

**Condensed Consolidated Statement of Comprehensive Income
For The Quarter and Year-to-Date Ended 31 December 2022**

	Quarter Ended			Year-To-Date Ended		
	31.12.2022 RM'000	31.12.2021 RM'000	Changes %	31.12.2022 RM'000	31.12.2021 RM'000	Changes %
Revenue	283,384	328,350	-14%	1,307,798	1,188,919	10%
Cost of sales	(183,282)	(187,857)	-2%	(808,664)	(713,580)	13%
Gross profit	100,102	140,493	-29%	499,134	475,339	5%
Other operating income	10,435	27,427	-62%	30,970	42,777	-28%
Other operating expenses	(58,629)	(107,039)	-45%	(291,117)	(265,046)	10%
Operating profit	51,908	60,881	-15%	238,987	253,070	-6%
Finance costs	(5,264)	(8,426)	-38%	(32,376)	(41,058)	-21%
Share of profit of an associate, net of tax	2,131	7,301	-71%	18,493	18,988	-3%
Share of profit of joint ventures, net of tax	8,041	22,788	-65%	31,231	35,891	-13%
Core profit before taxation	56,816	82,544	-31%	256,335	266,891	-4%
Gain/(Loss) on foreign exchange	10,925	2,159	406%	(28,118)	(12,807)	120%
(Loss)/Gain on disposal of property, plant and equipment and right-of-use assets	(1,461)	-	nm	384,886	-	nm
Impairment of property, plant and equipment	-	-	nm	(56,067)	-	nm
Profit before taxation	66,280	84,703	-22%	557,036	254,084	119%
Taxation	(14,318)	(11,112)	29%	(30,765)	(52,071)	-41%
Profit for the period	51,962	73,591	-29%	526,271	202,013	161%
Other comprehensive (loss)/income <i>Item that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation differences	(128,418)	(6,075)	2014%	(53,530)	34,512	nm
<i>Item that will not be reclassified subsequently to profit or loss:</i>						
Remeasurements of net defined benefit liabilities	1,057	1,180	-10%	1,057	1,180	-10%
Other comprehensive (loss)/income for the period, net of tax	(127,361)	(4,895)	2502%	(52,473)	35,692	-247%
Total comprehensive (loss)/ income for the period	(75,399)	68,696	-210%	473,798	237,705	99%
Profit attributable to :						
Owners of the Company	45,257	63,839	-29%	457,497	169,415	170%
Non-controlling interests	6,705	9,752	-31%	68,774	32,598	111%
	51,962	73,591	-29%	526,271	202,013	161%
Total comprehensive (loss)/income attributable to :						
Owners of the Company	(67,681)	59,485	nm	412,394	199,379	107%
Non-controlling interests	(7,718)	9,211	nm	61,404	38,326	60%
	(75,399)	68,696	nm	473,798	237,705	99%
Earnings per share attributable to owners of the Company						
Basic (sen)	3.28	4.63		33.15	12.27	

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021

*nm = not meaningful

Note

Revenue and profitability for the quarter and year-to-date ended 31 December 2022 and the corresponding periods last year were impacted by the Indonesia Export Levy and Duty on CPO which is tabulated below:

	Quarter Ended			Year-To-Date Ended		
	31.12.2022 RM'000	31.12.2021 RM'000	Variance RM'000	31.12.2022 RM'000	31.12.2021 RM'000	Variance RM'000
Indonesia Export Levy and Duty on CPO	8,880	43,567	(34,687)	225,150	228,135	(2,985)

Condensed Consolidated Statement of Financial Position
As at 31 December 2022

	As at 31.12.2022 RM'000	As at 31.12.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,255,920	1,610,212
Biological assets	364,847	400,762
Right-of-use assets	254,607	288,881
Intangible assets	50,350	51,647
Investment in an associate	77,452	82,073
Investments in joint ventures	105,694	89,462
Deferred tax assets	7,344	4,297
Other receivables	53,900	74,798
Investment securities	79	50
	<u>2,170,193</u>	<u>2,602,182</u>
Current assets		
Biological assets	13,531	17,346
Inventories	132,921	143,566
Trade and other receivables	42,569	62,988
Other current assets	823	25,105
Tax recoverable	9,284	5,132
Investment securities	1	3
Derivative assets	30	370
Short term funds	6,385	17,464
Cash and bank balances	375,582	279,728
	<u>581,126</u>	<u>551,702</u>
Assets held for sale	206,634	154,152
	<u>787,760</u>	<u>705,854</u>
TOTAL ASSETS	<u><u>2,957,953</u></u>	<u><u>3,308,036</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	740,512	740,512
Treasury shares	(1,467)	(1,467)
Other reserves	(254,913)	(208,893)
Retained earnings	1,417,772	1,111,178
	<u>1,901,904</u>	<u>1,641,330</u>
Non-controlling interests	<u>231,399</u>	<u>172,258</u>
TOTAL EQUITY	<u><u>2,133,303</u></u>	<u><u>1,813,588</u></u>
Non-current liabilities		
Loans and Borrowings	164,860	587,573
Retirement benefits	17,518	19,158
Lease liabilities	1,320	3,188
Deferred tax liabilities	86,912	92,068
	<u>270,610</u>	<u>701,987</u>
Current liabilities		
Loans and Borrowings	394,251	521,752
Trade and other payables	138,905	204,661
Derivative liabilities	3,282	1,914
Lease liabilities	617	939
Current tax payable	16,985	22,642
	<u>554,040</u>	<u>751,908</u>
Liabilities associated with assets held for sale	-	40,553
	<u>554,040</u>	<u>792,461</u>
TOTAL LIABILITIES	<u><u>824,650</u></u>	<u><u>1,494,448</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,957,953</u></u>	<u><u>3,308,036</u></u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021

