



KUALA LUMPUR KEPONG BERHAD

197301001526 (15043-V)

**Interim Financial Report
For the second quarter ended 31 March 2022**

The Directors are pleased to announce the unaudited financial results of the Group for the second quarter ended 31 March 2022.

**Condensed Consolidated Statement of Profit or Loss
For the second quarter ended 31 March 2022**

(The figures have not been audited.)

	Individual Quarter			Cumulative Quarter		
	3 months ended		+ / (-)	6 months ended		+ / (-)
	31 March			31 March		
	2022	2021		2022	2021	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	6,382,551	4,508,712	41.6	13,211,419	8,808,505	50.0
Operating expenses	(5,669,805)	(4,054,859)	39.8	(11,629,678)	(7,961,959)	46.1
Other operating income	115,237	223,418	(48.4)	254,442	371,653	(31.5)
Finance costs	(79,665)	(57,485)	38.6	(154,699)	(115,745)	33.7
Net reversals of impairment on financial assets	17,180	4,634	270.7	22,908	3,031	655.8
Share of results of associates	25,127	24,409	2.9	28,565	28,328	0.8
Share of results of joint ventures	(7,304)	444	N/M	5,466	9,342	(41.5)
Profit before taxation	783,321	649,273	20.6	1,738,423	1,143,155	52.1
Taxation	(171,040)	(129,223)	32.4	(448,589)	(215,398)	108.3
Net profit for the period	<u>612,281</u>	<u>520,050</u>	17.7	<u>1,289,834</u>	<u>927,757</u>	39.0
Attributable to:						
Equity holders of the Company	546,570	490,439	11.4	1,145,894	847,847	35.2
Non-controlling interests	<u>65,711</u>	<u>29,611</u>	121.9	<u>143,940</u>	<u>79,910</u>	80.1
	<u>612,281</u>	<u>520,050</u>	17.7	<u>1,289,834</u>	<u>927,757</u>	39.0
	Sen	Sen		Sen	Sen	
Earnings per share - basic	<u>50.7</u>	<u>45.5</u>		<u>106.3</u>	<u>78.6</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 2021.

Condensed Consolidated Statement of Other Comprehensive Income
For the second quarter year ended 31 March 2022

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	612,281	520,050	1,289,834	927,757
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Currency translation differences	(9,221)	42,102	(26,116)	106,639
Share of other comprehensive income/(loss) in associates	23,139	(51,556)	23,139	(51,556)
	13,918	(9,454)	(2,977)	55,083
Other comprehensive income that will not be reclassified subsequently to profit or loss				
Net change in fair value of equity instruments	148,621	28,346	172,361	64,902
Share of other comprehensive income in associates	19,544	16,545	19,544	16,545
	168,165	44,891	191,905	81,447
Total other comprehensive income for the period	182,083	35,437	188,928	136,530
Total comprehensive income for the period	794,364	555,487	1,478,762	1,064,287
Attributable to:				
Equity holders of the Company	718,531	525,460	1,334,978	975,998
Non-controlling interests	75,833	30,027	143,784	88,289
	794,364	555,487	1,478,762	1,064,287

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 September 2021.

Condensed Consolidated Statement of Financial Position
As at 31 March 2022

(The figures have not been audited.)

	31 March 2022	30 September 2021
	RM'000	RM'000
Assets		
Property, plant and equipment	11,753,590	11,014,851
Right-of-use assets	1,370,844	1,316,628
Inventories	1,990,410	2,035,257
Goodwill on consolidation	329,696	327,417
Intangible assets	18,741	20,907
Investments in associates	2,035,660	1,777,894
Investments in joint ventures	164,196	179,649
Other investments	762,058	598,959
Other receivables	394,350	444,389
Deferred tax assets	337,111	338,660
Total non-current assets	19,156,656	18,054,611
Inventories	3,778,839	2,991,026
Biological assets	215,664	210,218
Trade and other receivables	3,098,251	3,167,272
Contract assets	45,861	7,448
Tax recoverable	28,242	25,021
Derivative financial assets	219,017	162,459
Short term funds	1,153,678	253,405
Cash and cash equivalents	2,818,357	3,205,971
Total current assets	11,357,909	10,022,820
Total assets	30,514,565	28,077,431
Equity		
Share capital	1,379,249	1,375,695
Reserves	11,886,855	10,510,376
	13,266,104	11,886,071
Less: Cost of treasury shares	(24,504)	(26,809)
Total equity attributable to equity holders of the Company	13,241,600	11,859,262
Non-controlling interests	1,741,542	2,347,778
Total equity	14,983,142	14,207,040
Liabilities		
Deferred tax liabilities	1,084,497	965,959
Lease liabilities	123,272	133,457
Deferred income	94,095	98,465
Provision for retirement benefits	560,238	559,576
Borrowings	7,248,832	5,612,880
Total non-current liabilities	9,110,934	7,370,337
Trade and other payables	1,928,335	2,734,106
Contract liabilities	142,114	120,584
Deferred income	8,585	8,598
Lease liabilities	23,686	24,975
Borrowings	3,771,434	3,152,482
Tax payable	225,500	221,142
Derivative financial liabilities	320,835	238,167
Total current liabilities	6,420,489	6,500,054
Total liabilities	15,531,423	13,870,391
Total equity and liabilities	30,514,565	28,077,431
Net assets per share attributable to equity holders of the Company (RM)	12.28	11.00

