INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022

EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Accounting Policies and Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with MFRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2021.

The accounting policies and methods of computation adopted by the Group in this interim financial statement are consistent with those adopted in the financial statements for the year ended 31 December 2021 except for the adoption of the following new MFRS, Amendments to MFRSs, Improvements to MFRS and IC Interpretation (“Standards”) which is effective for financial period beginning on or after 1 January 2022:

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRSs contained in the document entitled
"Annual Improvements to MFRS Standards 2018−2020"
Amendments to MFRS 3: Business Combinations− Reference to the Conceptual Framework
Amendments to MFRS 116: Property, Plant and Equipment− Proceeds before Intended Use
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract MFRS 17 Insurance Contracts
Amendments to MFRS 101: Presentation of Financial Statements
− Classification of Liabilities as Current or Non-current
− Disclosure of Accounting Policies
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
Amendments to MFRS 112: Income Taxes - Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 17: Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of these Standards does not have any material impact on the financial statements.

A2. Status of Audit Qualification

Not applicable as the audited financial statements for the year ended 31 December 2021 were not qualified.

A3. Seasonality or Cyclicality of Interim Operations

The operations of the Group were not significantly affected by seasonality and cyclicality factors.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

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

A5. Material Changes in Estimates

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

A6. Debts and Equity Securities

<u>Share Buy-Back / Treasury Shares</u>

The Company's shareholders had on 29 June 1999 approved the share buy-back exercise during the Extraordinary General Meeting ("EGM"). Subsequently, mandates were renewed at the last AGM which was on 27 May 2022.

Summary of the share buy-back / disposal as at the current financial year-to-date are as follows:-

Month	Number Of Shares Repurchased	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount RM
B/F from 2021	2,173,500	-	-	-	7,054,205
Total	2,173,500	-	-	-	7,054,205

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 30 June 2022.

A7. Dividend paid

a) A single-tier interim dividend of 5 sen per share in respect of financial year ending 31 December 2022 was paid on 12 April 2022.

b) A final single-tier dividend of 5 sen per share in respect of the financial year ended 31 December 2021 was paid on 6 July 2022.

A8. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 30 June 2022 and its comparative:-

6 months period ended 30/6/2022	Manufacturing	Hotel and Resort	Property development & Investment	Plantations	Share investment	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE								
External sales	830,147	106,023	71,742	-	3,682	-	-	1,011,594
Inter-segment sales	88,936	-	582	26,158	-	-	(115,676)	-
Total revenue	919,083	106,023	72,324	26,158	3,682	-	(115,676)	1,011,594
RESULTS								
Operating results	52,331	8,211	31,544	14,342	5,527	557	(2,228)	110,284
Foreign exchange gain/(loss)	-	-	-	-	-	10,866	17	10,883
Finance costs	(26)	(339)	-	-	(2,718)	(926)	3,083	(926)
Interest income	-	-	-	-	-	6,365	(3,095)	3,270
Profit/(Loss) before tax	52,305	7,872	31,544	14,342	2,809	16,862	(2,223)	123,511
Income tax expense								(23,723)
Profit for the period								99,788

6 months period ended 30/6/2021	Manufacturing	Hotel and Resort	Property development & Investment	Plantations	Share investment	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE								
External sales	461,728	30,686	68,605	-	3,510	-	-	564,529
Inter-segment sales	47,927	-	513	15,798	175,279	-	(239,517)	-
Total revenue	509,655	30,686	69,118	15,798	178,789	-	(239,517)	564,529
RESULTS								
Operating results	15,351	(30,439)	26,748	5,624	171,338	94	(175,903)	12,813
Foreign exchange gain/(loss)	-	-	-	-	-	6,543	9	6,552
Finance costs	(43)	(269)	-	-	(2,491)	(1,178)	2,803	(1,178)
Interest income	-	-	-	-	-	6,181	(2,811)	3,370
Profit/(Loss) before tax	15,308	(30,708)	26,748	5,624	168,847	11,640	(175,902)	21,557
Income tax credit								(10,349)
Profit for the period								11,208

A9. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the current quarter ended 30 June 2022 up to the date of this report.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter.

A12. Changes in Contingent Liabilities

At the date of this announcement, there were no material changes in contingent liabilities since the last balance sheet date.