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**Condensed Consolidated Statement of Changes In Equity
For The Year-to-Date Ended 31 December 2022**


	← Attributable to owners of the Company →					Retained Earnings RM'000	Equity attributable to owners of the Company Total RM'000	Non-controlling Interests RM'000	Equity Total RM'000
	← Non-distributable →		Share Of Associate Reserves RM'000	Foreign Currency Translation Reserves RM'000	Capital Reserves RM'000				
	Share Capital RM'000	Treasury Shares RM'000							
Balance as at 1 January 2022	740,512	(1,467)	9,630	100	(218,623)	1,111,178	1,641,330	172,258	1,813,588
Profit for the period	-	-	-	-	-	457,497	457,497	68,774	526,271
Other comprehensive (loss)/income:									
Foreign currency translations	-	-	-	-	(46,020)	-	(46,020)	(7,510)	(53,530)
Remeasurements of net defined benefit liabilities	-	-	-	-	-	917	917	140	1,057
Other comprehensive (loss)/income for the period, net of tax	-	-	-	-	(46,020)	917	(45,103)	(7,370)	(52,473)
Total comprehensive (loss)/income for the period	-	-	-	-	(46,020)	458,414	412,394	61,404	473,798
Dividends paid to owners of the Company	-	-	-	-	-	(151,820)	(151,820)	-	(151,820)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(2,263)	(2,263)
Balance as at 31 December 2022	<u>740,512</u>	<u>(1,467)</u>	<u>9,630</u>	<u>100</u>	<u>(264,643)</u>	<u>1,417,772</u>	<u>1,901,904</u>	<u>231,399</u>	<u>2,133,303</u>
Balance as at 1 January 2021	740,512	(1,467)	9,630	100	(247,587)	952,244	1,453,432	144,351	1,597,783
Profit for the period	-	-	-	-	-	169,415	169,415	32,598	202,013
Other comprehensive income:									
Foreign currency translations	-	-	-	-	30,713	-	30,713	5,548	36,261
Reclassification of exchange translation reserve to profit or loss upon disposal of a foreign subsidiary	-	-	-	-	(1,749)	-	(1,749)	-	(1,749)
Remeasurements of net defined benefit liabilities	-	-	-	-	-	1,000	1,000	180	1,180
Other comprehensive income for the period, net of tax	-	-	-	-	28,964	1,000	29,964	5,728	35,692
Total comprehensive income for the period	-	-	-	-	28,964	170,415	199,379	38,326	237,705
Dividends paid to owners of the Company	-	-	-	-	-	(20,703)	(20,703)	-	(20,703)
Dividends paid to non controlling interests	-	-	-	-	-	-	-	(1,197)	(1,197)
Changes in equity interests in subsidiaries	-	-	-	-	-	9,222	9,222	(9,222)	-
Balance as at 31 December 2021	<u>740,512</u>	<u>(1,467)</u>	<u>9,630</u>	<u>100</u>	<u>(218,623)</u>	<u>1,111,178</u>	<u>1,641,330</u>	<u>172,258</u>	<u>1,813,588</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021

Condensed Consolidated Statement of Cash Flows
For The Year-to-Date Ended 31 December 2022