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 September 2021.

**Condensed Consolidated Statement of Changes in Equity
For the second quarter ended 31 March 2022**

(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

**Condensed Consolidated Statement of Changes in Equity
For the second quarter ended 31 March 2022**

(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	Treasury shares			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2020	1,373,861	1,322,993	(4,322)	610,621	7,537,359	(13,447)	10,827,065	977,035	11,804,100
Net change in fair value of equity instruments	-	-	-	64,902	-	-	64,902	-	64,902
Transfer of reserves	-	2,609	-	-	(2,609)	-	-	-	-
Share of comprehensive (loss)/income in associates	-	-	(51,556)	-	16,545	-	(35,011)	-	(35,011)
Currency translation differences	-	129	98,131	-	-	-	98,260	8,379	106,639
Total other comprehensive income for the period	-	2,738	46,575	64,902	13,936	-	128,151	8,379	136,530
Profit for the period	-	-	-	-	847,847	-	847,847	79,910	927,757
Total comprehensive income for the period	-	2,738	46,575	64,902	861,783	-	975,998	88,289	1,064,287
Acquisition through business combination	-	-	-	-	-	-	-	347	347
Redemption of redeemable preference shares	-	28,000	-	-	(28,000)	-	-	-	-
Employees' share grant scheme	1,834	-	-	-	-	558	2,392	-	2,392
Shares buy back	-	-	-	-	-	(693)	(693)	-	(693)
Effect of deemed disposal of shares in an associate	-	-	2	-	(2)	-	-	-	-
Dividend paid - FY2020 final	-	-	-	-	(377,494)	-	(377,494)	-	(377,494)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(45,759)	(45,759)
Total transactions with owners of the Company	1,834	28,000	2	-	(405,496)	(135)	(375,795)	(45,412)	(421,207)
At 31 March 2021	1,375,695	1,353,731	42,255	675,523	7,993,646	(13,582)	11,427,268	1,019,912	12,447,180

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2021.

Condensed Consolidated Statement of Cash Flows
For the second quarter ended 31 March 2022
(The figures have not been audited.)

	6 months ended 31 March	
	2022	2021
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	1,738,423	1,143,155
Adjustment for non-cash flow items:		
Depreciation and amortisation	461,224	302,862
Fair value surplus on deemed disposal of an associate	-	(12,224)
Surplus on government acquisition of land	(3,479)	(4,987)
Surplus on disposal of land	(1,390)	(149,795)
Other non-cash items	12,647	(59,298)
Non-operating items	115,950	72,298
Operating profit before working capital changes	2,323,375	1,292,011
Working capital changes:		
Net change in current assets	(739,646)	(591,297)
Net change in current liabilities	140,711	98,376
Cash generated from operations	1,724,440	799,090
Interest paid	(149,617)	(113,917)
Tax paid	(466,837)	(118,859)
Retirement benefits paid	(24,313)	(18,156)
Net cash generated from operating activities	<u>1,083,673</u>	<u>548,158</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(566,236)	(378,683)
Purchase of right-of-use assets	(9,587)	(1,391)
Property development expenditure	(7,508)	(3,869)
Purchase of shares in a subsidiary, net of cash acquired	(303,834)	(5,096)
Subscription and purchase of shares in an associate	(274,056)	(40,317)
Purchase of shares from non-controlling interests	(859,628)	-
Purchase of other investments	-	(39,225)
Purchase of intangible assets	(504)	(681)
Proceeds from disposal of property, plant and equipment	5,537	4,012
Compensation from government on land acquired	3,479	4,987
Proceeds from disposal of land	-	149,401
Repayment of advances from a joint venture	20,993	-
(Increase)/Decrease in short term funds	(900,257)	431,313
Decrease/(Increase) in other receivables	59,392	(129)
Dividends received from associates	63,084	31,023
Dividends received from investments	14,129	20,203
Interest received	17,632	29,515
Net cash (used in)/ generated from investing activities	<u>(2,737,364)</u>	<u>201,063</u>