A13. Significant Related Party Transactions

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

		6 months ended 30-Jun	
		2022	2021
		RM'000	RM'000
(i)	Transactions with subsidiaries		
	Purchases	52,163	30,139
	Sales	61,309	32,861
	Rental income	582	513
	Dividend income	-	175,279
	Interest income	3,070	2,794
	Management fees	573	573
(ii)	Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest.		
	- Commission on sales and purchases - Keck Seng (Singapore) Private Limited	8,109	4,613

ADDITIONAL INFORMATION REQUIRED BY THE BMSB'S LISTING REQUIREMENTS

B1. Taxation

The taxation charge for the current quarter and year to-date ended 30 June 2022 was made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(10,427)	(21,155)
Real property gain tax	-	-
Foreign tax	400	(2,393)
	(10,027)	(23,548)
Over/(under) provision in respect of prior years		
Malaysian income tax	8	8
Foreign tax	-	-
	8	8
Deferred tax		
Transfer from/(to) deferred taxation	(155)	(183)
Total income tax expense	(10,174)	(23,723)

The Group's effective tax rate of 19% was lower than the statutory tax rate of 24% due mainly to certain income not subject to tax and utilisation of unabsorbed capital allowances and tax losses.

B2. Status of Corporate Proposals

There were no corporate proposals.

B3. Group Borrowings

Details of Group borrowings were as follows:-

	US Dollar "000	Ringgit Equivalent "000
Short term borrowings:-		
Bank overdraft - unsecured	-	22,006
Note payable within a year - secured	3,350	14,743
Long term borrowings:-		
Note payable after 1 year - secured	40,545	178,437

B4. Derivative Financial Instruments

The Group uses forward foreign exchange contracts to manage its exposure to various financial risks.

Forward foreign exchange contracts

Forward foreign exchange currencies contracts were entered to hedge its exposure to fluctuations in foreign currency arising from sales.

As at 30 June 2022, the notional amount, fair value and maturity period of the forward foreign exchange contracts were as follows:-

Type of derivatives	Contract/Notional amount RM'000	Fair value assets/(liabilities) RM'000
Currency forward contracts - less than 1 year	47,230	(1,152)

B5. Changes In Material Litigation

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

B6. Comparison with Preceding Quarter's Results

	2nd Quarter 2022	1st Quarter 2022	<---- Increase/(Decrease)---->	
	RM	RM	RM	%
	'000	'000	'000	
Revenue	604,167	407,427	196,740	48
Profit before taxation	74,524	48,987	25,537	52

Revenue

The Group's revenue in 2nd Q 2022 was higher than 1st Q 2022 mainly due to increase in revenue recorded in Manufacturing Segment. The increase in revenue was mainly due to higher selling price and quantity of refined oil sold in 2nd Q 2022.

Profit before taxation

The Group recorded a higher profit in 2nd Q 2022 as compared to 1st Q 2022. The following segments had recorded results in 2nd Q 2022 materially different from 1st Q 2022:-

Manufacturing

The segment recorded a higher profit in 2nd Q 2022 as compared to 1st Q 2022. The higher profit was due mainly to higher forex gain recorded in 2nd Q 2022 as compared to 1st Q 2022. The segment also achieved a better refining margin in 2nd Q 2022 as compared to 1st Q 2022.

Property Development

The segment recorded a lower profit in 2nd Q 2022 as compared to 1st Q 2022. The lower profit was mainly due to lower profit recognised on sale of light industrial land in Tanjong Puteri Resort in 2nd Q 2022.

Hotels

The segment recorded a higher profit in 2nd Q 2022 as compared to 1st Q 2022 due mainly to higher occupancy and average room rate for New York hotel and Canada hotel.

Forex as Unallocated Item

Further strengthening of USD and SGD against MYR in 2nd Q 2022 had resulted in a higher forex gain on the foreign currencies on hand as compared to 1st Q 2022.

B7. Review of Performance

	To 2nd Quarter 2022 RM '000	To 2nd Quarter 2021 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	1,011,594	564,529	447,065	79
Profit before taxation	123,511	21,557	101,954	473

Revenue

The Group's revenue in 1H 2022 was higher than 1H 2021. The following segments had recorded revenue in 1H 2022 materially different from 1H 2021:-

Manufacturing

The segment recorded a higher revenue in 1H 2022 as compared to preceding year corresponding period. The increase in revenue was mainly due to higher selling price and quantity of refined oil sold in 1H 2022.

Hotels

A higher revenue was recorded by the segment in 1H 2022 as compared to 1H 2021. The increase in revenue was mainly due to higher average room rate and occupancy rate for our overseas hotels as a result of rebound in demand after the easing of travel restriction and pandemic lockdown measures.

Profit before taxation

The Group recorded a higher profit in 1H 2022 as compared to 1H 2021. The results of the following segments in 1H 2022 were materially different from 1H 2021:-

Manufacturing

The segment recorded a higher profit in 1H 2022 as compared to 1H 2021. The higher profit was due mainly to better refining margin achieved in 1H 2022 as compared to 1H 2021. The segment also recorded a higher forex gain in 1H 2022 as compared to 1H 2021.

Hotels

The segment recorded a profit in 1H 2022 as compared to a loss in 1H 2021 due mainly to better occupancy and average room rates for the 3 overseas hotels in 1H 2022.