	Year-to-Date Ended	
	31.12.2022 RM'000	31.12.2021 RM'000
Cash Flows from Operating Activities		
Profit before taxation	557,036	254,084
Adjustments for :-		
Depreciation and amortisation	101,981	111,231
Fair value gain on commodity futures contract	(1,900)	(2,318)
Net unrealised foreign exchange (gain)/loss	(337)	10,206
Gain on disposal of property, plant and equipment ("PPE") and right-of-use assets ("ROU")	(385,683)	(358)
Impairment/(write back of) impairment losses on trade and other receivables	3,653	(7,825)
Impairment of PPE	56,274	-
PPE written off	532	1,298
Inventories written down	16,901	14,191
Inventories written off	2,621	4,136
Changes in fair value of financial guarantee contracts	-	(68)
Fair value loss on investment securities	2	2
Loss on disposal of a subsidiary	341	491
Rent concessions	-	(79)
Loss/(gain) from fair value adjustment of fresh fruit bunches ("FFB")	3,383	(4,490)
Loss from fair value adjustment of forest planting expenditure	37,241	9,928
Bad debts written off	549	3,012
Share of profit of joint ventures	(31,231)	(35,891)
Share of profit of an associate	(18,493)	(18,988)
Interest expense	32,376	41,058
Interest income	(9,834)	(8,644)
Dividend income	(18)	(172)
Operating cash flows before working capital changes	<u>365,394</u>	<u>370,804</u>
Changes in working capital :-		
Increase in inventories	(10,323)	(35,500)
Decrease/ (increase) in receivables	11,404	(20,269)
(Decrease)/increase in payables	(84,863)	113,119
Cash flows from operations	<u>281,612</u>	<u>428,154</u>
Net income tax paid	(74,015)	(34,739)
Net cash flows from operating activities	<u>207,597</u>	<u>393,415</u>
Cash Flows from Investing Activities		
Addition of right of use assets	(20,799)	(947)
(Placement)/Withdrawals of deposits with maturity of over 3 months	(3)	2,145
Purchases of PPE	(60,733)	(41,340)
Forest planting expenditure	(2,393)	(3,878)
Proceeds from disposal of PPE and ROU	659,325	1,172
Interest received	9,834	8,644
Dividends received	38,131	41,184
Net cash flows from investing activities	<u>623,362</u>	<u>6,980</u>
Cash Flows from Financing Activities		
Net repayments of term loans/medium term notes	(425,925)	(173,384)
Net repayments of other borrowings	(130,120)	(41,193)
Payments of lease liabilities and lease interest	(1,220)	(1,023)
Interest paid	(32,190)	(40,843)
Dividends paid to non-controlling interests	(2,263)	(1,197)
Dividends paid to owners of the Company	(151,820)	(20,703)
Net cash flows used in financing activities	<u>(743,538)</u>	<u>(278,343)</u>
Net increase in cash and cash equivalents	87,421	122,052
Cash and cash equivalents at beginning of period	292,751	168,102
Effects of changes in exchange rates	(3,940)	2,597
Cash and cash equivalents at end of period	<u><u>376,232</u></u>	<u><u>292,751</u></u>
Cash and Cash Equivalents comprised:		
Cash and bank balances	375,582	279,728
Short term funds	6,385	17,464
Less : Bank overdraft	(469)	(74)
Less : Deposits pledged with security	(4,773)	(3,877)
Less : Deposits with maturity of over 3 months	(493)	(490)
Cash and bank balances	<u><u>376,232</u></u>	<u><u>292,751</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021

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EXPLANATORY NOTES FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2021.

These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2021.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2021 except for the adoption of the following Amendments to MFRSs during the current financial period.

Title	Effective Date
Annual improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022

The adoption of the above standards did not give rise to significant effects on the financial statements of the Group.

As at the date of authorisation of these interim financial statements, the new and revised MFRSs and amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group are:

Title	Effective Date
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities Arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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1. Basis of preparation (continued)

The Group will apply the above MFRSs, Amendments to MFRSs that are applicable when they become effective.

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2021 was unmodified.

3. Comments on seasonal or cyclical factors

The effects of seasonal or cyclical fluctuations, if any, are explained under Paragraphs 1 and 2 of Part B i.e. Explanatory Notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Securities.

4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income and cash flows of the Group during the year ended 31 December 2022 except as follows:

- (i) recognition of sales proceeds of RM248.0 million and gain on disposal of RM84.9 million from the disposal of two oil palm estates and one oil palm mill (refer to Note 7 of Part B);
- (ii) recognition of sales proceeds of RM428.8 million and gain on disposal of RM300.0 million arising from the completion of the disposal of 7,817.37 hectares of certificated land by a subsidiary, PT Bulungan Citra Agro Persada ("BCAP") (refer to Note 7 of Part B);
- (iii) recognition of impairment loss on the bearer plant of a subsidiary, PT Perkebunan Sentawar Membangun, of RM17.4 million as a result of an impairment review;
- (iv) recognition of impairment loss on the building of a subsidiary, TSH Biotech Sdn Bhd of RM8.1 million as a result of an impairment review.
- (v) recognition of impairment loss on assets of RM30.6 million on cessation of an operation engaged in hiring business.

5. Changes in estimates

There were no changes in estimates that have had a material impact in the current quarter results.