Condensed Consolidated Statement of Cash Flows
For the second quarter ended 31 March 2022

(Continued)

(The figures have not been audited.)

	6 months ended 31 March	
	2022	2021
	RM'000	RM'000
Cash Flows from Financing Activities		
Term loans received	415,353	109,572
Issuance of Islamic medium term notes	2,000,000	-
Repayment of term loans	(460,814)	(66,125)
Payments of lease liabilities	(14,649)	(16,091)
Payments of lease interest	(2,527)	(4,000)
Net drawdown of short term borrowings	245,040	206,439
Dividends paid to shareholders of the Company	(862,525)	(377,494)
Dividends paid to non-controlling interests	(131,073)	(45,759)
Issuance of shares to non-controlling interests	10	-
Shares buy back	-	(693)
Net cash generated from/(used in) financing activities	<u>1,188,815</u>	<u>(194,151)</u>
Net (decrease)/increase in cash and cash equivalents	(464,876)	555,070
Cash and cash equivalents at 1 October	3,082,738	2,823,776
	<u>2,617,862</u>	<u>3,378,846</u>
Currency translation differences on opening balances	2,719	3,224
Cash and cash equivalents at 31 March	<u>2,620,581</u>	<u>3,382,070</u>
Cash and cash equivalents consist of:		
Cash and bank balances	1,284,283	940,079
Deposits with licensed banks	624,507	522,550
Fixed income trust funds	909,567	2,060,350
Bank overdrafts	(197,776)	(140,909)
	<u>2,620,581</u>	<u>3,382,070</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2021.

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 2021.

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 2021 except for the adoption of the following amendments to MFRSs:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest Rate Benchmark Reform - Phase 2*

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 14 February 2022, a total of 269,122 treasury shares were transferred to eligible senior management employees at a transfer price of RM21.77 under the employees' share grant scheme.

As at 31 March 2022, total issued and fully paid shares amounted to 1,081,017,785 (30 September 2021: 1,081,017,785), out of which 2,861,662 (30 September 2021: 3,130,784) shares are held as treasury shares by the Company and the number of outstanding shares in issue and fully paid was 1,078,156,123 (30 September 2021: 1,077,887,001) shares.

Other than as disclosed above, there were no other issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the quarter ended 31 March 2022.

Notes to Interim Financial Report
(Continued)

A6. Dividends Paid

	6 months ended	
	31 March	
	2022	2021
	RM'000	RM'000
Dividend proposed in Year 2021, paid in Year 2022:		
Final single tier dividend 80 sen (2021: 35 sen) per share	<u>862,525</u>	<u>337,494</u>

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,078,156,123 (2021: 1,078,554,001).

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. Effective from 1 October 2021, refineries and kernel crushing operations are classified from plantation to manufacturing segment to better reflect the performance of the upstream business.

(a) Segment revenue and results

	Plantation	Manufacturing	Property	Investment	Elimination	Consolidated
	RM'000	RM'000	Development	Holding/ Others		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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>	-	1,757,057
Corporate expense						(18,634)
Profit before taxation						<u>1,738,423</u>

Notes to Interim Financial Report

(Continued)

