



Annual Report

2016

KUALA LUMPUR KEPONG BERHAD
(15043-V)

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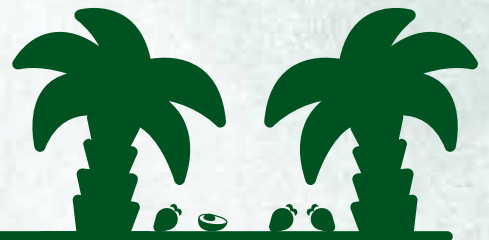
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KUALA LUMPUR KEPONG BERHAD (“KLK”), a company incorporated in Malaysia, is listed on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of approximately RM25.5 billion at the end of September 2016.



Started as a plantation company more than 100 years ago, plantations (oil palm and rubber) still lead as KLK’s core business activity. Through various strategic acquisitions and sound management, the Group’s plantation land bank now stands close to 270,000 hectares spread across Malaysia (Peninsular and Sabah), Indonesia (Belitung Island, Sumatra, Central and East Kalimantan) and Liberia.






Since the 1990s, the Group has diversified into resource-based manufacturing (oleochemicals, derivatives and specialty chemicals) and vertically integrated its upstream and downstream businesses. The KLK Group expanded its manufacturing operations through organic growth, joint ventures and acquisitions in Malaysia, the People’s Republic of China, Switzerland, Germany, The Netherlands, Belgium and Indonesia resulting in internationally-scaled oleochemicals operations.



The 1990’s also saw the Group capitalising on the strategic location of its land bank in Peninsular Malaysia by branching into property development.

MISSION

STRIVE FOR EXCELLENCE

-  Offering quality products and services at competitive prices.
-  Being a good and responsible corporate citizen.
-  Earning a fair return on investments.
-  Maintaining steady dividend payments and adequate dividend cover.
-  Sustaining growth through re-investment of retained profits.
-  Maintaining a high standard of business ethics and practices.
-  Fulfilling our social responsibilities in the community in which we operate.

VALUES



INTEGRITY

We value professional honesty and sincerity above all.



LOYALTY

We care for our colleagues as family and the Company as our own. We uphold the Company's interest through thick and thin.



HUMILITY

We respect our colleagues as partners and regard them as valuable contributors to our Company's success.



TEAM SPIRIT

We cooperate with our colleagues across geographical, divisional and functional boundaries to achieve Company's goals.



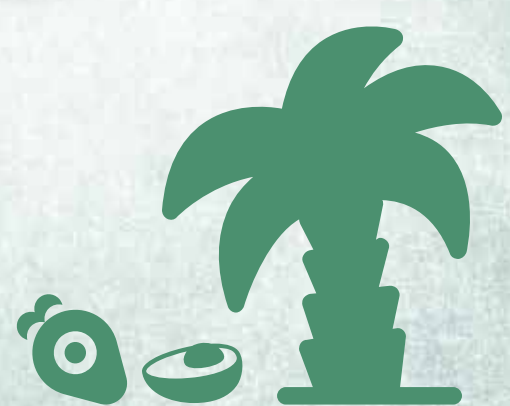
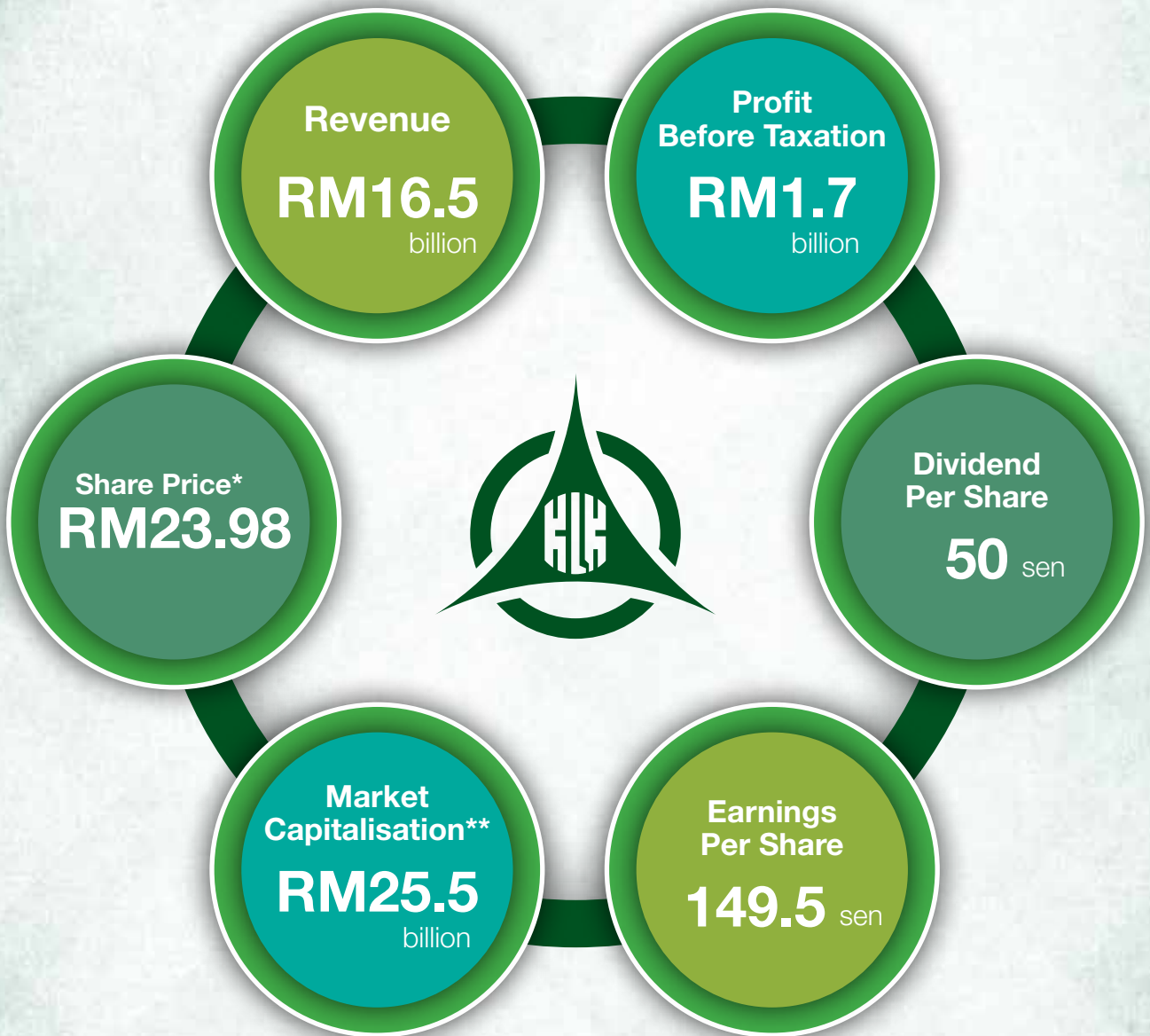
RESULT-ORIENTED PERFORMANCE

