

PPB GROUP BERHAD [196801000571 (8167-W)]
UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2023

Unaudited Condensed Consolidated Income Statements For The Financial Period Ended
30 June 2023

	2nd Quarter ended		6 Months ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Revenue	1,480,934	1,542,833	3,000,609	2,891,205
Cost of sales	<u>(1,326,891)</u>	<u>(1,364,686)</u>	<u>(2,692,931)</u>	<u>(2,603,728)</u>
Gross profit	154,043	178,147	307,678	287,477
Other operating income/(expenses)	77,215	60,454	149,973	(110,999)
Distribution costs	(53,292)	(53,006)	(106,903)	(107,496)
Administrative expenses	(56,455)	(46,319)	(113,211)	(92,795)
Other expenses	(2,024)	(1,871)	(3,183)	(3,149)
Share of results of associates	132,283	628,496	453,061	1,044,142
Share of results of joint venture	1,473	1,228	2,473	2,548
Finance costs	<u>(20,419)</u>	<u>(14,604)</u>	<u>(42,050)</u>	<u>(27,192)</u>
Profit before taxation	232,824	752,525	647,838	992,536
Tax (expense)/credit	<u>(24,953)</u>	<u>(36,399)</u>	<u>(47,449)</u>	<u>6,217</u>
Profit for the period from continuing operations	207,871	716,126	600,389	998,753
<u>Discontinued operations</u>				
Loss before taxation	-	(453)	-	(1,374)
Tax credit	-	175	-	381
Loss for the period from discontinued operations	-	(278)	-	(993)
Profit for the period	207,871	715,848	600,389	997,760
Attributable to :				
Owners of the parent				
Profit from continuing operations	202,814	693,685	580,351	997,559
Loss from discontinued operations	-	(278)	-	(993)
Profit for the period attributable to owners of the parent	202,814	693,407	580,351	996,566
Non-controlling interests				
Profit from continuing operations	5,057	22,441	20,038	1,194
Profit for the period	207,871	715,848	600,389	997,760
Basic earnings per share (sen)				
- continuing operations	14.26	48.76	40.80	70.12
- discontinued operations	-	(0.02)	-	(0.07)
	<u>14.26</u>	<u>48.74</u>	<u>40.80</u>	<u>70.05</u>

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2022)

PPB GROUP BERHAD [196801000571 (8167-W)]
Unaudited Condensed Consolidated Statements Of Comprehensive Income
For The Financial Period Ended 30 June 2023

	2nd Quarter ended		6 Months ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit for the period	207,871	715,848	600,389	997,760
Other comprehensive income, net of tax				
<u>Items that will not be subsequently reclassified to profit or loss</u>				
Fair value loss on investment in equity instruments designated as fair value through other comprehensive income	(43,437)	(2,981)	(8,899)	(9,063)
Share of associates' other comprehensive income/(loss)	12,035	12,462	17,578	(17,319)
<u>Items that will be subsequently reclassified to profit or loss</u>				
Exchange differences on translation of foreign operations	1,210,960	977,399	1,361,584	1,191,089
Share of associates' other comprehensive loss	(610,834)	(462,422)	(486,931)	(559,044)
Total comprehensive income	776,595	1,240,306	1,483,721	1,603,423
Attributable to :				
Owners of the parent				
Total comprehensive income from continuing operations	760,701	1,214,967	1,444,535	1,595,138
Total comprehensive loss from discontinued operations	-	(278)	-	(993)
Total comprehensive income attributable to owners of the parent	760,701	1,214,689	1,444,535	1,594,145
Non-controlling interests				
Total comprehensive income from continuing operations	15,894	25,617	39,186	9,278
Total comprehensive income	776,595	1,240,306	1,483,721	1,603,423

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2022)

PPB GROUP BERHAD [196801000571 (8167-W)]
Unaudited Condensed Consolidated Statements Of Financial Position

