



KUALA LUMPUR KEPONG BERHAD

197301001526 (15043-V)

**Interim Financial Report
For the second quarter ended 31 March 2023**

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

**Condensed Consolidated Statement of Profit or Loss
For the second quarter ended 31 March 2023**

(The figures have not been audited.)

	Individual Quarter			Cumulative Quarter		
	3 months ended		+ / (-)	6 months ended		+ / (-)
	31 March			31 March		
2023	2022		2023	2022		
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	6,048,415	6,382,551	(5.2)	12,756,137	13,211,419	(3.4)
Operating expenses	(5,633,674)	(5,669,805)	(0.6)	(11,939,549)	(11,629,678)	2.7
Other operating income	160,038	115,237	38.9	447,837	254,442	76.0
Finance costs	(99,645)	(79,665)	25.1	(199,397)	(154,699)	28.9
Net reversals of impairment on financial assets	1,002	17,180	(94.2)	518	22,908	(97.7)
Share of results of associates	(162,322)	25,127	N/M	(161,061)	28,565	N/M
Share of results of joint ventures	(14,318)	(7,304)	96.0	(9,611)	5,466	N/M
Profit before taxation	299,496	783,321	(61.8)	894,874	1,738,423	(48.5)
Taxation	(67,974)	(171,040)	(60.3)	(180,533)	(448,589)	(59.8)
Net profit for the period	<u>231,522</u>	<u>612,281</u>	(62.2)	<u>714,341</u>	<u>1,289,834</u>	(44.6)
Attributable to:						
Equity holders of the Company	190,809	546,570	(65.1)	633,848	1,145,894	(44.7)
Non-controlling interests	40,713	65,711	(38.0)	80,493	143,940	(44.1)
	<u>231,522</u>	<u>612,281</u>	(62.2)	<u>714,341</u>	<u>1,289,834</u>	(44.6)
	Sen	Sen		Sen	Sen	
Earnings per share - basic	<u>17.7</u>	<u>50.7</u>		<u>58.8</u>	<u>106.3</u>	
Earnings per share - diluted	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>	<u>N/A</u>	

N/M - Not meaningful

N/A - Not applicable

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

**Condensed Consolidated Statement of Other Comprehensive Income
For the second quarter ended 31 March 2023**

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	231,522	612,281	714,341	1,289,834
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	245,643	(9,221)	(36,493)	(26,116)
Share of other comprehensive income in associates	42,407	23,139	42,407	23,139
	288,050	13,918	5,914	(2,977)
Other comprehensive income that will not be reclassified subsequently to profit or loss				
Net change in fair value of equity instruments	54,923	148,621	46,331	172,361
Share of other comprehensive (loss)/income in associates	(21,153)	19,544	(21,153)	19,544
	33,770	168,165	25,178	191,905
Total other comprehensive income for the period	321,820	182,083	31,092	188,928
Total comprehensive income for the period	553,342	794,364	745,433	1,478,762
Attributable to:				
Equity holders of the Company	497,110	718,531	686,981	1,334,978
Non-controlling interests	56,232	75,833	58,452	143,784
	553,342	794,364	745,433	1,478,762

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

Condensed Consolidated Statement of Financial Position
As at 31 March 2023

(The figures have not been audited.)

	31 March 2023	30 September 2022
	RM'000	RM'000
Assets		
Property, plant and equipment	12,264,173	12,123,317
Right-of-use assets	1,329,206	1,338,533
Inventories	1,992,985	1,991,597
Goodwill on consolidation	361,974	336,241
Intangible assets	17,421	17,142
Investments in associates	2,309,602	2,366,997
Investments in joint ventures	97,313	215,962
Other investments	664,406	595,711
Other receivables	431,107	425,925
Deferred tax assets	324,056	322,289
Derivative financial assets	1,523	-
Total non-current assets	19,793,766	19,733,714
Inventories	3,313,243	4,024,163
Biological assets	140,380	209,344
Trade and other receivables	2,827,594	2,750,026
Contract assets	98,128	83,186
Tax recoverable	147,697	41,253
Derivative financial assets	85,901	545,266
Short term funds	43,777	66,375
Cash and cash equivalents	2,807,351	2,785,198
Total current assets	9,464,071	10,504,811
Total assets	29,257,837	30,238,525
Equity		
Share capital	1,382,683	1,379,249
Reserves	12,759,081	12,932,297
	14,141,764	14,311,546
Less: Cost of treasury shares	(22,108)	(24,504)
Total equity attributable to equity holders of the Company	14,119,656	14,287,042
Non-controlling interests	1,764,835	1,764,780
Total equity	15,884,491	16,051,822
Liabilities		
Deferred tax liabilities	1,079,830	1,098,679
Lease liabilities	164,187	158,322
Deferred income	85,906	90,149
Provision for retirement benefits	494,043	482,598
Borrowings	7,172,155	7,208,861
Total non-current liabilities	8,996,121	9,038,609
Trade and other payables	1,885,504	2,106,407
Contract liabilities	120,500	138,121
Deferred income	8,644	8,628
Lease liabilities	23,383	22,514
Borrowings	2,211,360	2,173,427
Tax payable	74,171	154,681
Derivative financial liabilities	53,663	544,316
Total current liabilities	4,377,225	5,148,094
Total liabilities	13,373,346	14,186,703
Total equity and liabilities	29,257,837	30,238,525
Net assets per share attributable to equity holders of the Company (RM)	13.10	13.25

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

**Condensed Consolidated Statement of Changes in Equity
For the second quarter ended 31 March 2023**

(The figures have not been audited.)