We take pride in our work and are happy to walk the extra mile to get the desired results.



INNOVATION

We seek for better ways of doing things and embrace change to adapt our business to the market and environment.



* Closing price on 30 September 2016
** Based on closing price on 30 September 2016

44TH ANNUAL GENERAL MEETING



VENUE : Wisma Taiko
1 Jalan S.P. Seenivasagam
30000 Ipoh, Perak, Malaysia

DATE : 15 February 2017

TIME : 11.00 a.m.

FINANCIAL CALENDAR

FINANCIAL YEAR END

2016



ANNOUNCEMENT OF RESULTS



PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS



INTERIM DIVIDEND



FINAL DIVIDEND



BOARD OF DIRECTORS

R. M. Alias

Chairman

Roy Lim Kiam Chye

Executive Director

Dato' Yeoh Eng Khoon

Senior Independent Non-Executive Director

Tan Sri Azlan Bin Mohd Zainol

Independent Non-Executive Director

Tan Sri Dato' Seri Lee Oi Hian

Chief Executive Officer

Dato' Lee Hau Hian

Non-Independent Non-Executive Director

Kwok Kian Hai

Independent Non-Executive Director

Quah Poh Keat

Independent Non-Executive Director

(Appointed w.e.f. 18 February 2016)

COMPANY SECRETARIES

Yap Miow Kien
Fan Chee Kum

AUDITORS

KPMG

PLACE OF INCORPORATION AND DOMICILE

In Malaysia as a public limited liability company

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Wisma Taiko
1 Jalan S.P. Seenivasagam
30000 Ipoh
Perak, Malaysia

Tel : +605-240 8000
Fax : +605-240 8115
Email : cosec@klk.com.my
Website : www.klk.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia

Tel : +603-7849 0777
Fax : +603-7841 8151
Email : ssr.helpdesk@symphony.com.my

PRINCIPAL BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Malaysia
Securities Berhad on 6 February 1974

Stock Code : 2445
Stock Name : KLK

BOARD OF DIRECTORS

Sitting from left to right:

R. M. ALIAS

TAN SRI DATO' SERI LEE OI HIAN

Standing from left to right:

QUAH POH KEAT

ROY LIM KIAM CHYE

TAN SRI AZLAN BIN MOHD ZAINOL

KWOK KIAN HAI

DATO' LEE HAU HIAN

DATO' YEOH ENG KHOON





R. M. ALIAS

Chairman

Independent Non-Executive Director
 Chairman of Remuneration Committee
 Member of Nomination Committee
 Aged 84, Male, Malaysian

Joined the Board on 1 July 1978 and has been the Chairman of KLK since 2008.

He holds a Bachelor of Arts (Honours) degree from the University of Malaya, Singapore, a Certificate in Public Administration from the Royal Institute of Public Administration, London and has attended the Advanced Management Program at Harvard Business School.

He is also a Director of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia as well as a member on the Board of Trustees of the Tan Sri Lee Loy Seng Foundation and Yayasan KLK.

TAN SRI DATO' SERI LEE OI HIAN

Chief Executive Officer

Executive Director
 Chairman of the Group Risk Management Committee
 Aged 65, Male, Malaysia

Joined the Board on 1 February 1985 and is the CEO of KLK.

Tan Sri Dato' Seri Lee graduated with a Bachelor of Agricultural Science (Honours) degree from the University of Malaya and obtained his Master in Business Administration from Harvard Business School.

He joined the Company in 1974 as an executive and was subsequently appointed to the Board in 1985. In 1993, he was appointed as the Group's Chairman/CEO and held the position until 2008, when he relinquished his role as Chairman, but remains as Executive Director and CEO of the Group.

He is the Chairman of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia. He is also a Director of Equatorial Palm Oil Plc. He also serves as a member on the Board of Trustees of the Perdana Leadership Foundation, Yayasan Tuanku Bainun, Yayasan KLK, UTAR Education Foundation and Yayasan Wesley. He was formerly the Chairman of the Malaysian Palm Oil Council.

Dato' Lee Hau Hian who is also a Director of KLK is his brother. Tan Sri Dato' Seri Lee is deemed connected with Batu Kawan Berhad, one of the major shareholders of KLK. He is deemed interested in various related party transactions with the KLK Group.

PROFILE OF DIRECTORS



ROY LIM KIAM CHYE

Executive Director

Aged 66, Male, Malaysian

Joined the Board on 1 June 2007.

Mr. Lim holds a Bachelor of Economics (Honours) degree and a Diploma in Education (Distinction) from the University of Malaya. He has also attended the Senior Management Development Program from Harvard Business School and Advanced Management Program from INSEAD.

He is the KLK Group Plantations Director and has been with the KLK Group since 1975. Prior to his current position, he was the Marketing Director overseeing commodities trading for the Plantations Division. He is currently the Chairman of the Malaysian Palm Oil Association and a member on the Board of Trustees of the Malaysian Palm Oil Council.

DATO' LEE HAU HIAN

Non-Independent Non-Executive Director

Member of Remuneration Committee

Member of Nomination Committee

Aged 63, Male, Malaysian

Joined the Board on 20 December 1993.