6. Debt and equity securities

During the year ended 31 December 2022, the Group repurchased and redeemed Sukuk Murabahah Medium Term Notes and Sukuk Murabahah Commercial Papers at nominal value of RM60 million and RM50 million, respectively.

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7. Dividends paid

During the year ended 31 December 2022:

- (i) A single tier interim dividend of 3.0 sen per ordinary share for the year ended 31 December 2021 amounted to RM41.4 million was paid on 15 April 2022.
- (ii) A single tier interim dividend of 8.0 sen per ordinary share for the year ended 31 December 2022 amounted to RM110.4 million was paid on 21 December 2022.

8. Segmental information

i) Business segments

Business Segment For Quarter Ended

	Palm Products		Others		Total	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
SEGMENT REVENUE	258,722	297,990	24,662	30,360	283,384	328,350
Segment operating profit/(loss)	58,391	77,466	(728)	(10,922)	57,663	66,544
Loss on disposal of PPE and ROU	(1,461)	-	-	-	(1,461)	-
SEGMENT PROFIT/ (LOSS)	56,930	77,466	(728)	(10,922)	56,202	66,544
Unallocated corporate expenses					(5,755)	(5,663)
Gain on foreign exchange					10,925	2,159
Finance costs					(5,264)	(8,426)
Share of profit of an associate					2,131	7,301
Share of profit of joint ventures					8,041	22,788
Consolidated profit before tax					66,280	84,703

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8. Segmental information (continued)

i) Business segments (continued)

Business Segment For Year-to-Date Ended

	Palm Products		Others		Total	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
SEGMENT REVENUE	1,203,873	1,094,543	103,925	94,376	1,307,798	1,188,919
Segment operating profit/(loss)	302,188	286,097	(40,651)	(12,287)	261,537	273,810
Gain on disposal of PPE and ROU	384,886	-	-	-	384,886	-
Impairment of PPE	(17,414)	-	(38,653)	-	(56,067)	-
SEGMENT PROFIT/ (LOSS)	669,660	286,097	(79,304)	(12,287)	590,356	273,810
Unallocated corporate expenses					(22,550)	(20,740)
Losses on foreign exchange					(28,118)	(12,807)
Finance costs					(32,376)	(41,058)
Share of profit of an associate					18,493	18,988
Share of profit of joint ventures					31,231	35,891
Consolidated profit before tax					557,036	254,084

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8. Segmental information (continued)
i) Business segments (continued)
Business Segment For Year-To-Date Ended

	Palm Products		Others		Consolidated	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
SEGMENTS ASSETS	2,054,210	2,214,283	617,428	718,590	2,671,638	2,932,873
Investments in joint ventures					105,694	89,462
Investment in an associate					77,452	82,073
Deferred tax assets					7,344	4,297
Tax recoverable					9,284	5,132
Unallocated assets					86,541	194,199
Consolidated total assets					2,957,953	3,308,036
SEGMENT LIABILITIES	131,686	200,072	28,597	36,685	160,283	236,757
Borrowings					559,111	1,109,325
Lease liabilities					1,937	4,127
Deferred tax liabilities					86,912	132,621
Unallocated liabilities					16,407	11,618
Consolidated total liabilities					824,650	1,494,448

ii) Geographical segments

	Quarter Ended		Year-To-Date Ended			
	Total revenue from external customers		Total revenue from external customers		Non-Current Assets	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	93,693	150,962	450,537	486,685	1,007,850	1,235,624
Indonesia	176,683	156,594	783,620	641,955	1,307,654	1,441,560
United States of America	8,384	13,570	40,080	30,893	-	-
South West Pacific	3,180	6,331	23,526	21,253	-	-
Others	1,444	893	10,035	8,133	-	5
Total	283,384	328,350	1,307,798	1,188,919	2,315,504	2,677,189

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9. Changes in composition of the Group

On 24 October 2022, PT Sejahtera Aman Sejati (“PTSAS”), a 65% owned subsidiary of the Group commenced the members’ voluntary liquidation process. PTSAS has not commenced operation since its date of incorporation. The members’ voluntary liquidation of PTSAS will not have any material impact on the net assets and earnings per share of the Group.

On 28 December 2022, Ekowood Iberica S.L (“Ekowood Iberica”), a 99.96% owned subsidiary of Ekowood International Berhad, which in turn is a wholly-owned subsidiary of the Group commenced the members’ voluntary liquidation process. The members’ voluntary liquidation of Ekowood Iberica will not have any material impact on the net assets and earnings per share of the Group.

Apart from the above, there were no significant changes in the composition of the Group for the year ended 31 December 2022 including business combination, acquisition or disposal of subsidiaries and long-term investments, and restructuring.