	← Attributable to the equity holders of the Company →						Non-controlling interests	Total Equity	
	Share capital	Capital reserve	Exchange fluctuation reserve	Fair value reserve	Retained earnings	Treasury shares			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
At 1 October 2022	1,379,249	1,654,341	412,913	750,923	10,114,120	(24,504)	14,287,042	1,764,780	16,051,822
Net change in fair value of equity instruments	-	-	-	46,331	-	-	46,331	-	46,331
Transfer of reserves	-	11,026	-	-	(11,026)	-	-	-	-
Share of comprehensive income/(loss) in associates	-	-	42,407	-	(21,153)	-	21,254	-	21,254
Currency translation differences	-	(2,318)	(12,134)	-	-	-	(14,452)	(22,041)	(36,493)
Total other comprehensive income/(loss) for the period	-	8,708	30,273	46,331	(32,179)	-	53,133	(22,041)	31,092
Profit for the period	-	-	-	-	633,848	-	633,848	80,493	714,341
Total comprehensive income for the period	-	8,708	30,273	46,331	601,669	-	686,981	58,452	745,433
Acquisition through business combination	-	-	-	-	-	-	-	13,179	13,179
Purchase of shares from non-controlling interests	-	-	(109)	-	2,661	-	2,552	(10,994)	(8,442)
Employees' share grant scheme	3,434	-	-	-	-	2,396	5,830	-	5,830
Dividend paid - FY2022 final	-	-	-	-	(862,749)	-	(862,749)	-	(862,749)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(60,582)	(60,582)
Total transactions with owners of the Company	3,434	-	(109)	-	(860,088)	2,396	(854,367)	(58,397)	(912,764)
At 31 March 2023	1,382,683	1,663,049	443,077	797,254	9,855,701	(22,108)	14,119,656	1,764,835	15,884,491

**Condensed Consolidated Statement of Changes in Equity
For the second quarter ended 31 March 2023**

(Continued)

(The figures have not been audited.)

	← Attributable to the equity holders of the Company →							Non-controlling interests	Total Equity	
	Share capital	Capital reserve	Exchange fluctuation reserve	Fair value reserve	Retained earnings	Other reserve	Treasury shares			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2021	1,375,695	1,568,336	113,371	743,755	9,019,962	(935,048)	(26,809)	11,859,262	2,347,778	14,207,040
Net change in fair value of equity instruments	-	-	-	172,361	-	-	-	172,361	-	172,361
Transfer of reserves	-	69,776	-	-	(69,776)	-	-	-	-	-
Share of comprehensive income in associates	-	-	23,139	-	19,544	-	-	42,683	-	42,683
Currency translation differences	-	266	(26,226)	-	-	-	-	(25,960)	(156)	(26,116)
Total other comprehensive income/(loss) for the period	-	70,042	(3,087)	172,361	(50,232)	-	-	189,084	(156)	188,928
Profit for the period	-	-	-	-	1,145,894	-	-	1,145,894	143,940	1,289,834
Total comprehensive income/(loss) for the period	-	70,042	(3,087)	172,361	1,095,662	-	-	1,334,978	143,784	1,478,762
Acquisition through business combination	-	-	-	-	-	-	-	-	213,189	213,189
Expiry of unconditional mandatory general offer on acquisition of remaining shares in a subsidiary	-	-	-	-	-	126,798	-	126,798	-	126,798
Purchase of shares from non-controlling interests	-	-	6	-	(25,492)	808,250	-	782,764	(834,142)	(51,378)
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	10	10
Surplus on capital reduction	-	(4,700)	-	-	4,700	-	-	-	-	-
Employees' share grant scheme	3,554	-	-	-	-	-	2,305	5,859	-	5,859
Effect of changes in shareholdings in subsidiaries	-	-	(2,552)	-	(2,984)	-	-	(5,536)	1,996	(3,540)
Dividend paid - FY2021 final	-	-	-	-	(862,525)	-	-	(862,525)	-	(862,525)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(131,073)	(131,073)
Total transactions with owners of the Company	3,554	(4,700)	(2,546)	-	(886,301)	935,048	2,305	47,360	(750,020)	(702,660)
At 31 March 2022	1,379,249	1,633,678	107,738	916,116	9,229,323	-	(24,504)	13,241,600	1,741,542	14,983,142

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

Condensed Consolidated Statement of Cash Flows
For the second quarter ended 31 March 2023
(The figures have not been audited.)