Dato' Lee graduated with a Bachelor of Science (Economics) degree from the London School of Economics and has a Master in Business Administration from Stanford University.

He is the Managing Director of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia. He is also a Director of Synthomer plc and the President of the Perak Chinese Maternity Association. Besides serving as a Director of Yayasan De La Salle and See Sen Chemical Berhad, he is also a member on the Board of Trustees of the Tan Sri Lee Loy Seng Foundation and Yayasan KLK.

He is the brother of Tan Sri Dato' Seri Lee Oi Hian who is the CEO of KLK and is deemed connected with Batu Kawan Berhad, a major shareholder of KLK. He is deemed interested in various related party transactions with the KLK Group.



DATO' YEOH ENG KHOON

Senior Independent Non-Executive Director

Chairman of Audit Committee

Chairman of Nomination Committee

Aged 69, Male, Malaysian

Joined the Board on 24 February 2005.

Dato' Yeoh obtained his Bachelor of Arts (Honours) degree in Economics (Business Administration) from the University of Malaya in 1968 and was called to the Bar of England and Wales at Lincoln's Inn in 1979.

His past working experience included banking, manufacturing and retail business.

He is a Director of Batu Kawan Berhad, a company listed on the Main Market of Bursa Malaysia. He is also a Director of See Sen Chemical Berhad as well as a member on the Board of Trustees of Yayasan KLK.

KWOK KIAN HAI

Independent Non-Executive Director

Aged 72, Male, Singaporean

Joined the Board on 27 May 2009.

Mr. Kwok graduated from the University of Singapore with a degree in Chemistry and Mathematics.

He was the Managing Director of a Sime Darby unit before joining Kuok Group as General Manager of Pasir Gudang Edible Oil. He served as the Managing Director of Kuok Oils and Grains until 2008 and thereafter was appointed Joint Chief Operation Officer of Wilmar International Ltd before retiring in 2009. In addition, he was a Council Member of the Malaysian Palm Oil Council and a Board member of the Palm Oil Refiners Association of Malaysia ("PORAM") for 15 years. He also previously served as the Chairman of PORAM.

PROFILE OF DIRECTORS



TAN SRI AZLAN BIN MOHD ZAINOL Independent Non-Executive Director

Member of Audit Committee
Member of Remuneration Committee
Aged 66, Male, Malaysian

Joined the Board on 13 May 2013.

Tan Sri Azlan Zainol is a Fellow of the Institute of Chartered Accountants in England and Wales; a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants; and a Fellow and Chartered Banker of the Asian Institute of Chartered Bankers.

He served as the Chief Executive Officer of the Employees Provident Fund Board from 2001 to April 2013. He has more than 29 years of experience in the financial sector, having served as the Managing Director of AmFinance Berhad (1982 to 1994), AmBank Berhad (1994 to 2001), and Director for several subsidiaries of AmBank Group (1996 to 2001). Prior to that, he was a partner with Messrs. BDO Binder. He was also a Council Member of the Asian Institute of Chartered Bankers.

Currently, he is the Chairman of Malaysian Resources Corporation Berhad and RHB Bank Berhad, companies listed on the Main Market of Bursa Malaysia. He is also the Chairman of Eco World International Berhad, RHB Investment Bank Berhad; and sits on the Boards of Jardine Cycle & Carriage Limited and RHB Hong Kong Limited. He is also the Chairman on the Board of Trustees of Yayasan Astro Kasih and a member on the Board of Trustees of the OSK Foundation.



QUAH POH KEAT Independent Non-Executive Director

Member of Audit Committee
Aged 64, Male, Malaysian

Appointed to the Board on 18 February 2016.

Mr. Quah is a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants; and a Member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Mr. Quah was a partner of KPMG since 1 October 1982 and was the Senior Partner of the Firm from 1 October 2000 until his retirement on 31 December 2007.

He had served as a Director of Public Bank Berhad Group from 30 July 2008 to 1 October 2013 until his appointment as the Deputy Chief Executive Officer of Public Bank from 1 October 2013 until 31 December 2015. Prior to that, he was also a Director of IOI Properties Berhad, PLUS Expressways Berhad, IOI Corporation Berhad and Telekom Malaysia Berhad.

Currently, he is a Director of LPI Capital Berhad and Paramount Corporation Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Boards of Public Mutual Berhad, Lonpac Insurance Berhad, Public Bank (Hong Kong) Ltd, Public Bank Vietnam Limited, Public Finance Ltd, Public Financial Holdings Ltd, Cambodian Public Bank Ltd, Campu Lonpac Insurance Plc and Campu Securities Plc. He also serves as a member on the Board of Trustees of the Public Foundation.

Additional Information:

1. Save as disclosed in the Profile of Directors, Mr. Roy Lim Kiam Chye and Mr. Kwok Kian Hai have no directorship in public companies and listed issuers.
2. Save for Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian, none of the other Directors has any family relationship with any Director and/or major shareholder of KLK.
3. Save for Tan Sri Dato' Seri Lee Oi Hian and Dato' Lee Hau Hian, none of the other Directors has any conflict of interest with KLK.
4. None of the Directors has:
 - (i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
 - (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.
5. Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Statement on page 69.