Subsequent to the date of this quarterly report:

On 3 January 2023, Ekowood (USA) Inc. (“Ekowood USA”), a wholly-owned subsidiary of Ekowood International Berhad, which in turn is a wholly-owned subsidiary of the Group received a notification from the Secretary of the State of the United States of America that Ekowood USA had been successfully dissolved. The dissolution of Ekowood USA will not have any material impact on the net assets and earnings per share of the Group.

On 27 January 2023, PT Sinar Bersatu (“PTSB”), a 99% owned subsidiary of CocoaHouse Sdn Bhd, which in turn is a wholly-owned subsidiary of the Group received a notification from the Ministry of Finance, Republic of Indonesia that PTSB has been duly wound-up. The members’ voluntary winding up of PTSB will not have any material impact on the net assets and earnings per share of the Group.

10. Capital commitments

The amount of commitments for capital expenditure as at 31 December 2022 is as follows:

	As at	As at
	31.12.2022	31.12.2021
	RM'000	RM'000
Approved and contracted for	13,580	20,031
Approved but not contracted for	31,719	61,058
	<u>45,299</u>	<u>81,089</u>

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11. Changes in contingent liabilities or contingent assets

Contingent tax expenses pending outcome of court cases are as follows:

- (a) PT Sarana Prima Multi Niaga (“PT SPMN”), a subsidiary of the Group submitted judicial reviews to the Supreme Court of Republic of Indonesia on the Notices of Tax Underpaid Assessment received for fiscal year 2011 showing underpayments on Value Added Tax and Withholding Tax Articles 4(2) and 23 amounting to equivalent RM5.00 million (including penalty and interest). Based on consultation with the tax consultants, the Group is of the opinion that PT SPMN has a valid defence against the said Tax Office’s assessments.
- (b) PT Teguh Swakarsa Sejahtera (“PT TSS”), a subsidiary of the Group has an outstanding appeal at the local Tax Court on the Notice of Tax Underpaid Assessment received for fiscal year 2016 showing an underpayment of Corporate Income Tax amounting to equivalent RM7.70 million (including penalty and interest). Based on consultation with the tax consultants, the Group is of the opinion that PT TSS has a valid defence against the said Tax Office’s assessment.
- (c) PT Andalas Agro Industri (“PT AAI”), a subsidiary of the Group has outstanding appeals at the local Tax Court on the Notices of Tax Underpaid Assessment received for fiscal year 2019 showing underpayments of Value Added Tax amounting to equivalent RM0.97 million (including penalty). Based on consultation with the tax consultants, the Group is of the opinion that PT AAI has a valid defence against the said Tax Office’s assessments.
- (d) PT Bulungan Citra Agro Persada (“PT BCAP”), a subsidiary of the Group has outstanding appeals at the local Tax Court on Notices of Tax Underpaid Assessment received for fiscal year 2019 showing underpayments on Value Added Tax and Withholding Tax Articles 4(2) and 21 amounting to equivalent RM2.02 million (including penalty and interest). Based on consultation with the tax consultants, the Group is of the opinion that PT BCAP has a valid defence against the said Tax Office’s assessments.
- (e) PT Farinda Bersaudara (“PT FDB”), a subsidiary of the Group has outstanding appeals at the local Tax Court on Notices of Tax Underpaid Assessment received for fiscal year 2019 showing underpayments on Value Added Tax and Withholding Tax Articles 4(2) and 21 amounting to equivalent RM7.65 million (including penalty and interest). Based on consultation with the tax consultants, the Group is of the opinion that PT FDB has a valid defence against the said Tax Office’s assessments.

Other than the above, there are also ongoing objections with the local tax authority on certain disputed tax assessments, which the Group is of the view that it has valid explanations to justify.

There were no other material changes in the contingent liabilities and contingent assets since the last reporting date except as disclosed above.

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12. Material related party transactions

Significant transactions between the Group and its joint ventures are as follows:

	Year-To-Date Ended 31 December 2022 RM'000
Sales of crude palm oil	338,201
Sales of palm kernel	56,099

13. Subsequent event

There was no material event subsequent to the end of this reporting period except as disclosed in Note 9 of Part A and Note 7 of Part B.

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES
1. Performance review

The Group recorded higher revenue of RM1.31 billion for the financial year ended 31 December 2022 (“FY 2022”) versus the corresponding period last year (“FY 2021”) of RM1.19 billion. Profit Before Taxation (“PBT”) for FY 2022 was also higher at RM557.0 million compared with FY 2021 of RM254.1 million. The sharp improvement is primarily contributed by the gain on disposal of assets partially offset by impairment of some assets and foreign exchange losses.

In line with the surge in Group profitability, an interim dividend of 8.0 sen per ordinary share was distributed in Q4 2022. Total equity of the Group as at 31 December 2022 increased to RM2.13 billion from RM1.81 billion at the beginning of the year, after taking into account dividend paid during the year of RM151.8 million. Coupled with the repayment of borrowings from cash flows generated during the financial year, the net gearing ratio of the Group has declined significantly to 0.08x as at 31 December 2022 from 0.45x as at the beginning of the year.