B7. Review of Performance (cont'd)

Profit before taxation (cont'd)

Share Investments

An unquoted foreign investment held by the Group has recorded a fair value gain in 1H 2022 as compared to a fair value loss in 1H 2021. As a result, the segment turnaround from a loss to a profit.

B8. Prospects for 2022

Plantation and Manufacturing

The Plantation division is expected to record lower FFB production due to severe labour shortages, notwithstanding most restrictions on travel have now been lifted. The absence of quotas to employ foreign workers remains a significant hindrance to labour recruitment. However, this is a long-standing and industry-wide issue, and affects almost all plantation companies requiring foreign workers to harvest FFB. The price of inorganic fertilizers constitutes a significant proportion of estate production costs, and has increased tremendously. Despite registering lower FFB production and incurring higher production costs, the financial performance of the Plantation division in 2022 is expected to register higher than in 2021, primarily due to the increasingly high CPO prices.

Besides FFB production from our own Group, the Palm Oil Mill relies significantly on the FFB supply from third parties, which operates in a highly competitive market. And as higher prices are offered to third parties to obtain supply of FFB, this in turn places increasing downward pressure on the Mill's operating profit margin. Our Mill was able to bring in a number of foreign workers in July 2022, to ease its labour shortage problem. Nevertheless, the combination of the downward pressure on operating profit margins above, together with having to pay the statutory minimum basic wage of RM1,500 per month since May 2022, and other inflationary costs, the performance of the Mill for 2H 2022 is expected to be challenging.

Though the Refinery had performed well in 1H of 2022, we expect performance in 2H to trend lower.

Property Development

The Ruby Hills, in Bandar Baru Kangkar Pulai ("BBKP"), consisting of 132 units of gated and guarded double-storey cluster houses launched in June 2022 received good take-up rates. To capitalise on this, new phases of Citrine Hills of consisting similar double-storey terrace houses will be launched throughout 2H of 2022. We are also actively promoting the sales of the remaining Avelia single-storey terrace houses, Amber Hills single-storey cluster houses and District 5 double-storey shops.

B8. Prospects for 2022 (cont'd)

Property Development (cont'd)

In Tanjong Puteri Resort ("TPR"), we are planning to launch a new phase of single-storey terrace houses as sales have been encouraging for our new phase of 115 units of Aster single-storey terrace houses.

TD Point and our other rental properties have seen steady recovery with the reopening of borders with Singapore and will be boosted further by the soon to be opened Eco-Shop in TD Point. Our newest "Build-to-Lease" standalone commercial outlets, TD Central, opened progressively from March 2022 to good public reception attracted by branded tenants such as A&W Restaurant with their retro-concept store, and Watsons with their first pharmacy drive-thru store in Malaysia.

In view of the heightened macroeconomic pressures both globally and nationally, the increase in construction, material and labour costs and the continuing impact of the Covid-19 pandemic, we remain cautious and vigilant.

Property Investment

The occupancy rates at Menara Keck Seng and Regency Tower are expected to remain weak due to global economic weakness as well as the continuing impact of the Covid-19 pandemic.

Hotels & Resort

The SpringHill Suites Midtown Manhattan has shown strong resiliency in the face of high Covid-19 cases and transmission rates, and has been able to outperform its Budget and Competitive Set so far in 2022. Breakfast service was successfully relaunched in June 2022 and are now back to normal with some extra pandemic health & safety protocols still in place. While the Business travel and Group segments continue to underperform as compared to pre-pandemic levels, the Hotel has successfully leveraged the leisure market and we expect this market to remain strong for the remainder of 2022. In addition, some City-wide events are now starting to return to New York City and the Hotel should benefit from these events. At this time, we expect the Hotel's positive trend to continue for the last six (6) months of the year.

B8. Prospects for 2022 (cont'd)

Hotels & Resort (cont'd)

The DoubleTree by Hilton Alana – Waikiki Beach 2022 revenue and EBITDA are projected to exceed prior year's performance. Hawaii's economy was greatly affected by the Covid-19 pandemic and the stringent travel restrictions imposed in response; however, the impact of these have decreased over time. State government officials anticipate 2022 GDP to improve by +3.2% YOY. According to the latest Hawaii Tourism Authority research, the Hawaiian Islands earned the highest Revenue Per Available Room and Average Daily Rate in 1H 2022 among the top U.S. destinations. On the contrary, Japanese arrivals that used to represent 25% of Oahu tourists population now has dropped to 1.5% in the current year. Appetite for trans-Pacific air travel will likely to stay gloomy until Japan overcomes its 7th wave of Covid-19 infections, and the uncertainty posed by the ongoing worldwide inflation and current weakness of the JPY. Management continues to focus on commercial strategies, to both diversifying the sources of profitability, while optimising profitability. Hilton's regional team also monitors the federal/state Covid-19 trends and offers recommendations to ensure our guests and team members are protected.