Sport
Piala Muhibah KLK

Tan Sri Lee Loy Seng Chess Championship – Ipoh Leg

Sport
KLK Muhibah Cup

For the second consecutive year, Kuala Lumpur Kepong Berhad (KLK) hosted a goodwill football tournament for boys under 16 to provide a platform for the multicultural populace to interact and play together. It followed a similar tournament for boys under 12 in May. Held at the D R Sreevignanam Park and the adjacent field at YMCA, the two-day competition was jointly organised by Ipoh Bug, a sports event management entity. A total of 15 teams from schools and football clubs to Perak competed in the spirit

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Monday, 4 July 2016
Kuala Lumpur Kepong forays further downstream

BY HANIM ADNAN

FACEBOOK TWITTER GOOGLE+ LINKEDIN

A gem in Greater KL North
Upcoming township offers landed property

NESTLED in the natural serenity of Sungai Buloh, Bandar Seri Gembira (BSG) is one of the new property developments here to give the developer a head start in the market. It is a township, especially in the form of Klang Valley, where developers are used to assembling their developments on the greenfield sites, which are the last remaining prime areas within KLK's jurisdiction. Bandar Seri Gembira is a development project of KLK Land Sdn Bhd, a wholly owned subsidiary of KLK. The township is well planned and consists of a mix of residential and commercial developments, including houses, bungalows, semi-detached houses, independent and terrace houses, all facilitated by public amenities such as a hypermarket, childcare, a sport stadium, and a primary school, among others. A cross-border infrastructure for primary and secondary schools, among others, is under development. It is a primary and secondary school, among others, is under development. It is a primary and secondary school, among others, is under development.

THE STAR ONLINE

Business News Home > Business > Business News

KLK is example of growing from small to giant size company

BY WFP-JAL

FACEBOOK TWITTER GOOGLE+ LINKEDIN

KLK Land sasar 6 bulan habiskan jualan

KUALA LUMPUR 8 Ogos – Syarikat pembangunan hartanah, KLK Land Sdn Bhd, (KLK Land) mengumumkan bahawa 77 unit kediaman lagi projek Terasa fasa kedua telah dijual dalam tempoh enam bulan lagi.

Program Cheras, Dato' David Tan Tean: Tiga binaan, sehingga kini, lebih 50 peratus

A focal point for families
Sungai Buloh development holds promise for young households

KLK Land Sdn Bhd is a leading real estate developer in Malaysia. The company is focused on providing high-quality residential and commercial developments. The Sungai Buloh development is a prime example of this, offering a mix of housing options for young families. The development is well-planned and includes all the amenities needed for a comfortable and convenient lifestyle. KLK Land is committed to creating a sense of community and providing a high standard of living for its residents.

KEY SENIOR MANAGEMENT

Sitting from left to right:

FAN CHEE KUM
ROY LIM KIAM CHYE
TAN SRI DATO' SERI LEE OI HIAN
YAP MIOU KIEN

Standing from left to right:

YEOW AH KOW
DATO' DAVID TAN THEAN THYE
LEONG SEAN MENG





PROFILE OF KEY SENIOR MANAGEMENT

TAN SRI DATO' SERI LEE OI HIAN Chief Executive Officer

Aged 65, Male, Malaysian

Tan Sri Dato' Seri Lee was appointed as the Group's Chairman/CEO in 1993 and held the position until 2008. On 1 May 2008, he relinquished his role as Chairman but has retained his position as Executive Director and CEO of the Group. His profile is listed in the Profile of Directors on page 7.

ROY LIM KIAM CHYE Group Plantations Director

Aged 66, Male, Malaysian

Mr. Lim was appointed as the Group Plantations Director of KLK on 1 October 2003. His profile is listed in the Profile of Directors on page 8.

YEOW AH KOW Managing Director, Oleochemicals Division

Aged 62, Male, Malaysian

Mr. Yeow holds a Bachelor of Science in Chemistry from Nanyang University Singapore and a Master of Science in Petro-Chemicals and Hydrocarbon Chemistry from University of Manchester, Institute of Science & Technology, United Kingdom.

Mr. Yeow has been the Managing Director of KLK OLEO since March 1998. He has been with KLK Group for the past 25 years and was instrumental in setting up the cocoa manufacturing business. He started his career as Industrial Chemist with Sime Darby Edible Oil Pte Ltd and Sime Darby Oleochemicals Pte Ltd, Singapore. Prior to joining KLK, he was with Behn Meyer & Co (M) Sdn Bhd where he was the Group Manager of the Techno-Chemical Division, in charge of specialty chemicals and equipment trading business.

DATO' DAVID TAN THEAN THYE Executive Director, Property Division

Aged 62, Male, Malaysian

Dato' David Tan is the Executive Director of KLK Land. He joined the Group on 1 January 2013 and is responsible for overseeing the business development, planning and implementation of KLK property projects.

Dato' David Tan holds a BSc (Hons) in Housing, Building & Planning and MSc in Planning from Universiti Sains Malaysia. He is a Corporate Member of the Malaysian Institute of Planners and a Registered Planner with the Board of Town Planners, Malaysia.

He has 36 years of experience in the property industry with 22 years as Head of Property in IOI Group where he was also a Director of IOI Properties Berhad.

FAN CHEE KUM Group Chief Financial Officer

Aged 64, Male, Malaysian

Mr. Fan is a Fellow Member of the Association of Chartered Certified Accountants UK, Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators, and Member of the Malaysian Institute of Accountants.

Mr. Fan has served the KLK Group for the past 34 years in various capacities including Group Financial Controller and Financial Accountant. He was recently appointed as Group Chief Financial Officer on 10 October 2016. In addition to his other directorships in KLK Group subsidiaries, he is also a Director of Ladang Perbadanan-Fima Berhad. Prior to joining KLK, he had 9 years working experience in the Federal Land Consolidation and Rehabilitation Authority (FELCRA) where he last held the position of Senior Accountant.

LEONG SEAN MENG Group Chief Accountant

Aged 57, Male, Malaysian

Mr. Leong holds a Bachelor of Science Degree (Honours) majoring in Mathematics and Physics from the University of Malaya and qualified as an accountant from the Malaysian Institute of Certified Public Accountants. He is also Member of the Malaysian Institute of Accountants.

Prior to joining KLK, he pursued a career in accountancy in the public accounting firm of Coopers & Lybrand for 10 years. He has been with KLK Group since 1991 and was appointed as Group Chief Accountant on 1 October 2016. Prior to this, he was the Chief Financial Officer (Plantations).

YAP MIOW KIEN Company Secretary

Aged 47, Female, Malaysian

Ms. Yap has an LL.B (Hons) degree from the University of Leeds, United Kingdom. She also qualified as a Barrister-at-Law of the Middle Temple, London, and as an Advocate & Solicitor of the High Court of Malaya. She is an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators.