	As at 30-Jun-23 RM'000	As at 31-Dec-22 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,218,691	1,322,671
Investment properties	360,917	366,682
Right-of-use assets	380,186	373,976
Bearer plants	3,883	3,893
Land held for property development	98,170	98,170
Goodwill	70,232	70,232
Other intangible assets	13,259	12,604
Investment in associates	23,179,019	22,329,590
Investment in joint venture	34,111	31,159
Other investments	343,570	351,945
Deferred tax assets	32,354	55,695
Total non-current assets	25,734,392	25,016,617
Current assets		
Inventories	998,065	1,090,095
Biological assets	25,513	19,980
Property development costs	2,878	2,523
Trade receivables	635,057	809,185
Other receivables	277,653	337,320
Derivative financial assets	32,245	289
Current tax assets	16,447	28,334
Cash and cash equivalents	1,531,434	1,587,047
Total current assets	3,519,292	3,874,773
Assets classified as held for sale	512,646	41,287
	4,031,938	3,916,060
TOTAL ASSETS	29,766,330	28,932,677
EQUITY AND LIABILITIES		
Equity		
Share capital	1,429,314	1,429,314
Reserves	25,417,034	24,401,527
Equity attributable to owners of the parent	26,846,348	25,830,841
Non-controlling interests	747,815	737,667
Total equity	27,594,163	26,568,508

PPB GROUP BERHAD [196801000571 (8167-W)]
Unaudited Condensed Consolidated Statements Of Financial Position
(continued)

	As at 30-Jun-23 RM'000	As at 31-Dec-22 RM'000
Non-current liabilities		
Borrowings	66,295	68,691
Lease obligations	345,124	339,949
Deferred tax liabilities	112,142	114,433
Provision for restoration cost	47,270	45,320
Total non-current liabilities	<u>570,831</u>	<u>568,393</u>
Current liabilities		
Trade payables	186,590	225,106
Other payables	232,126	202,789
Derivative financial liabilities	5,126	41,110
Borrowings	773,859	1,278,516
Lease obligations	43,504	41,318
Current tax liabilities	11,319	2,732
Total current liabilities	<u>1,252,524</u>	<u>1,791,571</u>
Liabilities directly associated with the assets held for sale	348,812	4,205
	<u>1,601,336</u>	<u>1,795,776</u>
Total liabilities	<u>2,172,167</u>	<u>2,364,169</u>
TOTAL EQUITY AND LIABILITIES	<u><u>29,766,330</u></u>	<u><u>28,932,677</u></u>

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2022)

Unaudited Condensed Consolidated Statements Of Changes In Equity For The Financial Period Ended 30 June 2023

	Share capital RM'000	Non-distributable reserves RM'000	Retained earnings RM'000	Attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
<u>6 Months ended 30 June 2023</u>						
At 1 January 2023	1,429,314	4,115,216	20,286,311	25,830,841	737,667	26,568,508
Profit for the period	-	-	580,351	580,351	20,038	600,389
Other comprehensive income	-	864,184	-	864,184	19,148	883,332
Total comprehensive income	-	864,184	580,351	1,444,535	39,186	1,483,721
Transfer of reserves	-	34,717	(34,717)	-	-	-
Dividends paid to shareholders of the Company	-	-	(398,328)	(398,328)	-	(398,328)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	(31,531)	(31,531)
Issue of shares to non-controlling interests	-	-	-	-	2,643	2,643
Share of other changes in equity of associates	-	(30,700)	-	(30,700)	-	(30,700)
Disposal of a subsidiary	-	-	-	-	(150)	(150)
At 30 June 2023	<u>1,429,314</u>	<u>4,983,417</u>	<u>20,433,617</u>	<u>26,846,348</u>	<u>747,815</u>	<u>27,594,163</u>