	Quarter Ended			Year-to-Date Ended		
	31.12.2022 RM'000	31.12.2021 RM'000	Changes %	31.12.2022 RM'000	31.12.2021 RM'000	Changes %
Revenue	283,384	328,350	(14%)	1,307,798	1,188,919	10%
Core profit before taxation	56,816	82,544	(31%)	256,335	266,891	(4%)
Profit before taxation	66,280	84,703	(22%)	557,036	254,084	119%

Group revenue for the quarter ended 31 December 2022 (“Q4 2022”) decreased 14% to RM283.4 million compared with RM328.4 million for the corresponding period last year (“Q4 2021”) due to lower average Crude Palm Oil (“CPO”) and Palm Kernel (“PK”) prices. However, Group revenue for FY 2022 increased 10% to RM1.31 billion from RM1.19 billion for the corresponding period last year due to higher average CPO and PK prices.

Core Profit for Q4 2022 of RM56.8 million was lower compared with RM82.5 million for Q4 2021 in tandem with the reduction in revenue and lower profit contributions from associate and joint ventures. Consequently, PBT for Q4 2022 of RM66.3 million was 22% lower compared with Q4 2021 of RM84.7 million.

For FY 2022, Core Profit decreased slightly by 4% to RM256.3 million compared with FY 2021 of RM266.9 million mainly due to the fair value loss on forest planting expenditure of RM37.2 million. PBT for FY 2022 was 119% higher at RM557.0 million mainly due to the gain on disposal of land by BCAP and disposals of Ladang Ong Yah Ho, Ladang Gomantong and Lahad Datu Palm Oil Mill totalling RM384.9 million and was partially offset by impairment of PPE of RM56.1 million and higher losses on foreign exchange.

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1. Performance review (Continued)
1.1 Segmental analysis

Revenue contributions from the respective segments are analysed as follows:

Revenue	Quarter Ended			Year-to-Date Ended		
	31.12.2022 RM'000	31.12.2021 RM'000	Changes %	31.12.2022 RM'000	31.12.2021 RM'000	Changes %
Palm Products	258,722	297,990	(13%)	1,203,873	1,094,543	10%
Others	24,662	30,360	(19%)	103,925	94,376	10%
Total	283,384	328,350	(14%)	1,307,798	1,188,919	10%

Revenue for Q4 2022 was lower compared with Q4 2021 mainly due to decline in revenue contributions from Palm Products segment attributable to lower average selling prices of CPO and PK. On year-to-date basis, the revenue was higher compared with FY 2021 mainly due to higher average selling prices of CPO and PK.

Average selling prices	Quarter Ended			Year-to-Date Ended		
	31.12.2022 RM/MT	31.12.2021 RM/MT	Changes %	31.12.2022 RM/MT	31.12.2021 RM/MT	Changes %
CPO	3,540	4,347	(19%)	4,100	3,570	15%
PK	1,805	3,095	(42%)	2,668	2,363	13%

Further comments on the segment results for Q4 2022 and FY 2022 are as follows:

1.1.1 Palm Products Segment

Palm Products Segment	Quarter Ended			Year-to-Date Ended		
	31.12.2022 RM'000	31.12.2021 RM'000	Changes %	31.12.2022 RM'000	31.12.2021 RM'000	Changes %
Operating profit	58,391	77,466	(25%)	302,188	286,097	6%

Despite higher volume of CPO and PK sold, profit for Palm Products segment for Q4 2022 was lower compared with Q4 2021. This is mainly due to lower average selling prices of CPO and PK as well as lower profit contribution from Malaysia's Palm Products Segment subsequent to the disposals of two estates and a mill in Malaysia early of the year. Nevertheless, profit for FY 2022 advanced compared with FY 2021 mainly due to higher average selling prices of CPO and PK despite lower sales volume achieved for FY 2022. Despite the disposals of estates early of the year, FFB production for Q4 2022 and FY 2022 was higher compared with the corresponding period last year (as shown in the table below).