Ms. Yap joined KLK in 2002 as a Legal Manager and was appointed as the Company Secretary of KLK on 2 September 2008 where she oversees the Legal and Secretarial Department. She began her career with a leading law firm in Kuala Lumpur and subsequently joined the private sector as an executive in the legal divisions of the Usaha Tegas Group and Tanjong Plc.

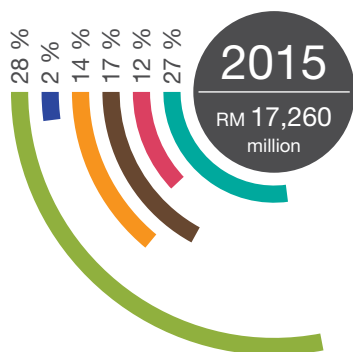
Additional Information:

1. Save for Tan Sri Dato' Seri Lee Oi Hian and Mr. Fan Chee Kum, none of the other Key Senior Management has any directorship in public companies and listed issuers.
2. Save for Tan Sri Dato' Seri Lee Oi Hian, none of the other Key Senior Management has any family relationship with any Director and/or major shareholder of KLK.
3. Save for Tan Sri Dato' Seri Lee Oi Hian, none of the other Key Senior Management has any conflict of interest with KLK.
4. None of the Key Senior Management has:
 - (i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
 - (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

SIMPLIFIED GROUP ASSETS & LIABILITIES

As at 30 September 2016

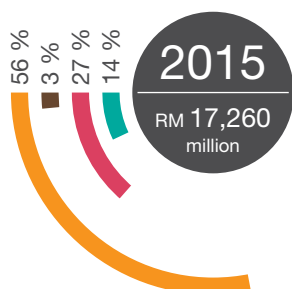
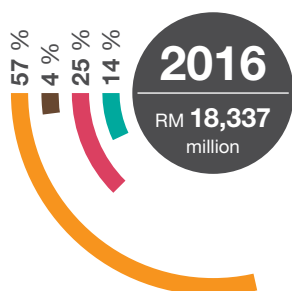
TOTAL ASSETS



Property, Plant and Equipment	RM 5,067 million	27%
Prepaid Lease Payments	RM 307 million	2%
Biological Assets	RM 2,548 million	14%
Other Non-Current Assets	RM 4,046 million	22%
Short Term Funds and Cash and Cash Equivalents	RM 2,000 million	11%
Other Current Assets	RM 4,369 million	24%

Property, Plant and Equipment	RM 4,818 million	28%
Prepaid Lease Payments	RM 286 million	2%
Biological Assets	RM 2,392 million	14%
Other Non-Current Assets	RM 2,972 million	17%
Short Term Funds and Cash and Cash Equivalents	RM 2,083 million	12%
Other Current Assets	RM 4,709 million	27%

TOTAL EQUITY & LIABILITIES



Shareholders' Equity	RM 10,445 million	57%
Non-Controlling Interests	RM 843 million	4%
Borrowings	RM 4,540 million	25%
Other Liabilities	RM 2,509 million	14%

Shareholders' Equity	RM 9,666 million	56%
Non-Controlling Interests	RM 462 million	3%
Borrowings	RM 4,594 million	27%
Other Liabilities	RM 2,538 million	14%

		2016	2015	2014	2013	2012
FINANCIAL						
Revenue	(RM'000)	16,505,810	13,649,991	11,129,973	9,147,325	10,570,188
Profit:						
– before taxation	(RM'000)	1,712,284	1,134,598	1,317,697	1,199,767	1,560,436
– attributable to equity holders of the Company	(RM'000)	1,592,191	869,912	991,705	917,743	1,211,244
Earnings per share	(sen)	149.5	81.7	93.1	86.2	113.7
Dividend per share (single tier)	(sen)	50.0	45.0	55.0	50.0	65.0
Net tangible assets	(RM'000)	10,107,832	9,320,973	7,449,500	7,217,191	6,803,553
Net tangible assets per share	(RM)	9.49	8.75	7.00	6.78	6.39

KEY CORPORATE RATIOS

Dividend Yield ⁽¹⁾	(%)	2.1	2.1	2.6	2.2	2.9
Dividend Payout Ratio ⁽²⁾	(%)	33.4	55.1	59.1	58.0	57.2
Return on Shareholders' Equity ⁽³⁾	(%)	15.2	9.0	12.8	12.2	17.0
Return on Total Assets ⁽⁴⁾	(%)	8.7	5.0	7.7	7.8	10.6
Net Debt to Equity ⁽⁵⁾	(%)	22.5	24.8	19.7	7.3	1.6

(1) Based on Dividend expressed as a percentage of KLK Share Price as at 30 September

(2) Based on Dividend expressed as a percentage of Basic Earnings Per Share

(3) Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Equity attributable to Equity Holders

(4) Based on Net Profit attributable to Equity Holders expressed as a percentage of Total Assets

(5) Based on Net Debt (being Total Borrowings less Short Term Funds and Cash and Cash Equivalents) expressed as a percentage of Total Equity

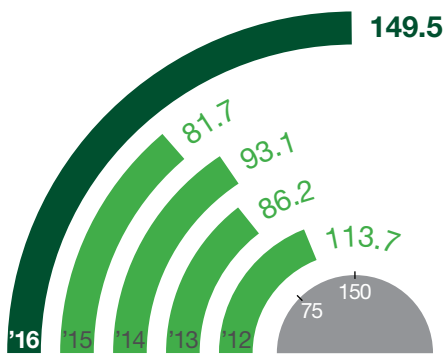
PRODUCTION

Fresh Fruit Bunches	(mt)	3,495,931	3,806,043	3,733,867	3,608,636	3,259,342
Rubber	('000 kg)	16,007	15,224	16,547	17,531	18,997