6 Months ended 30 June 2022

At 1 January 2022	1,429,314	4,277,355	18,724,819	24,431,488	748,815	25,180,303
Profit for the period	-	-	996,566	996,566	1,194	997,760
Other comprehensive income/(loss)	-	600,253	(2,674)	597,579	8,084	605,663
Total comprehensive income	-	600,253	993,892	1,594,145	9,278	1,603,423
Transfer of reserves	-	93,194	(93,194)	-	-	-
Dividends paid to shareholders of the Company	-	-	(355,650)	(355,650)	-	(355,650)
Share of other changes in equity of associates	-	(63,642)	-	(63,642)	-	(63,642)
At 30 June 2022	<u>1,429,314</u>	<u>4,907,160</u>	<u>19,269,867</u>	<u>25,606,341</u>	<u>758,093</u>	<u>26,364,434</u>

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2022)

PPB GROUP BERHAD [196801000571 (8167-W)]
Unaudited Condensed Consolidated Statements Of Cash Flows
For The Financial Period Ended 30 June 2023

	6 Months ended 30 June	
	2023	2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	647,838	992,536
Loss before tax from discontinued operations	-	(1,374)
Profit before taxation	647,838	991,162
Adjustments:		
Non-cash items	(419,861)	(995,401)
Non-operating items	10,795	14,030
Operating profit before working capital changes	238,772	9,791
Working capital changes:-		
Net change in current assets	58,142	(384,121)
Net change in current liabilities	24,569	182,993
Cash generated from/(used in) operations	321,483	(191,337)
Tax paid	(5,582)	(13,763)
Net cash generated from/(used in) operating activities	315,901	(205,100)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of property, plant and equipment, investment properties, biological assets and other intangible assets	(67,719)	(59,320)
Proceeds from disposal of property, plant and equipment	186	3,535
Investments in associates	(169)	(211)
Proceeds from disposal of a subsidiary	50,322	8,931
Dividends received	433,714	399,539
Income received from short-term fund placements	18,833	6,980
Interest received	8,098	2,935
(Repayment from)/advances to associates	(209)	3,465
Distribution of profit from joint venture	1,920	1,942
Proceeds from liquidation of a subsidiary	3,722	-
Net cash generated from investing activities	448,698	367,796
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Drawdown of bank borrowings	(295,433)	479,872
Interest paid	(33,961)	(19,799)
Dividends paid to shareholders of the Company	(398,328)	(355,650)
Dividends paid to non-controlling interests of subsidiaries	(31,531)	-
Payment of lease obligations	(27,957)	(19,979)
Shares issued to non-controlling interest of a subsidiary	4,434	-
Net cash (used in)/generated from financing activities	(782,776)	84,444
Net (decrease)/increase in cash and cash equivalents	(18,177)	247,140
Cash and cash equivalents brought forward	1,596,559	1,296,316
Effect of exchange rate changes	14,810	3,549
Cash and cash equivalents carried forward	1,593,192	1,547,005
(including cash in asset classified as held for sale)		
Cash and cash equivalents represented by:		
Cash and bank balances	417,362	623,339
Bank deposits	155,474	143,978
Short-term fund placements	1,020,356	779,688
	1,593,192	1,547,005

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2022)

NOTES

A1. Accounting policies

The interim financial statements of the Group have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") MFRS 134 Interim Financial Reporting and Chapter 9, Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2022 except for the adoption of the following Amendments to MFRS that are effective for financial periods beginning on or after 1 January 2023 :

- Amendments to MFRS 101 Presentation of Financial Statements and MFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
- Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising a Single Transaction
- Amendments to MFRS 112 Income Taxes: International Tax Reform - Pillar Two Model Rules

The adoption of the above Amendments to MFRS did not have any material impact on the condensed financial statements in the period of initial application.

A2. Seasonality or cyclicity of interim operations

The Group's operations are not materially affected by any seasonal or cyclical factors.

A3. Exceptional or unusual items

There were no exceptional or unusual items for the financial period ended 30 June 2023.

A4. Nature and amount of changes in estimates

There were no changes in estimates of amounts reported in the previous financial year which have a material effect in the current interim period.

A5. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuance or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period to-date.

A6. Dividends paid

A final dividend of 28 sen per share in respect of financial year ended 31 December 2022 was paid on 8 June 2023.

