock supply shortage early in 2022 prompted the Indonesian Government to implement the domestic market obligation policy and export ban to reserve palm oil for local consumption. Raw material management for all our our SBUs in Malaysia, China and Europe during this period was particularly challenging, as we needed to balance between raw material availability, managing plant efficiency and at the same time avoid excessive inventory build-up at unprecedented high prices.

MANAGEMENT DISCUSSION & ANALYSIS

Despite these challenges, Palm Oleo SBU turned in a sterling performance, riding on the wave of strong global Fatty Acid demand which had rebounded with the reopening of many economies. The reinstatement of the Palm Oleo Klang distillation plant in July 2021 was timely to support the increased market demand for fatty acid. As industrial activities scaled up, our Fatty Esters which go into personal care and industrial applications continued its strong momentum. The commissioning of the new ester plants in Taiko Palm-Oleo Zhangjiagang ("TPOZ") and KLK Emmerich allowed our Malaysian ester sales to move into new markets. In anticipation of the plants filling up, additional ester reactors in Malaysia are being planned. EBS (Ethylene bis stearamide) which go into ABS automotive industry remained sluggish. Soap noodles sales, while seeing an improvement over the previous year, still has significant shortfall to plant capacity.

With the recovery of the global Fatty Alcohol market, KL-Kepong Oleomas's ("KLKOM's") Fatty Alcohol business also saw strong competition especially from Indonesian co-producers. The supply of Fatty Acids from our Dumai plant in Indonesia to our Fatty Alcohol plant in Westport Malaysia had mitigated some of the Indonesian oleo duty advantages. The Methyl Ester segment performed well with robust sale of biodiesel, as the lifting of lockdown increased economic activities. Methyl Esther Sulphonate ("MES") sales still faced price competitive pressures from LABSA (synthetic petrochemical surfactant) and additional write down of assets are needed. The successful commissioning of our Sodium Lauryl Sulfate ("SLS") and Sodium Lauryl Ether Sulfate ("SLES") plants after initial teething problems, has allowed the business to broaden our product offering with sales picking up.

Our China unit, TPOZ continued its positive momentum, supported by strong local demand and reduced supply. As a result of zero-Covid policy, many oleochemical plants in China have been operating at reduced rates, causing local shortage which pushed up selling price. TPOZ managed to continue its operations to meet demand from end user customers especially MNCs, which were allowed to operate despite intermittent lockdowns. The new plant producing esters for the home, personal care market and for the lubrication industry, also managed to sell well as market and logistics uncertainties have led customers to source locally.

While global supply chain issues have abated, lead time uncertainties continued to encourage customers in Europe to source from domestic suppliers. While this strengthened the position for KLK Emmerich, the region was hit by soaring energy prices. The unit worked hard to secure supply of natural gas and worked with our customers to support the substantial cost increase. Our Esters sales also performed strongly, with our new capacity supporting a wider portfolio. The fundamentals of the market dynamics remain challenging for our European basic oleochemical unit, as high energy prices add pressure to an already high production cost structure. The unit will continue to focus on improving plant efficiency and at the same time look for opportunities to go further downstream and expand its specialties offering.

KLKOM

MANAGEMENT DISCUSSION & ANALYSIS

KLK Kolb performed strongly helped by customer preference to source locally, with prices remaining fairly supported due to supply shortage. The reorganisation and streamlining of the Kolb plant operations over the past few years has put KLK Kolb in a good position to win additional business during the pandemic. Our integrated value chain also ensured steady fatty alcohol supply from KLKOM, allowing the business to react better to the market supply disruption. Proactive measures have also been taken to ensure business continuity from the energy front. The unit continues to improve plant processes, and also invested in a new Good Manufacturing Practice ("GMP") standard pastillation line to grow its Pharma business.

OUTLOOK

The start of the new financial year faces strong headwinds leading to the weakening of both volumes and margins. The tightening of monetary policies worldwide, high energy prices, slowing economic growth and the sustained Ukraine war are merging to create a most challenging environment.