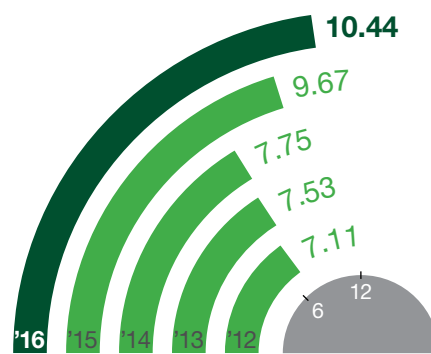
		2016	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER
Revenue	(RM'000)	16,505,810	4,542,961	3,922,489	3,702,559	4,337,801
Operating profit	(RM'000)	1,865,058	286,776	351,379	280,134	946,769
Profit before taxation	(RM'000)	1,712,284	243,968	314,342	242,881	911,093
Profit attributable to equity holders of the company	(RM'000)	1,592,191	375,057	253,392	168,532	795,210
Earnings per share - basic	(sen)	149.5	35.2	23.8	15.8	74.7
Dividend per share	(sen)	50	35	–	15	–

FINANCIAL HIGHLIGHTS

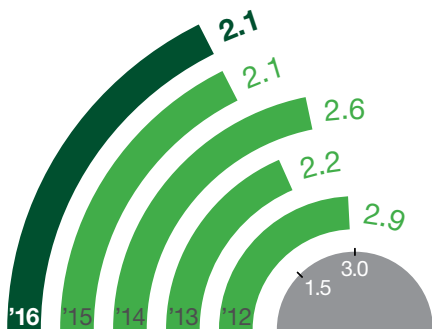
EARNINGS PER SHARE (SEN)



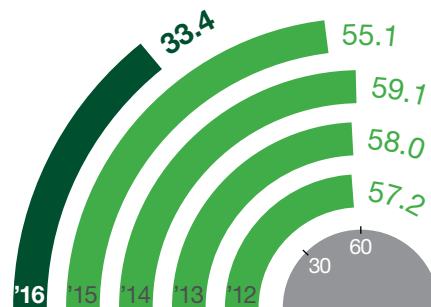
SHAREHOLDERS' EQUITY (RM BILLION)



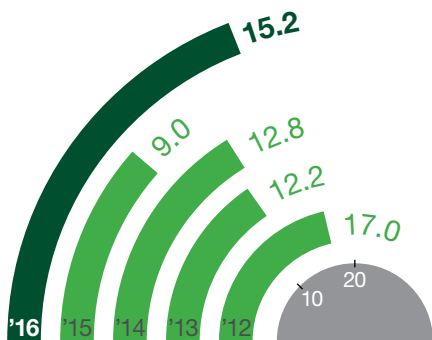
DIVIDEND YIELD (%)



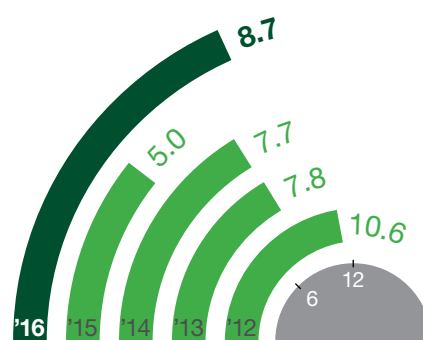
DIVIDEND PAYOUT RATIO (%)



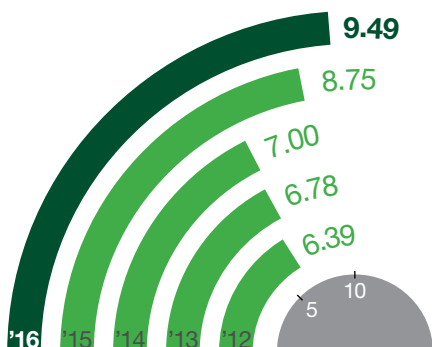
RETURN ON SHAREHOLDERS' EQUITY (%)



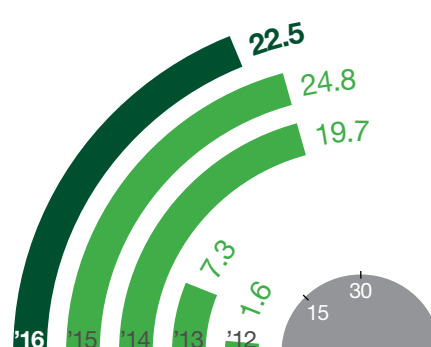
RETURN ON TOTAL ASSETS (%)



NET TANGIBLE ASSETS PER SHARE (RM)



NET DEBT TO EQUITY (%)



5-YEAR PLANTATION STATISTICS

		2016	2015	2014	2013	2012
OIL PALM						
FFB production						
– own estates	(mt)	3,495,931	3,806,043	3,733,867	3,608,636	3,259,342
– sold	(mt)	58,461	36,373	40,630	142,189	122,673
– purchased	(mt)	715,644	886,918	1,052,395	940,925	819,796
– total processed	(mt)	4,153,114	4,656,588	4,745,632	4,407,372	3,956,465
Yield per mature hectare	(mt FFB)	19.82	21.96	22.39	22.51	21.33
Profit per mature hectare (before replanting expenditure)	(RM)	4,327	4,668	6,307	4,599	7,218
Average selling prices:						
Refined palm products	(RM/mt ex-refinery)	2,392	2,227	2,519	2,460	3,220
Crude palm oil	(RM/mt ex-mill)	2,270	2,106	2,396	2,275	2,829
Palm kernel oil	(RM/mt ex-mill)	4,191	3,205	3,294	2,225	3,295
Palm kernel cake	(RM/mt ex-mill)	277	262	430	401	286
Palm kernels	(RM/mt ex-mill)	1,881	1,424	1,576	1,105	1,580
FFB	(RM/mt)	575	462	520	317	506
RUBBER						
Production						
– own estates	('000 kg)	16,007	15,224	16,547	17,531	18,997
– sold	('000 kg)	–	–	70	189	–
– purchased	('000 kg)	1,282	1,314	1,726	2,104	2,524
– total processed	('000 kg)	17,289	16,538	18,203	19,446	21,521
Yield per mature hectare	(kg)	1,553	1,413	1,328	1,166	1,191
Profit per mature hectare (before replanting expenditure)	(RM)	1,934	1,551	2,421	3,577	7,210
Average selling price (net of cess)	(sen/kg)	667	681	800	942	1,220
PLANTED AREA						
(Weighted Average Hectares):						
OIL PALM						
Mature		176,391	173,313	166,781	160,328	152,829
Immature		35,183	35,936	38,000	35,904	39,595
RUBBER						
Mature		10,305	10,777	12,456	15,029	15,957
Immature		3,364	3,500	3,678	3,670	3,623
TOTAL PLANTED AREA		225,243	223,526	220,915	214,931	212,004