	6 months ended 31 March	
	2023	2022
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	894,874	1,738,423
Adjustment for non-cash flow items:		
Depreciation and amortisation	471,134	461,224
Surplus on government acquisition of land	(41,882)	(3,479)
Surplus on disposal of land	(2,624)	(1,390)
Share of results of associates and joint ventures, net of tax	170,672	(34,031)
Other non-cash items	(43,969)	46,678
Non-operating items	147,579	115,950
Operating profit before working capital changes	1,595,784	2,323,375
Working capital changes:		
Net change in current assets	984,740	(739,646)
Net change in current liabilities	(338,602)	140,711
Cash generated from operations	2,241,922	1,724,440
Interest paid	(214,455)	(149,617)
Tax paid	(402,481)	(466,837)
Retirement benefits paid	(22,541)	(24,313)
Net cash generated from operating activities	<u>1,602,445</u>	<u>1,083,673</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(615,255)	(566,236)
Purchase of right-of-use assets	(11,106)	(9,587)
Property development expenditure	(1,388)	(7,508)
Purchase of shares in a subsidiary, net of cash acquired	(106,650)	(303,834)
Purchase and subscription of shares in an associate	(16,391)	(274,056)
Purchase of shares from non-controlling interests	(8,442)	(859,628)
Purchase of intangible assets	(324)	(504)
Proceeds from disposal of property, plant and equipment	5,818	5,537
Compensation from government on land acquired	42,036	3,479
Repayment of advances from a joint venture	87,255	20,993
Decrease/(Increase) in short term funds	20,589	(900,257)
(Increase)/Decrease in plasma project receivables	(13,755)	59,392
Dividends received from associates	2,934	63,084
Dividends received from investments	12,879	14,129
Interest received	32,492	17,632
Net cash used in investing activities	<u>(569,308)</u>	<u>(2,737,364)</u>

Condensed Consolidated Statement of Cash Flows
For the second quarter ended 31 March 2023

(Continued)

(The figures have not been audited.)

	6 months ended 31 March	
	2023	2022
	RM'000	RM'000
Cash Flows from Financing Activities		
Term loans received	116,094	415,353
Issuance of Islamic medium term notes	-	2,000,000
Repayment of term loans	(330,792)	(460,814)
Payments of lease liabilities	(9,466)	(14,649)
Payments of lease interest	(1,877)	(2,527)
Net drawdown of short term borrowings	222,728	245,040
Dividends paid to shareholders of the Company	(862,749)	(862,525)
Dividends paid to non-controlling interests	(60,582)	(131,073)
Issuance of shares to non-controlling interests	-	10
Net cash (used in)/generated from financing activities	(926,644)	1,188,815
Net increase/(decrease) in cash and cash equivalents	106,493	(464,876)
Cash and cash equivalents at 1 October	2,614,904	3,082,738
	2,721,397	2,617,862
Currency translation differences on opening balances	(29,885)	2,719
Cash and cash equivalents at 31 March	2,691,512	2,620,581
Cash and cash equivalents consist of:		
Cash and bank balances	1,123,565	1,284,283
Deposits with licensed banks	917,993	624,507
Money market funds	765,793	909,567
Bank overdrafts	(115,839)	(197,776)
	2,691,512	2,620,581

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

Notes to Interim Financial Report

A Explanatory Notes as required by MFRS 134 Interim Financial Reporting

A1. Basis of Preparation

The Interim Financial Report is unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB"). The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2022.

The accounting policies and methods of computation adopted by the Group in this Interim Financial Report are consistent with those adopted in the audited financial statements for the year ended 30 September 2022 except for the adoption of the following amendments to MFRSs:

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

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

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

A2. Seasonal and Cyclical Factors

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

A3. Unusual Items

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

A4. Changes in Estimates

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

A5. Changes in Debt and Equity Securities

On 2 February 2023, a total of 272,363 treasury shares were transferred to eligible senior management employees at a transfer price of RM20.82 under the employees' share grant scheme.

On 14 February 2023, a total of 7,500 treasury shares were transferred to eligible senior management employees at a transfer price of RM21.26 under the employees' share grant scheme.

As at 31 March 2023, total issued and fully paid shares were 1,081,017,785 (30 September 2022: 1,081,017,785), out of which 2,581,799 (30 September 2022: 2,861,662) shares are held as treasury shares by the Company and the number of outstanding shares in issue and fully paid was 1,078,435,986 (30 September 2022: 1,078,156,123) shares.

Other than as disclosed above, there were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the quarter ended 31 March 2023.

Notes to Interim Financial Report

(Continued)

A6. Dividends Paid

	6 months ended	
	31 March	
	2023	2022
	RM'000	RM'000
Dividend proposed in Year 2022, paid in Year 2023:		
Final single tier dividend 80 sen (2022: 80 sen) per share	<u>862,749</u>	<u>862,525</u>

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,078,435,986 (2022: 1,078,156,123).