A7. Segmental reporting

Performance of the Group's business segments for the financial period ended 30 June 2023 is as follows :

Business segments: All figures in RM'000	<u>Grains and agribusiness</u>	<u>Consumer products</u>	<u>Film exhibition and distribution</u>	<u>Property</u>	<u>Other operations</u>	<u>Inter-segment elimination</u>	<u>Total</u>
REVENUE							
External revenue	2,258,940	388,406	296,351	44,972	11,940	-	3,000,609
Inter-segment sales	58,319	2,967	-	401	-	(61,687)	-
Total revenue	<u>2,317,259</u>	<u>391,373</u>	<u>296,351</u>	<u>45,373</u>	<u>11,940</u>	<u>(61,687)</u>	<u>3,000,609</u>
RESULTS							
Segment results	136,794	12,755	7,230	2,453	48,955	-	208,187
Share of results of associates	(10,108)	(839)	6,789	909	456,310	-	453,061
Share of results of joint venture	-	-	-	-	2,473	-	2,473
Unallocated corporate expenses	-	-	-	-	-	-	(15,883)
Profit before taxation	<u>126,686</u>	<u>11,916</u>	<u>14,019</u>	<u>3,362</u>	<u>507,738</u>	<u>-</u>	<u>647,838</u>

A8. Material events subsequent to the end of the interim period

Mantap Aman Sdn Bhd, an indirect 100%-owned subsidiary of the Company held via the Company's 80% equity interest in FFM Berhad ("FFM"), had on 11 August 2023 entered into a Conditional Sale and Purchase Agreement with PT Sentratama Niaga Indonesia and PT Wilmar Nabati Indonesia to divest its entire 51% equity interest comprising 257,397 ordinary shares in PT Pundi Kencana ("Pundi") for a cash consideration of Rp290.7 billion (equivalent to RM87.5 million). The disposal of Pundi is expected to be completed in the third quarter of 2023. Subject to the final quantified sum of employees severance pay to be deducted from the sale proceeds, the disposal is estimated to realise a gain of RM24.8 million.

As at 30 June 2023, the assets and liabilities of Pundi have been classified as "Assets held for sale" and "Liabilities directly associated with the assets held for sale", respectively.

Other than the above, there were no material events or transactions since the end of the financial period to the date of this announcement which materially affect the results of the Group.

A9. Changes in the composition of the Group

On 28 February 2023, Chemquest Sdn Bhd ("CQ"), a 55%-owned subsidiary of the Company completed the disposal of its entire 99.57% equity interest in Malayan Adhesives and Chemicals Sdn Bhd ("MAC") to Techbond Group Bhd for a cash consideration of RM57 million. A gain on disposal of RM24.5 million has been recorded in the financial statements for the interim period.

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

A10. Changes in contingent liabilities or contingent assets

On 5 August 2022, FFM received a Notice of Proposed Decision issued by the Malaysia Competition Commission ("MyCC") pursuant to Section 36 of the Competition Act 2010 ("the Act"). The Proposed Decision was premised primarily on the allegation that FFM had engaged in agreements and/or concerted practices to fix the quantum of poultry feed prices in breach of Section 4 of the Act.

MyCC has highlighted that their findings are provisional and it should not be assumed that FFM has broken the law at this stage. Subject to the findings in relation to the alleged infringement, MyCC proposed to impose a penalty of RM46.63 million on FFM. This is, however, neither final nor conclusive.

FFM has on 31 January 2023 submitted the required written representation to MyCC and is now awaiting decision from MyCC.