5-YEAR FINANCIAL STATISTICS

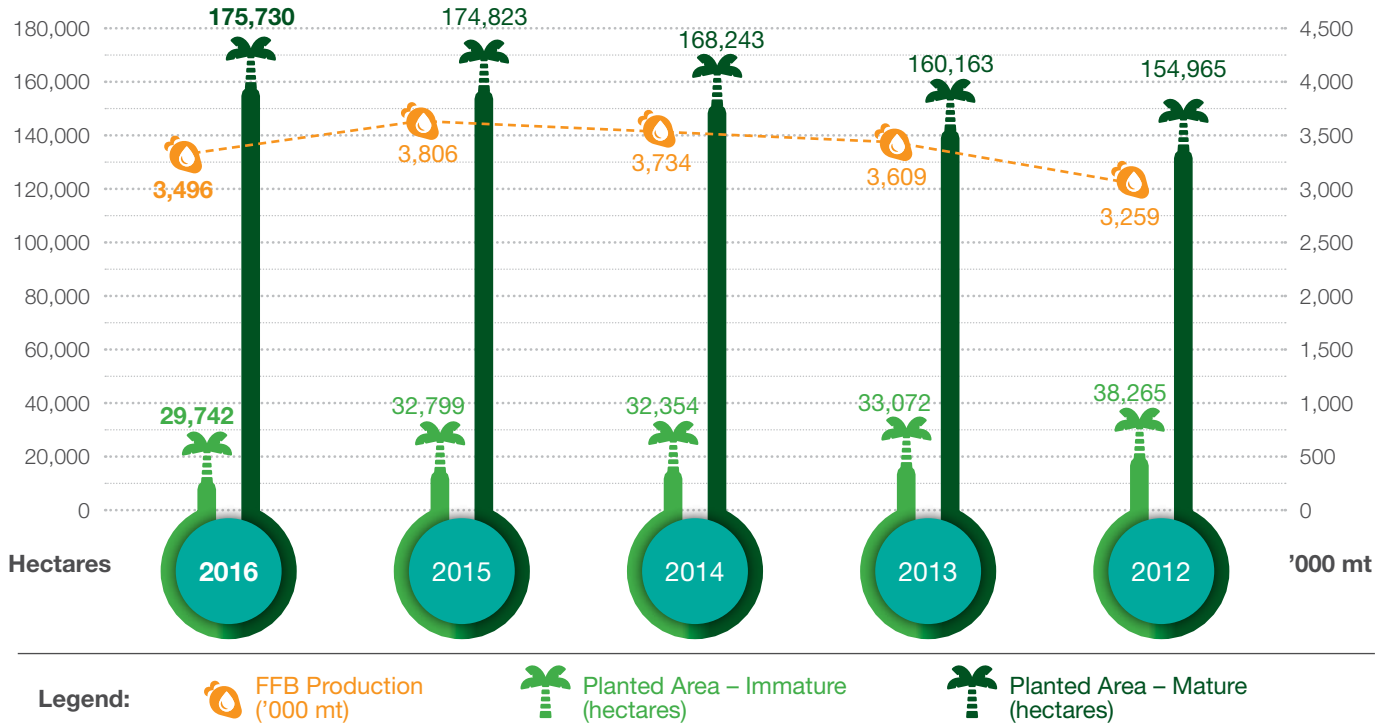
	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
REVENUE					
Palm products	8,345,079	6,976,697	5,089,772	3,952,232	4,487,975
Rubber	109,991	109,550	145,158	178,542	258,484
Manufacturing	7,738,841	6,241,324	5,634,338	4,696,734	5,057,812
Retailing	–	–	–	–	502,777
Property development	110,693	123,275	117,063	208,589	172,516
Investment income	122,542	125,846	78,799	79,750	62,922
Others	78,664	73,299	64,843	31,478	27,702
	16,505,810	13,649,991	11,129,973	9,147,325	10,570,188
GROUP PROFIT					
Palm products	817,160	775,606	985,875	734,689	1,069,504
Rubber	10,117	4,721	20,589	45,804	109,340
Manufacturing	370,610	218,912	288,077	329,275	187,736
Retailing	–	–	–	–	27,744
Property development	25,219	49,448	45,672	80,807	36,879
Investment holding	60,006	70,714	33,662	59,117	35,127
Interest income	56,449	43,302	36,109	29,363	27,442
Finance costs	(157,776)	(104,507)	(87,375)	(80,902)	(66,225)
Others	450	14,987	21,279	(9,065)	4,404
Share of profits of equity accounted associates, net of tax	865	11,882	5,878	13,432	10,567
Share of profits/(loss) of equity accounted joint ventures, net of tax	4,137	(14,250)	–	–	–
Corporate	525,047	63,783	(32,069)	(2,753)	117,918
Profit before taxation	1,712,284	1,134,598	1,317,697	1,199,767	1,560,436
Tax expense	(29,144)	(250,560)	(285,003)	(232,797)	(300,347)
Profit for the year	1,683,140	884,038	1,032,694	966,970	1,260,089
Attributable to:					
Equity holders of the Company	1,592,191	869,912	991,705	917,743	1,211,244
Non-controlling interests	90,949	14,126	40,989	49,227	48,845
	1,683,140	884,038	1,032,694	966,970	1,260,089
ASSETS					
Property, plant and equipment	5,066,699	4,817,725	4,220,214	3,728,605	3,146,674
Prepaid lease payments	307,068	285,555	251,268	193,229	164,427
Biological assets	2,548,178	2,392,287	2,081,061	1,908,218	1,893,993
Land held for property development	1,130,312	226,353	217,926	216,932	239,095
Goodwill on consolidation	321,661	330,137	286,969	297,016	285,675
Intangible assets	15,076	15,297	15,238	19,573	20,609
Investments in associates	138,803	154,493	172,652	112,477	94,009
Investments in joint ventures	173,384	144,658	–	–	–
Available-for-sale investments	1,607,570	1,781,642	884,014	889,422	586,340
Other receivable	205,195	171,690	119,940	106,208	83,279
Deferred tax assets	454,230	147,513	128,025	103,305	54,249
Current assets	6,368,397	6,792,265	4,510,294	4,172,921	4,814,792
Total assets	18,336,573	17,259,615	12,887,601	11,747,906	11,383,142