	Plantation	Manufacturing	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended						
31 March 2021						
Revenue						
External revenue	1,100,709	7,438,975	95,060	173,761	-	8,808,505
Inter-segment revenue	301,392	560,177	-	188,104	(1,049,673)	-
Total revenue	<u>1,402,101</u>	<u>7,999,152</u>	<u>95,060</u>	<u>361,865</u>	<u>(1,049,673)</u>	<u>8,808,505</u>
Results						
Operating results	498,980	409,004	33,891	56,306	-	998,181
Interest income	1,020	1,258	184	37,700	(13,726)	26,436
Finance costs	(4,472)	(23,377)	(36)	(101,586)	13,726	(115,745)
Share of results of associates	(633)	5,540	4,807	18,614	-	28,328
Share of results of joint ventures	-	10,197	-	(855)	-	9,342
Segment results	<u>494,895</u>	<u>402,622</u>	<u>38,846</u>	<u>10,179</u>	<u>-</u>	<u>946,542</u>
Corporate income						<u>196,613</u>
Profit before taxation						<u>1,143,155</u>

(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 2022					
Operating assets	11,507,484	10,091,218	2,733,650	3,617,004	27,949,356
Associates	29,603	74,151	9,925	1,921,981	2,035,660
Joint ventures	-	163,802	-	394	164,196
Segment assets	<u>11,537,087</u>	<u>10,329,171</u>	<u>2,743,575</u>	<u>5,539,379</u>	<u>30,149,212</u>
Tax assets					<u>365,353</u>
Total assets					<u>30,514,565</u>
As at 30 September 2021					
Operating assets	10,995,695	8,961,526	2,663,988	3,134,998	25,756,207
Associates	31,920	69,532	17,689	1,658,753	1,777,894
Joint ventures	-	178,381	-	1,268	179,649
Segment assets	<u>11,027,615</u>	<u>9,209,439</u>	<u>2,681,677</u>	<u>4,795,019</u>	<u>27,713,750</u>
Tax assets					<u>363,681</u>
Total assets					<u>28,077,431</u>

Notes to Interim Financial Report

(Continued)

(c) Segment liabilities

	Plantation RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Consolidated RM'000
As at 31 March 2022					
Segment liabilities	1,733,457	4,243,414	180,121	8,064,434	14,221,426
Tax liabilities					1,309,997
Total liabilities					15,531,423
As at 30 September 2021					
Segment liabilities	2,813,227	3,775,303	149,627	5,945,133	12,683,290
Tax liabilities					1,187,101
Total liabilities					13,870,391

A8. Event Subsequent to Reporting Date

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

A9. Changes in the Composition of the Group

For the 6-month period ended 31 March 2022, the Company further acquired 260,725,990 ordinary shares in KLK Sawit Nusantara Berhad ("KLKSN"), formerly known as IJM Plantations Berhad, representing 29.61% equity interest in KLKSN. Accordingly, the Group holds a total of 839,678,009 KLKSN shares, representing 95.36% equity interest in KLKSN as at 31 March 2022.

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 2022 RM'000	30 September 2021 RM'000
Capital expenditure		
Approved and contracted	340,326	376,422
Approved but not contracted	1,539,206	1,503,456
	1,879,532	1,879,878

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.

Notes to Interim Financial Report
(Continued)

	6 months ended	
	31 March	
	2022	2021
	RM'000	RM'000
(i) Transactions with associates and joint ventures		
Sale of goods	334,519	167,153
Purchase of goods	1,128,258	806,592
Service charges paid	671	1,158
Research and development services paid	<u>6,117</u>	<u>7,587</u>
(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	17,365	9,850
Siam Taiko Marketing Co Ltd	2,235	1,426
Taiko Marketing Sdn Bhd	7,935	5,034
Taiko Marketing (Singapore) Pte Ltd	<u>1,405</u>	<u>164</u>
Storage tanks rental received		
Taiko Marketing Sdn Bhd	<u>2,262</u>	<u>2,037</u>
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	1,933	1,525
Bukit Katho Estate Sdn Bhd	6,056	3,554
Kampar Rubber & Tin Co Sdn Bhd	7,714	4,026
Kekal Deras Sdn Bhd	1,751	1,180
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	2,139	-
Malay Rubber Plantations (M) Sdn Bhd	8,224	5,172
PT Agro Makmur Abadi	59,094	55,453
PT Bumi Karyatama Raharja	-	1,702
PT Java Taiko Mineralindo	1,159	-
PT Safari Riau	29,112	21,785
PT Satu Sembilan Delapan	6,844	12,626
Taiko Clay Marketing Sdn Bhd	1,986	1,321
Taiko Drum Industries Sdn Bhd	1,582	1,727
Taiko Marketing Sdn Bhd	<u>12,694</u>	<u>8,361</u>
Management fees paid		
Farming Management Services Pty Ltd	<u>1,751</u>	<u>1,473</u>
Rental of office paid		
Menara KLK Sdn Bhd (formerly known as Batu Kawan Holdings Sdn Bhd)	<u>-</u>	<u>2,348</u>
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	<u>949</u>	<u>710</u>
(iii) Transactions between subsidiaries and non-controlling interests		
Sale of goods		
Agrex Asia Pte Ltd	-	19,659
Mitsui & Co Ltd	<u>207,188</u>	<u>125,262</u>
Purchases of goods		
Mitsubishi Gas Chemical Singapore Pte Ltd	9,187	7,627
PT Tanjung Sarana Lestari	<u>838,555</u>	<u>856,097</u>