A11. Capital and other commitments

Authorised capital and other commitments not provided for in the financial statements as at 30 June 2023 are as follows:

	RM'000
Property, plant and equipment, investment properties and biological assets	
- contracted	125,171
- not contracted	347,922
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	473,093
Other commitments	
- contracted	408,999
Total	<hr/> 882,092 <hr/>

A12. Significant related party transactions

Significant related party transactions during the financial period ended 30 June 2023 are as follows:

	RM'000
Transactions with associates	
- Sales of goods	5,987
- Purchase of goods	4,687
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Transactions with subsidiaries of the ultimate holding company	
- Sale of goods	9,376
- Supervision fee income	1,363
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Transactions with subsidiaries of associates	
- Purchase of goods	367,137
- Sales of goods	59,040
- Rental income	1,698
- Other services expenses	8,066
- Freight cost	52,937
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B1. Performance analysis

Group financial performance by business segment

Business segments: All figures in RM'000	Grains and agribusiness	Consumer products	Film exhibition and distribution	Environmental engineering and utilities (<i>discontinued operations</i>)	Property	Other operations	Inter- segment elimination	Total
<u>2Q2023</u>								
REVENUE								
External revenue	1,098,153	189,083	167,999	-	22,075	3,624	-	1,480,934
Inter-segment sales	26,625	1,710	-	-	201	-	(28,536)	-
Total revenue	1,124,778	190,793	167,999	-	22,276	3,624	(28,536)	1,480,934
RESULTS								
Segment results	75,857	4,658	11,627	-	820	14,711	-	107,673
Share of results of associates	(7,630)	(83)	2,417	-	1,816	135,763	-	132,283
Share of results of joint venture	-	-	-	-	-	1,473	-	1,473
Unallocated corporate expenses	-	-	-	-	-	-	-	(8,605)
Profit before taxation	68,227	4,575	14,044	-	2,636	151,947	-	232,824
<u>2Q2022</u>								
REVENUE								
External revenue	1,125,485	191,956	156,670	34,481	46,838	21,884	-	1,577,314
Inter-segment sales	34,222	1,707	-	-	200	14	(36,143)	-
Total revenue	1,159,707	193,663	156,670	34,481	47,038	21,898	(36,143)	1,577,314
RESULTS								
Segment results	84,526	6,895	21,314	(465)	12,833	4,058	-	129,161
Share of results of associates	30,730	(785)	943	-	(205)	597,813	-	628,496
Share of results of joint venture	-	-	-	12	-	1,228	-	1,240
Unallocated corporate expenses	-	-	-	-	-	-	-	(6,825)
Profit/(Loss) before taxation	115,256	6,110	22,257	(453)	12,628	603,099	-	752,072
Variance								
Revenue (%)	-2%	-1%	7%	-100%	-53%	-83%	21%	-6%
Profit/(Loss) before taxation (%)	-41%	-25%	-37%	n.m	-79%	-75%	-	-69%

n.m - not meaningful

B1. Performance analysis

Group financial performance by business segment

Business segments: All figures in RM'000	Grains and <u>agribusiness</u>	Consumer <u>products</u>	Film exhibition and <u>distribution</u>	Environmental engineering and utilities (<i>discontinued operations</i>)	Property	Other <u>operations</u>	Inter- segment <u>elimination</u>	Total
<u>1H2023</u>								
REVENUE								
External revenue	2,258,940	388,406	296,351	-	44,972	11,940	-	3,000,609
Inter-segment sales	58,319	2,967	-	-	401	-	(61,687)	-
Total revenue	2,317,259	391,373	296,351	-	45,373	11,940	(61,687)	3,000,609
RESULTS								
Segment results	136,794	12,755	7,230	-	2,453	48,955	-	208,187
Share of results of associates	(10,108)	(839)	6,789	-	909	456,310	-	453,061
Share of results of joint venture	-	-	-	-	-	2,473	-	2,473
Unallocated corporate expenses	-	-	-	-	-	-	-	(15,883)
Profit before taxation	126,686	11,916	14,019	-	3,362	507,738	-	647,838
<u>1H2022</u>								
REVENUE								
External revenue	2,169,814	375,446	220,613	67,784	82,130	43,202	-	2,958,989
Inter-segment sales	61,742	2,385	-	37	401	42	(64,607)	-
Total revenue	2,231,556	377,831	220,613	67,821	82,531	43,244	(64,607)	2,958,989
RESULTS								
Segment results	(76,509)	14,015	(7,420)	(1,402)	22,058	7,621	-	(41,637)
Share of results of associates	53,459	(935)	(229)	-	(277)	992,124	-	1,044,142
Share of results of joint venture	-	-	-	28	-	2,547	-	2,575
Unallocated corporate expenses	-	-	-	-	-	-	-	(13,918)
(Loss)/Profit before taxation	(23,050)	13,080	(7,649)	(1,374)	21,781	1,002,292	-	991,162
Variance								
Revenue (%)	4%	3%	34%	-100%	-45%	-72%	5%	1%
Profit/(Loss) before taxation (%)	n.m	-9%	n.m	n.m	-85%	-49%	-	-35%

