

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (“the Board”) of IOI Corporation Berhad (“IOI” or “the Group”), I take great pleasure to present to you the Annual Report of the Group for the financial year ended 30 June 2023 (“FY2023”).

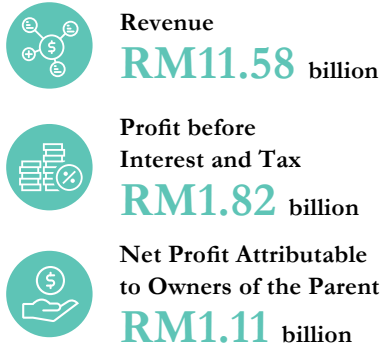
TAN SRI PETER CHIN FAH KUI OPERATING ENVIRONMENT

Independent Non-Executive Chairman

The year started with the global economic landscape in a delicate state following widespread global inflation, rising geopolitical tensions in addition to the ongoing Russia-Ukraine war undermining global trade. Global economic outlook has since turned negative and the World Bank and the International Monetary Fund projected an even slower global economic growth of 2.1% and 3.0% respectively for 2023 from an estimated growth of 3.1% and 3.5% respectively in 2022.

For the plantation sector, crude palm oil (“CPO”) price has been trending lower compared to the previous financial year whilst continuing to be volatile. CPO price dipped as low as RM3,300 per metric tonne (“MT”) level in early June 2023 before recovering to RM4,000 per MT level. The weak price trajectory was attributed to several contributing factors including the anticipation of seasonal increase in palm fruits production in the second half of this year, a slowdown of palm oil exports to China as well as influence of Indonesia’s palm oil export policies.

As for the foreign exchange market, the US Dollar strengthened sharply against the Malaysian Ringgit from USD/MYR 4.40 level early this year to about USD/MYR 4.68 level as at the end of June 2023. The strong US dollar was due to the US Federal Reserve increasing the federal funds rate rapidly since early 2022 from 0.25% to 5.50% (upper limit) currently to curb inflationary pressures in the United States.



REVIEW OF RESULTS

For the financial year under review, the Group's profit before tax ("PBT") totalled RM1,526.0 million, 35% lower compared to the PBT of RM2,352.6 million reported for financial year ended 30 June 2022 ("FY2022"). If we exclude the non-operating and one-off items (as detailed below), the underlying PBT is RM1,764.3 million for FY2023 which was 31% lower than the underlying PBT of RM2,547.7 million for FY2022. The decrease was mainly due to lower contribution from our plantation segment, mitigated by higher contribution from our resource-based manufacturing segment:



IOI is aggressively expanding our digitalisation and mechanisation efforts to optimise workforce and enhance operational efficiency.

Underlying PBT Year-to-Date

<i>In RM million</i>	FY2023	FY2022
PBT	1,526.0	2,352.6
Exclude non-operating and one-off items:		
Net foreign currency translation loss on foreign currency denominated borrowings and deposits	174.5	12.8
Net fair value loss on derivative financial instruments	81.0	63.7
Share of impairment loss of specialty fats associate, Bunge Lodders Croklaan Group BV ("BLC")	-	55.3
Loss on repurchase of Guaranteed Notes due 2022	-	29.4
Net gain on partial disposal of 10% equity interest of an associate	(17.2)	-
Impairment loss on Group's interest in an associate	-	33.9
	238.3	195.1
Underlying PBT	1,764.3	2,547.7

For our plantation segment, the lower operating profit of RM1,151.3 million recorded for FY2023 as compared to FY2022 of RM2,084.2 million was mainly due to lower CPO and palm kernel ("PK") selling prices and also higher cost of production. Overall average CPO and PK prices realised for FY2023 were RM4,118 per MT (FY2022 – RM4,688 per MT) and RM2,233 per MT (FY2022 – RM3,593 per MT) respectively. The lower segment profit reported was also due to lower share of associates results of RM185.8 million compared to RM334.6 million reported in FY2022.

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CHAIRMAN'S STATEMENT

For our resource-based manufacturing segment, the profit for FY2023 was RM691.0 million as compared to RM537.3 million for FY2022. If we exclude the fair value loss on derivative financial instruments of RM58.1 million (FY2022 – gain of RM32.0 million) and share of BLC's impairment loss of RM55.3 million in FY2022, the resource-based manufacturing segment reported an underlying profit of RM749.1 million for FY2023 which was 34% higher than the underlying profit of RM560.6 million for FY2022. The higher profit was mainly due to higher margins from our refining sub-segment, which was partly offset by lower margins from our oleochemical sub-segment.

A more detailed review of the Group's performance is covered under the Group Business Review section from pages 64 to 75 in this Annual Report.