Notes to Interim Financial Report
(Continued)

B Explanatory Notes as required by the BMSB Revised Listing Requirements

B1. Analysis of Performance

2nd Quarter FY2022 vs 2nd Quarter FY2021

	Quarter Ended		+ / (-) %
	31/3/2022	31/3/2021	
	RM'000	RM'000	
Revenue	6,382,551	4,508,712	41.6
Segment results			
Plantation	423,302	255,872	65.4
Manufacturing	377,891	218,972	72.6
Property development	15,828	16,834	(6.0)
Investment holding/Others	(30,193)	(12,064)	150.3
	786,828	479,614	64.1
Corporate (expense)/ income	(3,507)	169,659	-
Profit before taxation	783,321	649,273	20.6

The Group's 2nd quarter pre-tax profit rose 20.6% to RM783.3 million (2QFY2021: profit RM649.3 million) underpinned by 41.6% increase in revenue to RM6.383 billion (2QFY2021: RM4.509 billion).

Comments on the business sectors are as follows:

Plantation

Plantation recorded a higher profit of RM423.3 million (2QFY2021: profit RM255.9 million) driven by:

- Significantly higher CPO and PK selling prices realised as follows:

	2QFY2022	2QFY2021	% Change
Crude Palm Oil (RM/mt ex-mill)	4,378	2,997	46.1
Palm Kernel (RM/mt ex-mill)	3,860	2,259	70.9

- Profit contribution from newly acquired subsidiaries.

However, increase in profit was partially offset by unrealised loss of RM84.9 million (2QFY2021: unrealised profit RM17.8 million) from fair value changes on outstanding derivative contracts.

Manufacturing

Manufacturing profit jumped sharply to RM377.9 million (2QFY2021: profit RM219.0 million) on the back of 35.8% increase in revenue to RM5.292 billion (2QFY2021: RM3.898 billion).

The higher profit was mainly attributable to higher contribution from Oleochemical division and refineries and kernel crushing operations. Unrealised loss was lower at RM40.0 million (2QFY2021: unrealised loss RM45.3 million) from fair value changes on outstanding derivative contracts.

Notes to Interim Financial Report

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Property Development

Property segment's profit fell marginally to RM15.8 million (2QFY2021: profit RM16.8 million) caused by lower revenue of RM36.9 million (2QFY2021: RM41.6 million).

Investment Holding/Others

This segment's loss was higher at RM30.2 million (2QFY2021: loss RM12.1 million) mainly due to:

- Higher net interest expense of RM48.8 million (2QFY2021: RM32.9 million) attributable to an increase in bank borrowings.
- Lower equity profit of RM10.1 million (2QFY2021: profit RM18.6 million) from Synthomer plc, an oversea associate. Synthomer plc reported a drop in profit after taking into account of non-recurring provisions.

Corporate

Corporate expense amounted to RM3.5 million (2QFY2021: income RM169.7 million).

The corporate income for last year 2nd quarter had included the following items:

- Surplus of RM154.6 million on sales of plantation land and government acquisition.
- Surplus of RM12.2 million on fair value of an ordinary investment which was previously an associate.