	Quarter Ended			Year-to-Date Ended		
	31.12.2022 MT	31.12.2021 MT	Changes %	31.12.2022 MT	31.12.2021 MT	Changes %
FFB production	222,807	196,425	13%	923,990	918,986	1%

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1. Performance review (Continued)

1.1 Segmental analysis (Continued)

1.1.1 Palm Products Segment (Continued)

The Indonesia Government extended the zero-levy policy for CPO export from August 2022 to December 2022 to boost the CPO export and to reduce the oversupply in Indonesia domestic market. The impact of the Indonesia Export Levy and Duty on CPO are as shown below:

	Quarter Ended			Year-to-Date Ended		
	31.12.2022 RM'000	31.12.2021 RM'000	Changes %	31.12.2022 RM'000	31.12.2021 RM'000	Changes %
Indonesia Export Levy and Duty on CPO	8,880	43,567	(80%)	225,150	228,135	(1%)

1.1.2 Others Segment

Others Segment	Quarter Ended			Year-to-Date Ended		
	31.12.2022 RM'000	31.12.2021 RM'000	Changes %	31.12.2022 RM'000	31.12.2021 RM'000	Changes %
Operating loss	(728)	(10,922)	93%	(40,651)	(12,287)	(231%)

This segment reported a lower operating loss of RM0.7 million for Q4 2022 compared with loss of RM10.9 million for Q4 2021 mainly due to fair value loss on forest planting expenditure recognised in Q4 2021 of RM9.9 million. Operating losses for FY 2022 was however higher compared with FY 2021 mainly due to higher fair value loss on forest planting expenditure recognised to-date of RM37.2 million against fair value loss of RM9.9 million.

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2. Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter

	Q4 2022	Q3 2022	Changes
	RM'000	RM'000	RM'000
Revenue:	283,384	262,652	20,732
Palm Products	258,722	236,236	22,486
Others	24,662	26,416	(1,754)
Core profit before taxation	56,816	34,005	22,811

Group revenue for Q4 2022 of RM283.4 million was higher compared with Q3 2022 of RM262.7 million despite lower FFB production. This is mainly attributable to higher revenue contributions from the Palm Products segment due to higher average CPO and PK prices in Indonesia as a result of significantly lower export levy imposed.

A higher Core PBT of RM56.8 million was registered for Q4 2022 compared with RM34.0 million for Q3 2022 in line with higher profit contribution from Palm Products segment and lower fair value loss on forest planting expenditure. Finance costs were also lower for Q4 2022 at RM5.3 million compared with RM11.0 million for Q3 2022.

However, PBT for Q4 2022 was lower at RM66.3 million compared with RM294.4 million for Q3 2022. This is notwithstanding the gain on foreign exchange of RM10.9 million arising from the strengthening of MYR against foreign currencies in Q4 2022 as opposed to the loss on foreign exchange of RM15.5 million in Q3 2022. Higher PBT in Q3 2022 arose from recognition of a gain on disposal of land by BCAP of RM301.4 million partially offset by the impairments of bearer plant and building of RM25.5 million.

3. Commentary on the prospects

CPO price is currently trading at around RM4,000 per MT amidst uncertainty in CPO price outlook, weighed down by concerns over global economic slowdown and declining inflationary pressure, while at the same time bolstered by China's reopening and success in containing Covid-19 pandemic. Underpinned by its strong financial position, the Group is confident to weather through the headwinds and challenges in the years ahead. Barring any unforeseen circumstances, the Group is optimistic of achieving satisfactory performance for year 2023.

In January 2023, the EU imposed additional import restriction on the edible oil due to concerns over deforestation. The EU Bloc has also proposed to phase out palm-based transportation fuels by 2030. However, the Group remains optimistic on the long term prospect of the palm oil industry. Restrained hectareage growth in oil palm planting over the last few years due to RSPO regulations and Indonesian Government's moratorium on deforestation will have an impact over global palm oil supply. Global population and per capita income growth as well as the many health qualities of palm oil are expected to drive greater demand for palm products. This augurs well for the Group as palm products segment will remain the core contributor to the Group profit.

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4. Profit forecast or profit guarantee

The Group is not involved in any profit guarantee arrangement or providing any forecast profit.

5. Profit Before Taxation

Profit before taxation was arrived at after charging/(crediting) the following items:

	Quarter Ended 31.12.2022 <u>RM'000</u>	Year-To- Date Ended 31.12.2022 <u>RM'000</u>
Depreciation and amortisation	24,794	101,981
Interest expense	5,263	32,376
Interest income	(2,390)	(9,834)
(Write-back)/Inventories written down	(2,173)	16,901
(Write-back)/Impairment losses on trade and other receivables	(1,045)	3,653
(Gain)/Loss from fair value adjustment of FFB	(724)	3,383
Fair value loss/(gain) on derivatives:		
- Forward currency contracts	4,117	3,608
- Commodity futures contracts	281	(1,900)
Net foreign exchange loss/(gain):		
- Realised	19,955	28,455
- Unrealised	(34,997)	(3,945)
Insurance claims	2,514	5,752
Rental income	(289)	(1,007)
Realised loss on commodity futures contracts	313	9,073
Loss/(Gain) on disposal of PPE and ROU	1,565	(385,683)
Impairment of PPE	207	56,274
Loss from fair value adjustment of forest planting expenditure	2,721	37,241