A7. Segment Information

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

(a) Segment revenue and results

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
6 months ended						
31 March 2023						
Revenue						
External revenue	1,828,604	10,612,068	88,494	226,971	-	12,756,137
Inter-segment revenue	837,079	-	-	334,854	(1,171,933)	-
Total revenue	<u>2,665,683</u>	<u>10,612,068</u>	<u>88,494</u>	<u>561,825</u>	<u>(1,171,933)</u>	<u>12,756,137</u>
Results						
Operating results	623,899	501,927	25,887	78,613	-	1,230,326
Interest income	5,574	3,095	2,817	48,290	(21,073)	38,703
Finance costs	(10,078)	(62,239)	(1,051)	(147,102)	21,073	(199,397)
Share of results of associates	1,432	7,208	(43)	(169,658)	-	(161,061)
Share of results of joint ventures	-	(9,611)	-	-	-	(9,611)
Segment results	<u>620,827</u>	<u>440,380</u>	<u>27,610</u>	<u>(189,857)</u>	<u>-</u>	<u>898,960</u>
Corporate expense						(4,086)
Profit before taxation						<u>894,874</u>
6 months ended						
31 March 2022						
Revenue						
External revenue	2,122,134	10,805,138	92,916	191,231	-	13,211,419
Inter-segment revenue	836,758	11,209	-	423,755	(1,271,722)	-
Total revenue	<u>2,958,892</u>	<u>10,816,347</u>	<u>92,916</u>	<u>614,986</u>	<u>(1,271,722)</u>	<u>13,211,419</u>
Results						
Operating results	1,032,550	707,076	32,932	80,547	-	1,853,105
Interest income	3,485	1,958	186	33,056	(14,065)	24,620
Finance costs	(8,494)	(30,922)	(200)	(129,148)	14,065	(154,699)
Share of results of associates	3,684	13,011	1,736	10,134	-	28,565
Share of results of joint ventures	-	6,342	-	(876)	-	5,466
Segment results	<u>1,031,225</u>	<u>697,465</u>	<u>34,654</u>	<u>(6,287)</u>	<u>-</u>	<u>1,757,057</u>
Corporate expense						(18,634)
Profit before taxation						<u>1,738,423</u>

Notes to Interim Financial Report

(Continued)

(b) Segment assets

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 March 2023					
Operating assets	10,828,375	10,304,153	2,769,676	2,476,965	26,379,169
Associates	32,835	64,201	7,780	2,204,786	2,309,602
Joint ventures	-	97,313	-	-	97,313
Segment assets	<u>10,861,210</u>	<u>10,465,667</u>	<u>2,777,456</u>	<u>4,681,751</u>	<u>28,786,084</u>
Tax assets					471,753
Total assets					<u>29,257,837</u>
As at 30 September 2022					
Operating assets	11,212,000	10,498,732	2,720,186	2,861,106	27,292,024
Associates	31,403	73,887	10,323	2,251,384	2,366,997
Joint ventures	-	215,962	-	-	215,962
Segment assets	<u>11,243,403</u>	<u>10,788,581</u>	<u>2,730,509</u>	<u>5,112,490</u>	<u>29,874,983</u>
Tax assets					363,542
Total assets					<u>30,238,525</u>

(c) Segment liabilities

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 March 2023					
Segment liabilities	<u>1,288,089</u>	<u>3,771,200</u>	<u>200,689</u>	<u>6,959,367</u>	<u>12,219,345</u>
Tax liabilities					1,154,001
Total liabilities					<u>13,373,346</u>
As at 30 September 2022					
Segment liabilities	<u>1,373,621</u>	<u>4,347,938</u>	<u>192,180</u>	<u>7,019,604</u>	<u>12,933,343</u>
Tax liabilities					1,253,360
Total liabilities					<u>14,186,703</u>

A8. Event Subsequent to Reporting Date

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

A9. Changes in the Composition of the Group

- (a) On 14 February 2023, the Company's wholly-owned subsidiary, KL-Kepong Plantation Holdings Sdn Bhd had completed the acquisition of 5% equity interest in PT Putra Bongan Jaya ("PBJ") for a cash consideration of RM8.0 million. On completion of the acquisition, PBJ is a wholly-owned subsidiary of the Group.

Notes to Interim Financial Report

(Continued)

- (b) On 31 March 2023, the Company's wholly-owned subsidiary, KLK Emmerich GmbH had completed the acquisition of 90% equity interest in Temix Oleo S.p.A ("Temix").

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

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

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

Other than as disclosed above, there were no material changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinued operations during the quarter under review.