n.m. - not meaningful

Group performance review

For 2Q2023 and 1H2023, the Group achieved total revenue of RM1.48 billion and RM3.00 billion respectively (2Q2022: RM1.58 billion; 1H2022: RM2.96 billion). Pre-tax profit for 2Q2023 and 1H2023 was lower by 69% to RM233 million (2Q2022: RM752 million) and 35% to RM648 million (1H2022: RM991 million) respectively. The lower profits were mainly attributable to the lower contribution from Wilmar International Limited ("Wilmar") by 77% to RM139 million in 2Q2023 (2Q2022: RM598 million) and 54% to RM460 million in 1H2023 (1H2022: RM992 million). The Group's core business segments, however, recorded a profit of RM188 million in 1H2023 as compared to a loss of RM1 million in 1H2022.

Grains and agribusiness

Segment revenue for 2Q2023 and 1H2023 was at RM1.10 billion (2Q2022: RM1.13 billion) and RM2.26 billion (1H2022: RM2.17 billion) respectively. The segment recorded lower profit at RM68 million in 2Q2023 (2Q2022: RM115 million), mainly attributable to losses recorded at the Indonesia and China flour mills with lower sales volume and higher cost of raw materials on hand. For 1H2023, the segment recorded a profit of RM127 million (1H2022: RM23 million loss). This was mainly due to the improved performance of the Malaysian operations with higher sales and profit margin, on the back of a less volatile grains commodity market during the period under review.

Consumer products

Segment revenue for 2Q2023 and 1H2023 was at RM189 million (2Q2022: RM192 million) and RM388 million (1H2022: RM375 million) respectively. The segment reported lower profit at RM5 million in 2Q2023 (2Q2022: RM6 million) and RM12 million in 1H2023 (1H2022: RM13 million) respectively, attributable mainly to lower sales of consumer products and higher trade promotion expenses.

Film exhibition and distribution

Segment revenue for 2Q2023 and 1H2023 was higher at RM168 million (2Q2022: RM157 million) and RM296 million (1H2022: RM221 million) respectively. The segment reported a lower profit of RM14 million in 2Q2023 (2Q2022: RM22 million) due mainly to higher cinema operating costs as the cinema operation resumed full normalcy. For 1H2023, the segment turned around with a profit of RM14 million (1H2022: RM8 million loss) on the back of a 33% and 42% increase in box office collections and admissions for Malaysian operations coupled with strong contribution from the Vietnam operations.

Property

Segment revenue for 2Q2023 and 1H2023 was at RM22 million (2Q2022: RM47 million) and RM45 million (1H2022: RM82 million) respectively. Segment profit for 2Q2023 and 1H2023 was lower at RM3 million (2Q2022: RM13 million; 1H2022: RM22 million). The lower revenue and profit was mainly attributable to the absence of progressive profit recognised for sold units as the Megah Rise residential project has been fully completed in August 2022; and higher mall operating costs.

Other operations

Segment profit for 2Q2023 and 1H2023 was at RM152 million (2Q2022: RM603 million) and RM508 million (1H2022: RM1.00 billion). Contribution from Wilmar for 2Q2023 and 1H2023 was lower at RM139 million (2Q2022: RM598 million) and RM460 million (1H2022: 992 million) respectively, this was partially offset by a gain on disposal of Malayan Adhesives and Chemicals Sdn Bhd ("MAC") amounting to RM24.5 million (Refer to Note A9).