Throughout Q2 2022 the Toronto's Airport Hotel in Ontario saw consistent growth in its monthly occupancy, ADR and REVPAR. After the lockdowns and limited travel opportunities in 2020 and 2021, leisure travel has rebounded both domestically and internationally. The lifting of the pandemic lockdown measures in March 2022 has resulted in the group business travel to rebound, with previous cancellations being re-booked, in addition to new business acquired. The Hotel also saw a return in banquet and catering revenues. While there are concerns in the market of an 8th wave of Covid-19 infections in late Q3 and Q4, booking patterns, specifically for group has remained strong. Strong leisure travel is also expected to continue throughout to the end of 2022 but it could be impacted by the delay and cancellation of flights caused by challenges in operation at the Toronto Pearson International Airport. Labour shortages faced by the Hotel will inevitably affect the housekeeping and F&B departments.

The second quarter result at Tanjong Puteri Golf Resort ("TPGR") showed minor revenue improvements reflecting the easing of travel restrictions from Singapore. The steep increase in the cost of food ingredients, operating supplies and manpower limit the prospect of a meaningful improvement in profit margins. The Resort will continue to focus on the niche market such as the long-stay customers from the surrounding industrial companies; while continuing to seek cost-avoidance and other savings to help counter the recent severe price increases of goods and other operating expenses. Inflationary costs have become a significant risk to TPGR's financial performance now and for the foreseeable future.

Conclusion

The on-going armed conflict in the Ukraine has triggered a global price fluctuation of commodities. Together with the on-going Covid-19 pandemic, US-China-Taiwan tensions, the extreme global climate change, rising interest rates and volatility of currency exchanges, these are likely to create further global security and economic uncertainties which may affect the financial performance of the Group in 2022.

B9. Explanatory Notes for Variance of Actual Profit from Forecast Profit / Profit Guarantee

Not applicable.

B10. Dividends

a) A single-tier interim dividend of 5 sen per share in respect of the financial year ending 31 December 2022 was paid on 12 April 2022.

b) No further interim dividend has been declared in respect of the second financial quarter and six months ended 30 June 2022.

c) The total dividends for the current financial year ending 31 December 2022:

Type of dividend	sen per share
Interim, single-tier	5.00

d) The total dividends for the financial year ending 31 December 2021:

Type of dividend	sen per share
Final, single-tier	5.00

B11. Earnings Per Share

a) Basic Earnings Per Share

The basic earnings per share for the current quarter and year-to-date had been calculated as follows:-

	Current Quarter	Year To-Date
Earnings attributable to owners of the parent (RM'000)	61,599	97,698
Weighted average number of ordinary shares in issue ('000)	359,314	359,314
Basic earnings per share (sen)	17.14	27.19

b) Diluted Earnings Per Share

There were no potential dilutive ordinary shares outstanding as at the end of the reporting period. Hence, the diluted earnings per share is the same as the basic earnings per share.

B12. Notes to the Condensed Consolidated Statement of Comprehensive Income

The following amounts have been credited /(charged) in arriving at profit/(loss) before tax:-

		Individual Quarter 3 months ended 30-Jun		Cumulative Quarter 6 months ended 30-Jun	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	1,839	1,621	3,270	3,370
b)	Dividend income	2,668	2,570	3,682	3,510
c)	Other income	784	244	2,003	862
d)	Interest expenses	(1,467)	(1,204)	(2,566)	(2,356)
e)	Depreciation and amortisation	(8,115)	(7,868)	(15,879)	(15,617)
f)	(Allowance for)/(write-off)/write back of receivables	42	(146)	(26)	(220)
g)	(Allowance for)/(write-off)/write-back of inventories	0	164	85	164
h)	Gain /(Loss) on disposal of properties, plant & equipment	5	2	15	6
i)	Gain /(Loss) on disposal of investment properties	0	1	0	1
j)	Impairment of assets	0	0	0	0
k)	Realised exchange gain/(loss)	3,573	770	4,425	309
l)	Unrealised exchange gain/(loss)	13052	728	16,774	10,946
m)	Assets (written off)/write-back	(4)	(3)	(6)	(4)
n)	Gain/(Loss) on derivatives	(1,152)	173	(1,420)	(70)
o)	Gain/(Loss) on disposal of Land from compulsory acquisition	0	0	0	0
p)	Provision for land held for development	0	0	0	0
q)	Fair value gain/(loss) on biological assets	(312)	(43)	(5)	305
r)	Fair value gain/(loss) on short term funds	272	29	557	38
s)	Gain/(Loss) on redemption of short term fund	0	46	0	56
t)	Fair value gain/(loss) on unquoted investment	4,982	(6,729)	4,982	(6,729)