A10. Changes in Contingent Liabilities and Contingent Assets

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

A11. Capital Commitments

	31 March 2023	30 September 2022
	RM'000	RM'000
Capital expenditure		
Approved and contracted	1,022,206	790,545
Approved but not contracted	1,401,004	2,065,139
	<u>2,423,210</u>	<u>2,855,684</u>

A12. Significant Related Party Transactions

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

	6 months ended 31 March	
	2023	2022
	RM'000	RM'000
(i) Transactions with associates and joint ventures		
Sale of goods	417,887	334,519
Purchase of goods	1,041,705	1,128,258
Service charges paid	1,185	671
Research and development services paid	<u>7,058</u>	<u>6,117</u>

Notes to Interim Financial Report

(Continued)

	6 months ended	
	31 March	
	2023	2022
	RM'000	RM'000
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
Sale of goods		
PT Satu Sembilan Delapan	21,013	17,365
Siam Taiko Marketing Co Ltd	820	2,235
Taiko Marketing Sdn Bhd	5,607	7,935
Taiko Marketing (Singapore) Pte Ltd	694	1,405
Storage tanks rental received		
Taiko Marketing Sdn Bhd	2,293	2,262
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	3,333	1,933
Bukit Katho Estate Sdn Bhd	4,320	6,056
Kampar Rubber & Tin Co Sdn Bhd	5,848	7,714
Kekal Deras Sdn Bhd	1,328	1,751
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	3,952	2,139
Malay Rubber Plantations (M) Sdn Bhd	7,328	8,224
PT Agro Makmur Abadi	41,935	59,094
PT Java Taiko Mineralindo	981	1,159
PT Safari Riau	21,224	29,112
PT Satu Sembilan Delapan	19,066	6,844
Taiko Clay Marketing Sdn Bhd	3,461	1,986
Taiko Drum Industries Sdn Bhd	689	1,582
Taiko Marketing Sdn Bhd	17,147	12,694
Management fees paid		
Farming Management Services Pty Ltd	1,423	1,751
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	1,172	949
(iii) Transactions between subsidiaries and non-controlling interests		
Sale of goods		
Mitsui & Co Ltd	235,206	207,188
Purchases of goods		
Mitsubishi Gas Chemical Singapore Pte Ltd	-	9,187
PT Tanjung Bina Lestari	7,734	-
PT Tanjung Sarana Lestari	726,819	838,555
PT Sawit Asahan Indah	2,506	-
PT Kimia Tirta Utama	22,014	-

Notes to Interim Financial Report
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B Explanatory Notes as required by the BMSB Revised Listing Requirement

B1. Analysis of Performance

2nd Quarter FY2023 vs 2nd Quarter FY2022

	Quarter Ended		+ / (-) %
	31/03/2023 RM'000	31/03/2022 RM'000	
Revenue	6,048,415	6,382,551	(5.2)
Segment results			
Plantation	287,267	423,302	(32.1)
Manufacturing	185,974	377,891	(50.8)
Property development	18,677	15,828	18.0
Investment holding/Others	(216,393)	(30,193)	*
	275,525	786,828	(65.0)
Corporate income/(expense)	23,971	(3,507)	N/M
Profit before taxation	299,496	783,321	(61.8)

* More than 100%

N/M - Not meaningful

The Group saw its pre-tax profit for the 2nd quarter down 61.8% to RM299.5 million (2QFY2022: profit RM783.3 million) with revenue eased 5.2% to RM6.048 billion (2QFY2022: RM6.383 billion).

Comments on the business sectors are as follows:

Plantation

Notwithstanding an increase in CPO and PK sales volume and a lower net loss of RM10.4 million (2QFY2022: net loss RM62.7 million) from fair value changes on outstanding derivative contracts, Plantation profit fell 32.1% to RM287.3 million (2QFY2022: profit RM423.3 million) largely caused by:

- Lower CPO and PK selling prices realised as follows:

	2QFY2023	2QFY2022	% Change
Crude Palm Oil (RM/mt ex-mill)	3,727	4,378	(14.9)
Palm Kernel (RM/mt ex-mill)	1,864	3,860	(51.7)

- Higher CPO production cost.
- Fair value loss of RM15.3 million (2QFY2022: gain RM32.6 million) on valuation of unharvested fresh fruit bunches.

Manufacturing

Despite revenue dropping by 3.8% to RM5.090 billion (2QFY2022: RM5.292 billion), Manufacturing profit fell 50.8% to RM186.0 million (2QFY2022: profit RM377.9 million) mainly attributable to lower profit contributions from Oleochemical division, refineries and kernel crushing operations.

Notes to Interim Financial Report

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Property Development

Property segment's profit improved by 18.0% to RM18.7 million (2QFY2022: profit RM15.8 million) underpinned by higher revenue at RM57.5 million (2QFY2022: RM36.9 million).

Investment Holding/Others

This segment had accounted for a share of equity loss of RM169.7 million (2QFY2022: share of equity profit RM10.1 million) from an overseas associate, Synthomer plc. The loss reported by Synthomer plc was mainly caused by non-operating charges incurred on impairment loss of a business division, amortisation of acquired intangibles, restructuring and site closure costs.

Corporate

Corporate income of RM24.0 million (2QFY2022: expense RM3.5 million) mainly derived from foreign currency exchange gain of RM31.5 million (2QFY2022: gain RM4.9 million) on translation of inter-company loans denominated in foreign currencies.