B2. Material changes in the quarterly results compared to the results of the preceding quarter

For 2Q2023, profit before taxation was lower at RM233 million as compared to RM415 million recorded in 1Q2023, mainly attributed to lower contribution from Wilmar at RM139 million (1Q2023: RM321 million) and absence of the gain on disposal of MAC amounting to RM24.5 million, partially offset by improved performance from the *Grain and Agribusiness* and *Film Exhibition and Distribution* segments.

B3. Prospects

The Malaysian economy expanded moderately by 2.9% in the second quarter of 2023 (1Q2023: 5.6%), weighed mainly by slower external demand. Second quarter 2023 growth rate was also affected by the high base effect in the second quarter of 2022, when the economy experienced strong growth from the reopening effects and policy measures.

Domestic demand remained the key driver of growth, supported by private consumption and investment. Household spending was supported by further growth in employment and wages. Investment activity was underpinned by capacity expansion, progress of multi-year projects and higher fixed asset spending by the government.

On the back of a modest global economic performance, decline in regional exports and lower commodity production, the Malaysian economic growth is expected to expand close to the lower end of 4.0 to 5.0% range in 2023. Growth will continue to be supported by resilient domestic demand and improving employment income as well as implementation of multi-year projects.

The global grains commodity market remained moderately volatile as the global supply risk could re-emerge with any escalation of geopolitical tension of Ukraine and Russia, as well as weather conditions affecting the production forecast of grains-growing countries.

Whilst the performance of the *Grains and Agribusiness* segment has improved significantly in the first half of 2023 as compared to a year ago. However, any downside supply risk, could affect performance of the segment for the rest of the year.

With a strong first half performance, and our continuous efforts to drive production and cost efficiency, we expect the *Grains and Agribusiness* segment to perform satisfactorily.

The *Consumer Products* segment is expected to deliver a satisfactory set of results by capitalizing on its established nation-wide distribution network and integrated warehousing and marketing system, while continuing its efforts to expand its consumer products range and widen its distribution base.

The *Film Exhibition and Distribution* segment had a strong close in the second quarter of 2023. For the rest of the year, we anticipate the Malaysian cinema industry performance to remain resilient with the upcoming lineup of strong movie titles, which should contribute positively to the segment's performance in 2023. However, the recent actors and writers' strikes in Hollywood may potentially affect the filming of movies and cause delays to a number of blockbusters releases, we are cautiously optimistic about the performance of the segment in 2023.

We expect the *Property* segment to perform satisfactorily as the new development projects in Kedah and Penang are at their final planning stages. Improved malls occupancy and footfall are expected to drive segment revenue in 2023.

Wilmar's performance will continue to contribute substantially to the overall profitability of the Group.

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Profit before taxation

	2nd Quarter ended 30-Jun-23 RM'000	6 Months ended 30-Jun-23 RM'000
Profit before taxation was stated after crediting/(charging):		
Interest income and income from short-term fund placements	14,494	27,689
Dividend income	3,506	3,566
Net foreign exchange gain/(loss)	1,730	(7,530)
Gain on disposal of subsidiary	-	24,501
Net fair value gain on derivatives	49,868	84,894
Net write back of impairment on receivables	232	522
Depreciation and amortisation	(49,107)	(99,237)
Interest expense on lease obligations	(4,009)	(8,108)

B6. Tax expense

	2nd Quarter ended 30-Jun-23 RM'000	6 Months ended 30-Jun-23 RM'000
Taxation based on the profit for the financial period:		
Malaysian taxation:		
Current tax expense	(2,978)	(19,418)
Deferred tax expense	(21,310)	(26,112)
	<u>(24,288)</u>	<u>(45,530)</u>
Foreign taxation:		
Current tax expense	(194)	(842)
Deferred tax expense	(471)	(1,077)
	<u>(24,953)</u>	<u>(47,449)</u>

The Group's effective tax rate stood at 25% for both 2Q2023 and 1H2023, which is higher than the statutory tax rate. This is mainly due to deferred tax assets not recognised on tax losses of certain subsidiaries. Deferred tax benefits will only be recognised when it is probable that taxable profits will be available to allow deferred tax benefits to be realised.