Todate 2nd Quarter FY2022 vs Totate 2nd Quarter FY2021

	Todate Ended		+ / (-) %
	31/3/2022	31/3/2021	
	RM'000	RM'000	
Revenue	<u>13,211,419</u>	<u>8,808,505</u>	50.0
Segment results			
Plantation	1,031,225	494,895	108.4
Manufacturing	697,465	402,622	73.2
Property development	34,654	38,846	(10.8)
Investment holding/Others	<u>(6,287)</u>	<u>10,179</u>	-
	1,757,057	946,542	85.6
Corporate (expense)/ income	<u>(18,634)</u>	<u>196,613</u>	-
Profit before taxation	<u>1,738,423</u>	<u>1,143,155</u>	52.1

The Group's pre-tax profit for todate 2nd quarter soared 52.1% to RM1.738 billion (Todate 2QFY2021: profit RM1.143 billion) with a 50% increase in revenue to RM13.211 billion (Todate 2QFY2021: RM8.809 billion).

Notes to Interim Financial Report

(Continued)

Comments on the business sectors are as follows:

Plantation

Plantation profit had doubled to RM1.031 billion (Todate 2QFY2021: profit RM494.9 million) boosted by:

- Much stronger CPO and PK selling prices realised as follows:

	Todate <u>2QFY2022</u>	Todate <u>2QFY2021</u>	% Change
Crude Palm Oil (RM/mt ex-mill)	4,207	2,846	47.8
Palm Kernel (RM/mt ex-mill)	3,352	1,976	69.6

- Fair value gain of RM48.7 million (Todate 2QFY2021: gain RM14.7 million) on valuation of unharvested fresh fruit bunches.
- Profit contribution from newly acquired subsidiaries.

However, increase in profit was partially offset by higher unrealised loss of RM113.6 million (Todate 2QFY2021: unrealised loss RM6.6 million) from fair value changes on outstanding derivative contracts.

Manufacturing

Manufacturing segment reported an improvement in profit to RM697.5 million (Todate 2QFY2021: profit RM402.6 million) supported by higher revenue of RM10.805 billion (Todate 2QFY2021: RM7.439 billion).

The higher profit was largely due to higher contribution from Oleochemical division and refineries and kernel crushing operations. Results was also aided by unrealised gain of RM4.9 million (Todate 2QFY2021: unrealised loss RM45.4 million) from fair value changes on outstanding derivative contracts.

Property Development

Property segment's profit fell 10.8% to RM34.7 million (Todate 2QFY2021: profit RM38.8 million) affected by lower revenue of RM92.9 million (Todate 2QFY2021: RM95.1 million).

Investment Holding/Others

This segment incurred a loss of RM6.3 million (Todate 2QFY2021: profit RM10.2 million) mainly caused by:

- Higher net interest expense which resulted from an increase in bank borrowings.
- Lower equity profit of RM10.1 million (Todate 2QFY2021: profit RM18.6 million) from an overseas associate, Synthomer plc.

Corporate

Corporate expense amounted to RM18.6 million (Todate 2QFY2021: income RM196.6 million).

The corporate income for last year todate 2nd quarter had taken into account of:

- Surplus on sales of plantation land and government acquisition of RM154.8 million.
- Surplus of RM12.2 million on fair value of an ordinary investment which was previously an associate.
- Foreign exchange gain of RM50.6 million on translation of inter-company loans denominated in foreign currencies.

Notes to Interim Financial Report

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B2. Variation of Results to Immediate Preceding Quarter
2nd Quarter FY2022 vs 1st Quarter FY2022

	Current Quarter Ended 31/3/2022	Immediate Preceding Quarter Ended 31/12/2021	+ / (-) %
	RM'000	RM'000	
Revenue	<u>6,382,551</u>	<u>6,828,868</u>	(6.5)
Segment results			
Plantation	423,302	607,923	(30.4)
Manufacturing	377,891	319,574	18.2
Property development	15,828	18,826	(15.9)
Investment holding/Others	<u>(30,193)</u>	<u>23,906</u>	-
	786,828	970,229	(18.9)
Corporate expense	<u>(3,507)</u>	<u>(15,127)</u>	(76.8)
Profit before taxation	<u>783,321</u>	<u>955,102</u>	(18.0)

The Group's 2nd quarter pre-tax profit fell 18.0% to RM783.3 million (1QFY2022: profit RM955.1 million) whilst revenue was lower at RM6.383 billion (1QFY2022: RM6.829 billion).

Comments on various business sectors are as follows:

Plantation

Plantation profit was 30.4% lower at RM423.3 million (1QFY2022: profit RM607.9 million) largely due to:

- Drop in revenue arising from lower CPO sales volume.
- Higher cost of CPO production arising from drop in FFB production.
- Higher unrealised loss of RM84.9 million (1QFY2022: unrealised loss RM28.7 million) from fair value changes on outstanding derivative contracts.