Todate 2nd Quarter FY2023 vs Todate 2nd Quarter FY2022

	Todate Ended		+ / (-) %
	31/03/2023 RM'000	31/03/2022 RM'000	
Revenue	<u>12,756,137</u>	<u>13,211,419</u>	(3.4)
Segment results			
Plantation	620,827	1,031,225	(39.8)
Manufacturing	440,380	697,465	(36.9)
Property development	27,610	34,654	(20.3)
Investment holding/Others	<u>(189,857)</u>	<u>(6,287)</u>	*
	898,960	1,757,057	(48.8)
Corporate expense	<u>(4,086)</u>	<u>(18,634)</u>	(78.1)
Profit before taxation	<u>894,874</u>	<u>1,738,423</u>	(48.5)

* More than 100%

The Group reported a sharp fall in pre-tax profit to RM894.9 million (Todate 2QFY2022: profit RM1.738 billion) despite revenue was slightly lower at RM12.756 billion (Todate 2QFY2022: RM13.211 billion).

Comments on the business sectors are as follows:

Plantation

Despite improvement in CPO and PK sales volume, Plantation profit slid 39.8% to RM620.8 million (Todate 2QFY2022: profit RM1.031 billion) largely attributable to:

- Lower CPO and PK selling prices realised as follows:

	Todate 2QFY2023	Todate 2QFY2022	% Change
Crude Palm Oil (RM/mt ex-mill)	3,732	4,207	(11.3)
Palm Kernel (RM/mt ex-mill)	1,910	3,352	(43.0)

- Higher CPO production cost.

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- Higher net loss of RM80.4 million (Todate 2QFY2022: net loss RM46.0 million) from fair value changes on outstanding derivative contracts.
- Fair value loss of RM10.0 million (Todate 2QFY2022: gain RM48.7 million) on valuation of unharvested fresh fruit bunches.

Manufacturing

Whilst revenue dropped marginally to RM10.612 billion (Todate 2QFY2022: RM10.805 billion), Manufacturing profit fell 36.9% to RM440.4 million (Todate 2QFY2022: profit RM697.5 million) largely due to lower profit contributions from Oleochemical division, refineries and kernel crushing operations.

Property Development

Property segment's profit fell 20.3% to RM27.6 million (Todate 2QFY2022: profit RM34.7 million) on the back of lower revenue at RM88.5 million (Todate 2QFY2022: RM92.9 million).

Investment Holding/Others

This segment had accounted for a share of equity loss of RM169.7 million (Todate 2QFY2022: share of equity profit RM10.1 million) from an overseas associate, Synthomer plc. The loss reported by Synthomer plc was mainly caused by non-operating charges incurred on impairment loss of a business division, amortisation of acquired intangibles, restructuring and site closure costs.

Corporate

Net corporate expense of RM4.1 million (Todate 2QFY2022: expense RM18.6 million) included the following:

- Foreign currency exchange loss of RM19.7 million (Todate 2QFY2022: gain RM5.5 million) on translation of inter-company loans and bank deposits denominated in foreign currencies.
- A surplus on sale of land and government acquisition amounted to RM44.5 million (Todate 2QFY2022: surplus RM4.9 million).

B2. Variation of Results to Immediate Preceding Quarter

2nd Quarter FY2023 vs 1st Quarter FY2023

	Current Quarter Ended 31/03/2023 RM'000	Immediate Preceding Quarter Ended 31/12/2022 RM'000	+ / (-) %
Revenue	6,048,415	6,707,722	(9.8)
Segment results			
Plantation	287,267	333,560	(13.9)
Manufacturing	185,974	254,406	(26.9)
Property development	18,677	8,933	*
Investment holding/Others	(216,393)	26,536	N/M
	275,525	623,435	(55.8)
Corporate income/(expense)	23,971	(28,057)	N/M
Profit before taxation	299,496	595,378	(49.7)

* More than 100%

N/M - Not meaningful

Notes to Interim Financial Report

(Continued)

The Group's 2nd quarter profit before taxation dipped 49.7% to RM299.5 million (1QFY2023: profit RM595.4 million) with lower revenue at RM6.048 billion (1QFY2023: RM6.708 billion).

Comments on various business sectors are as follows:

Plantation

Plantation profit fell 13.9% to RM287.3 million (1QFY2023: profit RM333.6 million) mainly due to:

- Lower PK selling price realised at RM1,864/mt (1QFY2023: RM1,951/mt).
- Decrease in CPO and PK sales volume.
- Fair value loss of RM15.3 million (1QFY2023: gain RM5.3 million) on valuation of unharvested fresh fruit bunches.

However, the decrease in profit was partially cushioned by lower net loss of RM10.4 million (1QFY2023: net loss RM70.1 million) from fair value changes on outstanding derivative contracts.