MAJOR CAPITAL EXPENDITURE

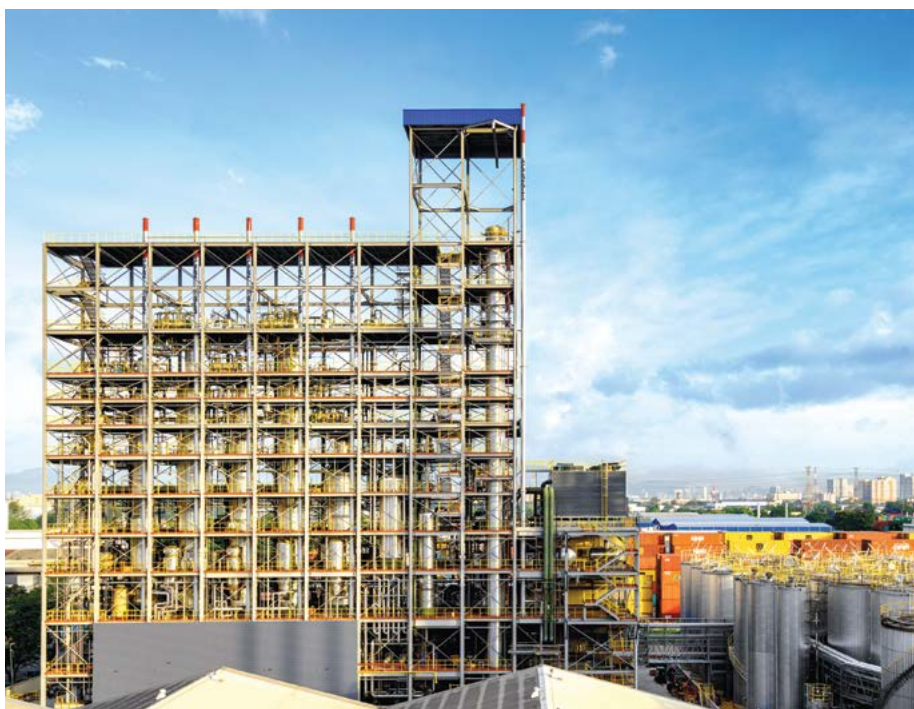
The Group continues to invest in its business operations through organic growth and new expansions. During the period, we have completed the construction of our new 110,000 MT/year capacity oleochemical plant in Prai, Penang and a new soap noodles plant in Pasir Gudang, Johor. Additionally, we commissioned our pioneer palm wood factory at Segamat, Johor. These plants are expected to bolster the Group's resource-based manufacturing income in the future.

The total capital expenditure for FY2023 was RM621.2 million, of which RM444.5 million was incurred by the plantation segment and RM171.3 million was incurred by the resource-based manufacturing segment.

Following the Group's replanting programme, approximately 8,300 hectares ("ha") of past prime trees were replanted during FY2023 with higher yielding oil palm planting materials and approximately 7,800 ha of oil palm trees were brought into maturity.



The resource-based manufacturing segment reported an underlying profit of RM749.1 million for FY2023 which was 34% higher than the underlying profit of RM560.6 million for FY2022.



Our new oleochemical plant in Prai, Penang will increase the Group's oleochemical production capacity by about 14% to 890,000 MT/year.

DIVIDEND AND CAPITAL MANAGEMENT

During the financial year, the Group distributed an interim single tier dividend totalling 6.0 sen per ordinary share amounting to approximately RM372.4 million in March 2023. The Board subsequently declared a second interim single tier dividend of 5.0 sen per ordinary share, amounting to approximately RM310.2 million in August 2023. In aggregate, the total dividend declared for FY2023 is approximately RM682.6 million.

During the period, the Group continues to generate value for shareholders by purchasing about 9.28 million of its issued shares capital from the open market at an average price of RM3.71 per share for a total consideration of approximately RM34.4 million.

Notwithstanding the distributions mentioned above, the Group continues to remain in a strong liquidity position with a low net gearing ratio of 14% and cash and cash equivalents of RM2.2 billion as at the end of FY2023. The ample reserve also allows the Group to capitalise on any future investment opportunities.



IOI's annual Board Retreat to review and discuss our current and future journey.

GOVERNANCE

During this financial year, we have reinforced our commitment to sustainability governance by establishing a dedicated Board Sustainability Committee (“BSC”), led by an Independent Non-Executive Director serving as its chairperson. The BSC will be accountable to the Board in the performance of its duties and responsibilities.

At the same time, the Group has also strengthened its governance over financial reporting matters with the appointment of Mr Lim Tuang Ooi as an Independent Non-Executive Director and a member of the Audit and Risk Management Committee in July 2023. Mr Lim is a Chartered Accountant with over 40 years of experience in the fields of risk management, banking and accounting. He was previously the Chief Financial Officer of Hong Leong Bank Berhad, Senior General Manager and Head of the Risk Management Division (Chief Risk Officer) of the Employees Provident Fund and Senior Adviser and Director of Investment Risk and Governance at Khazanah Nasional Berhad.

Our Board was further bolstered by the appointment of Datuk Zurinah binti Pawanteh on 1 September 2023 as an Independent and Non-Executive director. Datuk Zurinah is the Chairman of the Malaysian Rubber Board and a former Secretary General of the Ministry of Plantation and Commodities, as well as the Ministry of Energy and Natural Resources and Ministry of Water, Land and Natural Resources.

ACKNOWLEDGEMENTS

On behalf of the Board, I extend a warm welcome to Mr Lim Tuang Ooi and Datuk Zurinah as the new additions to the Board of Directors. I would also like to express our heartfelt appreciation to Datuk Karownikaran @ Karunakaran a/l Ramasamy, who retired from our Board after dedicating about 11 years of exemplary service to our Group.

Despite the challenges posed by a volatile global economic environment and fluctuating commodity prices, the Group achieved a satisfactory financial performance for FY2023. In recognition of the Group’s resilient business performance, I would like to express my gratitude to the management and employees of IOI for their commitment and hard work. Finally, I extend my thanks to our stakeholders, namely our customers, bankers, business partners, government authorities, non-government organisations and also our shareholders for their continued support and confidence in our Group.

Thank you.

Tan Sri Peter Chin Fah Kui
Independent Non-Executive Chairman

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