Coupled with the above is the coming on stream of new competitors' capacities in 2023/2024 especially in Indonesia and China as a result of the previous favourable years. Therefore, we can expect forthcoming intense competition arising from overcapacities in many oleo product segments and also with Indonesian producers duty advantages. Thus, managing our plant efficiences even better will be key for us to mitigate these challenges.

NON-OLEOCHEMICALS

REFINERIES

Despite a testing, albeit brief period where severe disruptions were experienced in the palm oil exports market (resulting from exports restrictions in Indonesia), our Refinery Division fared considerably well for the year. We continued to serve our key customers and markets reliably and delivered on our commitments in supplying them with consistent quality and sustainable products.

The Group's refineries and kernel crushing plants ("KCP") continued to drive integration of in-house supply streams and maximised value adding opportunities from refined or downstream products by strengthening our collaboration with partners in various business spaces. The Specialty Oils and Fats team expanded on sales and broke new ground which saw additional customers coming on board during the year.

PT Perindustrian Sawit Synergi, the Group's mainstay refinery and KCP project in East Kalimantan, is progressing well amid challenging logistics and weather conditions at the site. When completed, it will serve as the main refining and kernel crushing plant for the Group's CPO and palm kernel production in Kalimantan. The project is expected to be completed by Q3 FY2023.

PT Perindustrian Sawit Sinergi

In line with the Group's strategy to extend its footprint into the specialty oils and fats sector, three separate projects are currently underway at our refinery sites in Rawang, Pasir Gudang and Lahad Datu. Upon completion of these projects in FY2023, the division will add Refined Palm Kernel Stearin (precursor to cocoa butter substitute), Shortenings and Palm Mid Fractions to its portfolios.

RUBBER PRODUCTS

During the last financial year, the market was abuzz with discussions about market shortages in gloves, particularly medical/examination gloves amid the lingering effects of COVID-19 pandemic. This observation has reversed entirely during the current financial year in which discussions on destocking and oversupply dominate the market sentiment amid the easing of uncompromising global restrictions over the past two years. In line with the industry, KL-Kepong Rubber Products ("KLKRP") is also affected by the impact of diminishing market. We believe that the oversupply should last into 2023, with a hope of normalisation in 2024.

The construction of the building to accommodate the single-use glove manfacturing plant has been well-executed. It is now operational, meeting the performance specifications.

Although we have limited our commitments to eight lines, two are already fully tested. Focus is now on market seeding and load optimisation to prepare for when the market rebound.