However, the results were cushioned by higher CPO and PK selling prices realised as follows:

	<u>2QFY2022</u>	<u>1QFY2022</u>	% Change
Crude Palm Oil (RM/mt ex-mill)	4,378	4,063	7.8
Palm Kernel (RM/mt ex-mill)	3,860	2,864	34.8

Manufacturing

Manufacturing segment's profit rose by 18.2% to RM377.9 million (1QFY2022: profit RM319.6 million) despite a drop in revenue at RM5.292 billion (1QFY2022: RM5.513 billion) as a result of lower sales volume.

Both the Oleochemical division and refineries and kernel crushing operations reported higher profit.

However, the increase in profit was partially offset by unrealised loss of RM40.0 million (1QFY2022: unrealised gain RM44.9 million) from fair value changes on outstanding derivative contracts.

Notes to Interim Financial Report

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Property Development

Property segment's profit fell 15.9% to RM15.8 million (1QFY2022: profit RM18.8 million) affected by lower revenue of RM36.9 million (1QFY2022: RM56.0 million).

Investment Holding/Others

This segment incurred a loss of RM30.2 million (1QFY2022: profit RM23.9 million). This quarter had included an equity profit of RM10.1 million (1QFY2022: Nil) from an overseas associate, Synthomer plc. Previous quarter had accounted for Farming profit of RM59.7 million.

Corporate

Corporate expense was lower at RM3.5 million (1QFY2022: expense RM15.1 million) largely attributable to foreign currency exchange gain of RM4.9 million (1QFY2022: loss RM3.5 million) on translation of inter-company loans denominated in foreign currencies.

B3. Current Year Prospects

CPO price continued to rally due to tight edible oils supplies worldwide exacerbated by supply disruptions arising from the Russia-Ukraine conflict. CPO price is also expected to remain high in the near term. With the strong CPO price and intensified mechanisation efforts to alleviate the labour shortage, we expect profit from the plantation segment to improve in the second half of the financial year.

For the manufacturing segment, the hike in raw material prices and energy cost, coupled with persistent logistic issues continue to pose challenges in the current financial year. Nevertheless, the Group expects the segment's performance to be satisfactory supported by robust demand with the recovery in the global economy.

Overall, the Group expects a good financial performance for the year ending 30 September 2022.

B4. Profit Forecast and Profit Guarantee

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

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B5. Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	75,074	27,022	158,718	53,529
Overseas taxation	108,511	58,977	288,949	124,697
	<u>183,585</u>	<u>85,999</u>	<u>447,667</u>	<u>178,226</u>
Deferred tax				
Origination and reversal of temporary differences	(16,061)	16,114	(16,037)	8,482
Relating to changes in tax rate	-	20,765	-	20,765
(Over)/Under provision in respect of previous years	(9,472)	(269)	(5,190)	634
	<u>(25,533)</u>	<u>36,610</u>	<u>(21,227)</u>	<u>29,881</u>
	158,052	122,609	426,440	208,107
(Over)/Under provision in respect of previous years				
Malaysian taxation	(172)	-	4,155	(309)
Overseas taxation	13,160	6,614	17,994	7,600
	<u>12,988</u>	<u>6,614</u>	<u>22,149</u>	<u>7,291</u>
Total	<u>171,040</u>	<u>129,223</u>	<u>448,589</u>	<u>215,398</u>
Profit before taxation	<u>783,321</u>	<u>649,273</u>	<u>1,738,423</u>	<u>1,143,155</u>
Tax at Malaysian income tax rate of 24% (FY2021: 24%)	187,998	155,825	417,222	274,357
Effect of different tax rates in foreign jurisdictions	(13,419)	(4,780)	(18,455)	(16,323)
Withholding tax on foreign dividend and interest income	11,085	3,624	77,315	7,349
Expenses not deductible for tax purposes	3,699	10,344	22,644	20,233
Tax exempt and non-taxable income	(5,641)	(49,378)	(19,725)	(64,783)
Tax incentives	(2,935)	(1,490)	(3,807)	(2,456)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(13,924)	(6,004)	(40,603)	(23,833)
Tax effect on associates' and joint ventures' results	(4,275)	(5,965)	(8,167)	(9,041)
Under provision of tax expense in respect of previous years	12,988	6,614	22,149	7,291
(Over)/Under provision of deferred tax in respect of previous years	(9,472)	(269)	(5,190)	634
Effect of changes in tax rates on deferred tax	-	20,765	-	20,765
Others	4,936	(63)	5,206	1,205
Tax expense	<u>171,040</u>	<u>129,223</u>	<u>448,589</u>	<u>215,398</u>