B7. Status of corporate proposals

There were no corporate proposals announced but not completed.

B8. Group borrowings

Total Group borrowings as at 30 June 2023 were as follows:

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term bank borrowings			
Long-term bank loan (RM)	44,500	44,500 (a)	-
Long-term bank loan (VND)	21,795	21,795 (b)	-
	66,295	66,295	-
Short-term bank borrowings			
Revolving credit (RM)	163,704	50,000 (a)	113,704
Short-term loan (RM)	87,000	-	87,000
Short-term loan (USD)	337,743	-	337,743
Short-term loan (VND)	185,412	6,539 (b)	178,873
	773,859	56,539	717,320

All of the above borrowings are unsecured except for the following:

- (a) The RM-denominated term loan and revolving credits are secured by a corporate guarantee from a subsidiary.
- (b) The VND-denominated term loan is secured by a corporate guarantee from a subsidiary.

B9. Derivative financial instruments

(a) Derivative financial assets and financial liabilities as at 30 June 2023

	Contract / Notional value RM'000	Fair value - Assets / Liabilities RM'000
<u>Derivative financial assets</u>		
i) Futures contracts	333,287	23,236
ii) Forward foreign currency contracts	325,044	9,009
Total derivative assets		32,245
<u>Derivative financial liabilities</u>		
i) Options contracts	67,668	4,981
ii) Forward foreign currency contracts	42,559	145
Total derivative liabilities		5,126

All contracts will be maturing within one year.

Futures and options contracts

The Group is exposed to market risk mainly from fluctuation in the prices of agricultural commodities, namely wheat and corn which are the key raw materials used in the Group's *Grains and agribusiness* segment. Commodity futures and options contracts are entered into with the objective to manage volatility of commodity prices. It is the policy of the Group to manage the commodity prices with reference to underlying contracts of corresponding commodities that are used in its grains and agribusiness operations.

Forward foreign currency contracts

The Group enters into foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency. Under the Group's policy, foreign currency hedging is only considered for committed transactions and shall not exceed 100% of the committed amount. The Group will continue to monitor closely the market volatilities and take appropriate measures to mitigate such risks.

There have been no other significant changes in respect of the following:

- (i) the credit risk, market risk and liquidity risk associated with the derivatives;
- (ii) the cash requirements of the derivatives;
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives; and
- (iv) the related accounting policies.

(b) Fair value changes of financial instruments

The derivative financial instruments are recognised at fair value on contract dates and subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in the income statement. Fair value changes are dependent on the market prices of derivatives as at liquidation date and end of reporting period.

For the 2nd quarter of 2023, unrealised fair value gain on derivative financial instruments amounted to RM32.4 million (2Q2022: RM156.4 million).

For the 1st half of 2023, unrealised fair value gain on derivative financial instruments amounted to RM30.9 million (1H2022: RM104 million).

B10. Material litigation

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

B11. Dividend

The Board of Directors is pleased to declare an interim dividend of 12 sen per share for the financial year ending 31 December 2023 (2022:12 sen per share) payable on 22 September 2023 to shareholders whose names appear in the Record of Depositors at the close of business on 13 September 2023.

B12. Earnings per share

	2nd Quarter ended		6 Months ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	202,814	693,407	580,351	996,566
Number of ordinary shares in issue ('000)	1,422,599	1,422,599	1,422,599	1,422,599
Basic earnings per share (sen)	14.26	48.74	40.80	70.05

There were no potential dilutive ordinary shares outstanding as at 30 June 2023 and 30 June 2022. As such, there were no diluted earnings per share for the financial period ended 30 June 2023 and 30 June 2022.

B13. Disclosure of audit report qualification and status of matters raised

The auditors' report for the financial year ended 31 December 2022 was not subject to any qualification.

Kuala Lumpur
29 August 2023

By Order of the Board
Mah Teck Keong
Company Secretary