Manufacturing

Manufacturing profit fell 26.9% to RM186.0 million (1QFY2023: profit RM254.4 million) on the back of lower revenue at RM5.090 billion (1QFY2023: RM5.522 billion). The decline in profit was mainly due to lower profit contributions from refineries and kernel crushing operations but partially mitigated by higher profit from Oleochemical division.

Property Development

Increase in profit to RM18.7 million (1QFY2023: profit RM8.9 million) from Property segment was supported by higher revenue of RM57.5 million (1QFY2023: RM31.0 million).

Investment Holding/Others

This segment's loss of RM216.4 million (1QFY2023: profit RM26.5 million) largely attributable to:

- A share of equity loss of RM169.7 million (1QFY2023: Nil) from an overseas associate, Synthomer plc. The loss reported by Synthomer plc was mainly caused by non-operating charges incurred on impairment loss of a business division, amortisation of acquired intangibles, restructuring and site closure costs.
- A loss incurred by the Farming sector of RM5.4 million (1QFY2023: profit RM62.7 million).

Corporate

Corporate income of RM24.0 million (1QFY2023: expense RM28.1 million) included:

- Foreign currency exchange gain of RM35.9 million (1QFY2023: loss RM55.6 million) on translation of inter-company loans and bank deposits denominated in foreign currencies.
- Surplus on sale of land and government acquisition amounted to RM1.8 million (1QFY2023: surplus RM42.7 million).

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B3. Prospects

Crude palm oil prices have hovered between the range of RM3,500 to RM4,400 for the first quarter of the year. Producers are remaining cautious as production in Indonesia and Malaysia are not showing signs of a strong recovery that the industry expected at the outset of the year. However, global major edible oils supply this year is still forecasted to grow by close to 9 million tons, an approximately 4% growth. With demand likely to stay modest going forward due to economic concerns particularly in key consuming countries, prices are expected to trend lower.

The Group expects weaker profitability from the plantation segment as the second half of FY2023 is expected to see lower demand compared to the same period last year. The Group has made concerted efforts to improve estate management especially in the acquired estates, and clearing of backlog operation works with the return of adequate guest workers in Peninsular Malaysia.

The macroeconomic environment for manufacturing segment, particularly oleochemical sub-segment, remained challenging with weak consumer sentiment, caused by escalated inflation and risk of recession. The quantitative tightening by most of the major economies has also led to the supply-demand imbalance. The focus of the Group includes expansion of product applications and sustainability efforts to meet customers' expectations.

Overall, the Group expects its financial performance for second half of FY2023 to be significantly lower.

B4. Profit Forecast and Profit Guarantee

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

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	39,005	75,074	80,479	158,718
Overseas taxation	60,665	108,511	113,202	288,949
	99,670	183,585	193,681	447,667
(Over)/Under provision in respect of previous year				
Malaysian taxation	-	(172)	(1,803)	4,155
Overseas taxation	450	13,160	15,979	17,994
	450	12,988	14,176	22,149
	100,120	196,573	207,857	469,816
Deferred tax				
Origination and reversal of temporary differences	(32,089)	(16,061)	(15,741)	(16,037)
Over provision in respect of previous year	(57)	(9,472)	(11,583)	(5,190)
	(32,146)	(25,533)	(27,324)	(21,227)
Total	67,974	171,040	180,533	448,589

Notes to Interim Financial Report

(Continued)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>299,496</u>	<u>783,321</u>	<u>894,874</u>	<u>1,738,423</u>
Tax at Malaysian income tax rate of 24% (FY2022: 24%)	71,879	187,998	214,770	417,222
Effect of different tax rates in foreign jurisdictions	(13,105)	(13,419)	(24,858)	(18,455)
Withholding tax on foreign dividend and interest income	7,722	11,085	11,677	77,315
Expenses not deductible for tax purposes	7,205	3,699	30,175	22,644
Tax exempt and non-taxable income	(53,975)	(5,641)	(80,446)	(19,725)
Tax incentives	(1,810)	(2,935)	(3,055)	(3,807)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	5,932	(13,924)	(14,783)	(40,603)
Tax effect on associates' and joint ventures' results	42,393	(4,275)	40,961	(8,167)
Under provision of tax expense in respect of previous year	450	12,988	14,176	22,149
Over provision of deferred tax in respect of previous year	(57)	(9,472)	(11,583)	(5,190)
Others	1,340	4,936	3,499	5,206
Tax expense	<u>67,974</u>	<u>171,040</u>	<u>180,533</u>	<u>448,589</u>

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

Notes to Interim Financial Report
(Continued)