Production line in KLKRP

PROPERTY DEVELOPMENT

KLK LAND

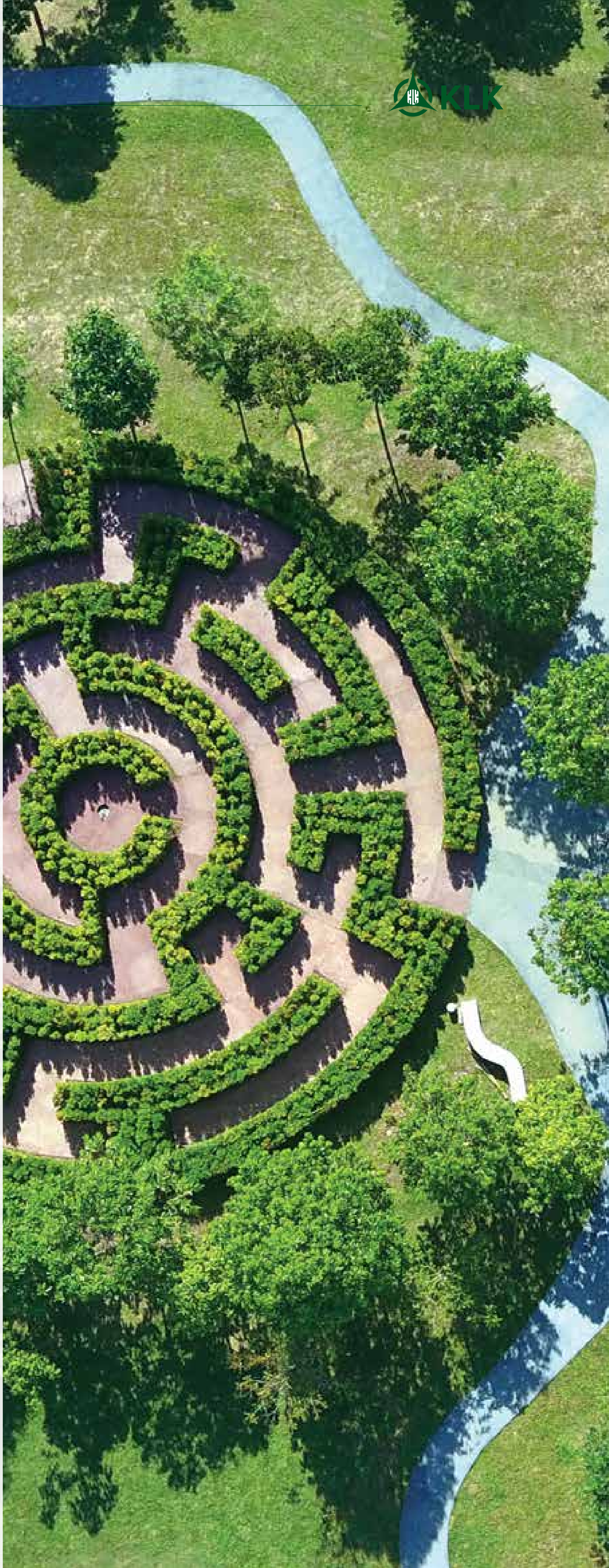
MARKET OVERVIEW

The property industry shows gradual signs of recovery from the effects of the COVID-19 pandemic, with the nation's move towards endemicity. However, uncertainties persist due to supply chain disruptions. Combined with severe labour shortages faced by the construction sector, this has resulted in a sharp increase in construction costs across the market.

The rise in inflation and weakening economic situation has had an adverse effect on consumer sentiment and discretionary household incomes. With the recent gradual increase in the Central Bank's overnight policy rate ("OPR") from 1.75% to 2.75% and further increases expected through the year, this is set to dampen the property market due to higher borrowing costs faced by potential purchasers.

PERFORMANCE

Despite the challenges faced, KLK Land managed to record a revenue of RM195 million, consistent with its FY2021 results. Pre-tax profit was higher at RM70.9 million, an increase of 3.0% compared to FY2021 of RM68.8 million.



MANAGEMENT DISCUSSION & ANALYSIS

The Walden

The main income driver is still from Bandar Seri Coalfields ("BSC"), our 1,001-acres freehold development in Sungai Buloh. The launch of the Walden, consisting of 75 units of 1 and 2 storey bungalows, was well received with a take-up rate of 87%. We are encouraged by the good response with this launch being KLK Land's maiden foray into an exclusive Bungalow precinct within BSC. The take up rate for the Jardin, 232 units of double storey link homes, was also exceptional at 97%. Following its success, Phase 2 of the Walden Residences of 69 units and Jardin Residences, 237 units is expected to launch in FY2023.

Meanwhile, in August 2022, KLK Land also released a new 202-acre freehold township called Caledonia in Ijok. It is a well-planned township development focused on a wide range of affordable homes in line with KLK Land's ethos of providing quality products for all levels of society within a sustainable community. The first phase, Ayana, comprising 243 units of 20'x65' and 22'x70' double storey link homes, was launched with encouraging sales.

As testament of the team's continuous efforts, KLK Land was recognised at the Malaysia Developer Awards 2022, under the category of Special Awards - Rising Star. The prestigious awards were jointly organised by The Star Media Group and FIABCI Malaysia.

In the coming year, the economic situation is not set to improve with a global recession looming. The team is focused on continuous improvements in innovation and quality, while providing competitively priced products to the market. We will also closely monitor the progress of the projects under construction to ensure timely delivery.

Ayana @ Caledonia