Notes to Interim Financial Report

(Continued)

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

B7. Group Borrowings

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

	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	-	-	USD 33,263	139,863	USD 33,263	139,863
	-	-	-	673,700	-	673,700
Term loans	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
	-	1,200,000	-	-	-	1,200,000
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

	As at 31 March 2021					
	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 4,189	20,373	Euro 1,252	6,087	Euro 5,441	26,460
Unsecured						
Bank overdrafts	-	-	Euro 28,970	140,909	Euro 28,970	140,909
Revolving credit	-	-	Euro 21,000	102,142	Euro 21,000	102,142
	-	-	AUD 6,800	21,423	AUD 6,800	21,423
	-	-	GBP 33,000	188,592	GBP 33,000	188,592
Trade financing	-	-	USD 74,411	308,544	USD 74,411	308,544
	-	-	-	583,821	-	583,821
Term loans	USD 67,000	278,326	USD 29,000	120,332	USD 96,000	398,658
	Euro 30,000	145,893	Euro 13,000	63,200	Euro 43,000	209,093
Bankers' acceptance	-	-	-	116,150	-	116,150
Islamic medium term notes	-	4,600,000	-	-	-	4,600,000
Total		5,044,592		1,651,200		6,695,792

Exchange Rates Applied	As at 31 March	
	2022	2021
USD / RM	4.2048	4.1465
Euro / RM	4.6534	4.8639
GBP / RM	5.5234	5.7149
Rp1,000 / RM	0.2926	0.2855
Rmb / RM	0.6632	0.6328
AUD / RM	3.1456	3.1505
JPY 100 / RM	3.4549	3.7452

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.

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As at 31 March 2022, the values and maturity analysis of the outstanding derivatives are as follows:

<u>Derivatives</u>	Contract/Notional Value Net long/(short) RM'000	Fair value Net gains/(losses) RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	<u>(1,369,418)</u>	<u>11,780</u>
(ii) Commodity futures contracts		
- Less than 1 year	<u>(521,235)</u>	<u>(113,598)</u>

Derivative financial instruments 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.

For the second quarter ended 31 March 2022, 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.

B11. Dividend

- (a) An interim single tier dividend of 20 sen (2021: 20 sen) per share has been authorised by the Directors in respect of the financial year ending 30 September 2022 and will be paid to the shareholders on 2 August 2022. The entitlement date for the dividend shall be 12 July 2022.

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

- (i) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 7 July 2022 in respect of securities exempted from mandatory deposit;
 - (ii) Securities transferred into the Depositor's Securities Account before 4.30 p.m. on 12 July 2022 in respect of transfers; 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 (2021: 20 sen) per share.

Notes to Interim Financial Report

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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	
	2022	2021	2022	2021
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	546,570	490,439	1,145,894	847,847
(b) Weighted average number of shares	1,078,024,552	1,078,525,576	1,077,955,021	1,078,501,923
(c) Earnings per share (sen)	50.7	45.5	106.3	78.6

B13. Audit Report

The audit report for the financial year ended 30 September 2021 was not subject to any qualifications.

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest income	(13,381)	(11,902)	(24,620)	(26,436)
Other income including dividend income	(25,522)	(47,782)	(63,525)	(74,458)
Interest expense	79,665	57,485	154,699	115,745
Depreciation and amortisation	244,524	152,662	461,224	302,862
Write-off of receivables	-	717	14	717
Provision for and write-off/(Write-back) of inventories	39,183	3,188	85,086	(2,392)
Surplus on disposal of land	(554)	(149,501)	(1,390)	(149,795)
Surplus on government acquisition of land	(28)	(5,148)	(3,479)	(4,987)
Foreign exchange gain	(31,334)	(44,209)	(40,087)	(112,781)
Loss/(Gain) on derivatives	10,835	301	(70,131)	(12,825)
Exceptional items	-	-	-	-

By Order of the Board
YAP MIOU KIEN
Company Secretary

24 May 2022