B7. Group Borrowings

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

	As at 31 March 2023					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
Secured						
Term loans	Euro 1,656	7,924	Euro 1,271	6,080	Euro 2,927	14,004
Unsecured						
Bank overdrafts	-	-	Euro 24,216	115,839	Euro 24,216	115,839
Revolving credit	-	-	Euro 65,000	310,934	Euro 65,000	310,934
	-	-	GBP 27,000	146,958	GBP 27,000	146,958
	-	-	-	65,950	-	65,950
Trade financing	-	-	-	772,463	-	772,463
	-	-	USD 27,791	122,627	USD 27,791	122,627
	-	-	Euro 349	1,668	Euro 349	1,668
Term loans	-	1,200,000	-	-	-	1,200,000
	USD 43,000	189,675	USD 33,350	146,997	USD 76,350	336,672
	Euro 36,490	174,556	Euro 18,477	88,618	Euro 54,967	263,174
Bankers' acceptance	-	-	-	433,226	-	433,226
Islamic medium term notes	-	5,600,000	-	-	-	5,600,000
Total		7,172,155		2,211,360		9,383,515

	As at 31 March 2022					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
Secured						
Term loans	Euro 2,927	13,622	Euro 1,261	5,869	Euro 4,188	19,491
Unsecured						
Bank overdrafts	-	-	Euro 42,501	197,776	Euro 42,501	197,776
Revolving credit	-	-	Euro 45,000	209,403	Euro 45,000	209,403
	-	-	GBP 44,178	244,015	GBP 44,178	244,015
	-	-	-	148,900	-	148,900
Trade financing	-	-	-	673,700	-	673,700
	-	-	USD 33,263	139,863	USD 33,263	139,863
Term loans	-	1,200,000	-	-	-	1,200,000
	USD 84,200	353,726	USD 64,925	272,824	USD 149,125	626,550
	-	-	Euro 73,500	343,311	Euro 73,500	343,311
	JPY 2,361,240	81,484	JPY 262,360	9,054	JPY 2,623,600	90,538
Bankers' acceptance	-	-	-	526,719	-	526,719
Islamic medium term notes	-	5,600,000	-	1,000,000	-	6,600,000
Total		7,248,832		3,771,434		11,020,266

<u>Exchange Rates Applied</u>	As at 31 March	
	2023	2022
USD / RM	4.4125	4.2048
Euro / RM	4.7836	4.6534
Rp1,000 / RM	0.2943	0.2926
Rmb / RM	0.6424	0.6632
GBP / RM	5.4429	5.5234
AUD / RM	2.9502	3.1456
JPY 100 / RM	3.3226	3.4549

Notes to Interim Financial Report

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B8. Derivative Financial Instruments

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

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

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

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

Derivatives	Contract/Notional	Fair value
	Value Net long/(short)	Net gains/(losses)
	RM'000	RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(2,123,877)	6,496
(ii) Commodity futures contracts		
- Less than 1 year	(857,023)	25,465
(iii) Interest rate swap contracts		
- Less than 1 year	10,414	277
- 1 year to 3 years	12,698	554
- More than 3 years	6,211	969

Forward foreign exchange contracts and commodity futures contracts are recognised at fair value on contract dates and are subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss. Interest rate swap contracts are recognised at fair value on contract dates and are subsequently re-measured at fair value through other comprehensive income unless hedge accounting is not applied, in which case, the changes to the fair value are taken to profit or loss.

For the second quarter ended 31 March 2023, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

B9. Fair Value Changes of Financial Liabilities

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

B10. Material Litigation

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

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B11. Dividend

- (a) An interim single tier dividend of 20 sen (2022: 20 sen) per share has been authorised by the Directors in respect of the financial year ending 30 September 2023 and will be paid to the shareholders on 1 August 2023. The entitlement date for the dividend shall be 11 July 2023.

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

- (i) Securities transferred into the Depositor's Securities Account before 4.30 p.m. on 11 July 2023 in respect of transfers;
 - (ii) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 7 July 2023 in respect of securities exempted from mandatory deposit; and
 - (iii) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.
- (b) The total dividend for the current financial year to-date is single tier dividend of 20 sen (2022: 20 sen) per share.

B12. Earnings Per Share

Basic earnings per share

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2023	2022	2023	2022
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	190,809	546,570	633,848	1,145,894
(b) Weighted average number of shares	1,078,335,479	1,078,024,552	1,078,244,816	1,077,955,021
(c) Earnings per share (sen)	17.7	50.7	58.8	106.3

B13. Audit Report

The audit report for the financial year ended 30 September 2022 was not subject to any qualifications.

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B14. Profit Before Taxation

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Interest income	(19,728)	(13,381)	(38,703)	(24,620)
Other income including dividend income	(104,804)	(25,522)	(142,810)	(63,525)
Interest expense	99,645	79,665	199,397	154,699
Depreciation and amortisation	235,972	244,524	471,134	461,224
Write-off of receivables	5	-	1,183	14
(Write-back of) and provision for inventories	(25,132)	39,183	(34,274)	85,086
Surplus on disposal of land	(1,817)	(554)	(2,624)	(1,390)
Surplus on government acquisition of land	-	(28)	(41,882)	(3,479)
Foreign exchange (gain)/loss	(61,928)	(31,334)	82,436	(40,087)
(Gain)/Loss on derivatives	(63,258)	10,835	(74,864)	(70,131)
Exceptional items	-	-	-	-

By Order of the Board
YAP MIOU KIEN
Company Secretary

24 May 2023