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6. Taxation

	Quarter Ended 31.12.2022 <u>RM'000</u>	Year-To-Date Ended 31.12.2022 <u>RM'000</u>
Current tax:		
Malaysian income tax	378	7,226
Foreign tax	12,244	57,435
(Over)/Under-provision in prior year:		
Foreign tax	(19)	(77)
Malaysian income tax	20	(196)
Deferred tax:		
Relating to origination and reversal of temporary differences	1,695	(48,740)
Under provision in prior year	-	15
Real Property Gain Tax ("RPGT")	-	15,102
	<u>14,318</u>	<u>30,765</u>

The effective tax rate of the Group for the year ended 31 December 2022 is lower than the statutory tax rate mainly due to gain on disposal of assets and reversal of temporary differences, as well as effects of utilisation of deferred tax assets previously not recognised, partially offset by non-deductibility of certain expenses for taxation purpose.

7. Corporate proposals

- a. On 6 July 2021, the Group announced that it had entered into sale and purchase agreements with Sharikat Keratong Sdn. Bhd. for the proposed disposal of two oil palm estates (namely Ladang Gomantong and Ladang Ong Yah Ho) and one palm oil mill (namely Lahad Datu Palm Oil Mill) in Sabah for a total cash consideration of RM248.0 million.

The disposals of Ladang Ong Yah Ho and Lahad Datu Palm Oil Mill were completed on 25 March 2022 whereas the disposal of Ladang Gomantong was completed on 6 May 2022.

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7. Corporate proposals (Continued)

The status of the utilisation of proceeds was as follows:

Details of Utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation: Surplus/ (Deficit) RM'000	Balance RM'000
Repayment of bank borrowings	231,500	231,179	321	-
Estimated expenses relating to the disposals	16,500	16,821	(321)	-
	248,000	248,000	-	-

- b. On 4 April 2022, BCAP, PT Kawasan Industri Kalimantan Indonesia (“KIKI”) and PT Kalimantan Industrial Park Indonesia (“KIPI”) had entered into a conditional sale, purchase and compensation of land agreement for the proposed disposal by BCAP of 13,214.90 hectares of certificated land together with the 683.36 hectares of uncertified land adjoining thereto (collectively referred to as “the Sale Land”) for a total cash consideration of IDR 2,428.86 billion (or equivalent to approximately RM731.09 million).

On 8 August 2022, the disposal of 7,817.37 hectares of certificated land was completed.

As at 31 December 2022, total proceeds raised from the disposal was RM428.8 million and was fully utilised by the Group as follows:

Details of Utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Balance RM'000
Partial repayment of interest-bearing borrowings	550,000	385,773	164,227
New planting and replanting of oil palm	45,000	-	45,000
Infrastructure works and capital expenditure	47,000	-	47,000
General working capital	68,944	29,703	39,241
Defray estimated expenses relating to the disposals	20,143	13,305	6,838
	731,087	428,781	302,306

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7. Corporate proposals (Continued)

On 18 January 2023, the disposal for 574.56 hectares of the Uncertified Land was completed.

Apart from the above, there was no other corporate proposal announced and not completed as at the date of this quarterly report.

8. Group Borrowings and Debt Securities

Comprised:

	As at 31.12.2022					
	Short term		Long term		Total	
	Foreign denomination RM'000	RM denomination RM'000	Foreign denomination RM'000	RM denomination RM'000	Foreign denomination RM'000	RM denomination RM'000
Secured	47,236	22,000	58,826	65,000	106,062	87,000
Unsecured	-	325,015	-	41,034	-	366,049
Total	47,236	347,015	58,826	106,034	106,062	453,049

9. Derivatives

The forward currency 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 futures contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the CPO and cocoa commodities.

As at 31 December 2022 the values and maturity analysis of the outstanding derivatives were as follows:-

Group

	Assets RM'000	Liabilities RM'000	
Non-hedging derivatives:			
Current			
Forward currency contracts	62,742	30	(3,267) Less than 1 year
Commodity futures contracts	4,777	-	(15) Less than 1 year
	67,519	30	(3,282)

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10. Changes in material litigation

The Group is not engaged in any material litigation and is not aware of any proceedings which might materially affect the Group for the current financial year except as disclosed in Note 11 of Part A.

11. Proposed Dividend

The Board of Directors proposed a final dividend of 2.5 sen per ordinary share for the financial year ended 31 December 2022.

12. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing profit for the quarter and year-to-date ended attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	Quarter Ended		Year-To-Date	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Net profit attributable to owners of the Company (RM'000)	45,257	63,839	457,497	169,415
Weighted average number of ordinary shares in issue ('000)	1,380,174	1,380,174	1,380,174	1,380,174
Basic earnings per ordinary share (sen)	3.28	4.63	33.15	12.27

(b) Diluted earnings per share

This is not applicable as there are no dilutive securities currently issued by the Company.

13. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 February 2023.