5-YEAR FINANCIAL STATISTICS

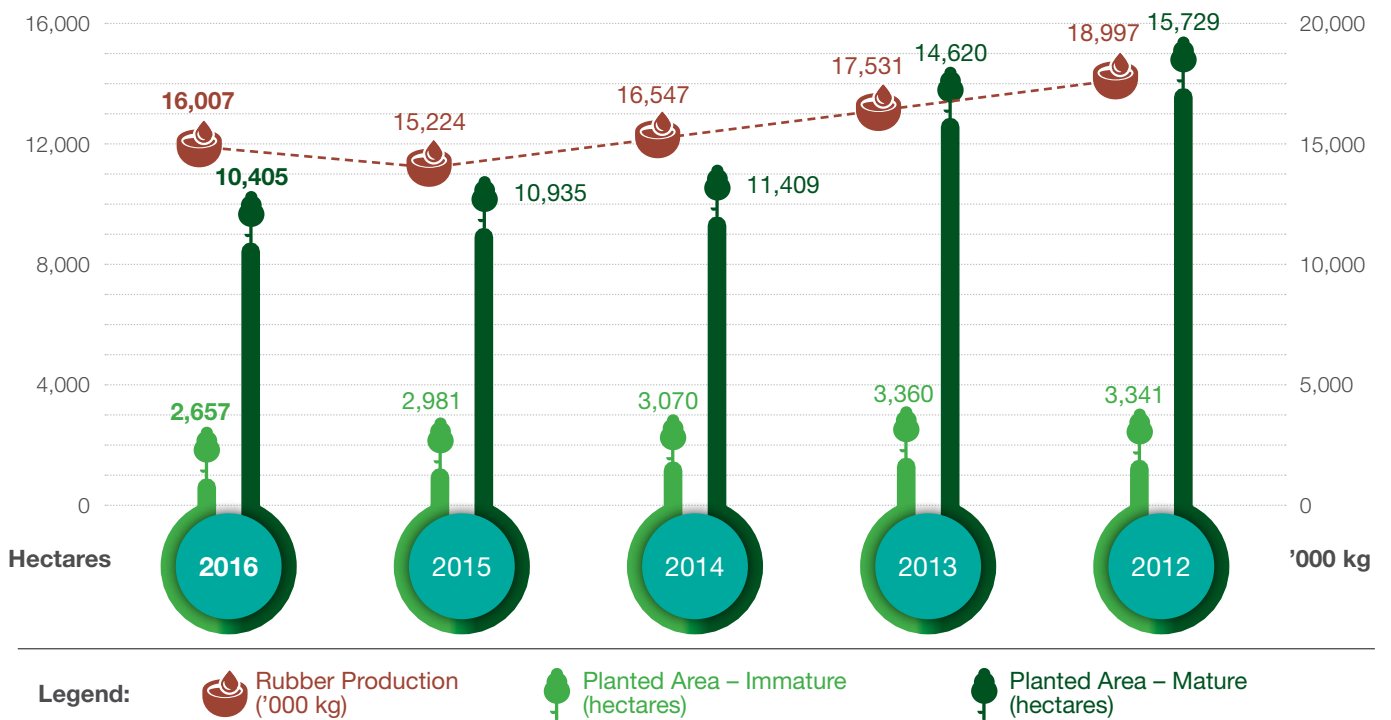
	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000	
EQUITY						
Share capital	1,067,505	1,067,505	1,067,505	1,067,505	1,067,505	
Reserves	9,390,511	8,612,349	6,697,649	6,479,722	6,055,779	
Cost of treasury shares	(13,447)	(13,447)	(13,447)	(13,447)	(13,447)	
Total equity attributable to equity holders of the Company	10,444,569	9,666,407	7,751,707	7,533,780	7,109,837	
Non-controlling interests	843,457	461,703	431,492	419,460	397,751	
Total equity	11,288,026	10,128,110	8,183,199	7,953,240	7,507,588	
LIABILITIES						
Deferred tax liabilities	254,976	257,954	256,207	250,064	241,823	
Deferred income	118,665	113,154	101,495	72,010	22,765	
Provision for retirement benefits	495,894	356,563	281,663	259,222	248,478	
Borrowings	2,967,808	2,681,221	1,816,243	1,558,227	1,782,714	
Current liabilities	3,211,204	3,722,613	2,248,794	1,655,143	1,579,774	
Total liabilities	7,048,547	7,131,505	4,704,402	3,794,666	3,875,554	
Total equity and liabilities	18,336,573	17,259,615	12,887,601	11,747,906	11,383,142	
SHAREHOLDERS' EARNINGS AND DIVIDENDS						
Earnings per share	(sen)	149.5	81.7	93.1	86.2	113.7
Share price at 30 September	(RM)	23.98	21.70	21.08	22.60	22.06
Dividend rate	(sen)	50.0	45.0	55.0	50.0	65.0
Dividend yield at 30 September	(%)	2.1	2.1	2.6	2.2	2.9
P/E ratio at 30 September		16.0	26.6	22.6	26.2	19.4

PLANTED AREA AND CROP PRODUCTION

OIL PALM PLANTED AREA/FFB PRODUCTION



RUBBER PLANTED AREA/RUBBER PRODUCTION

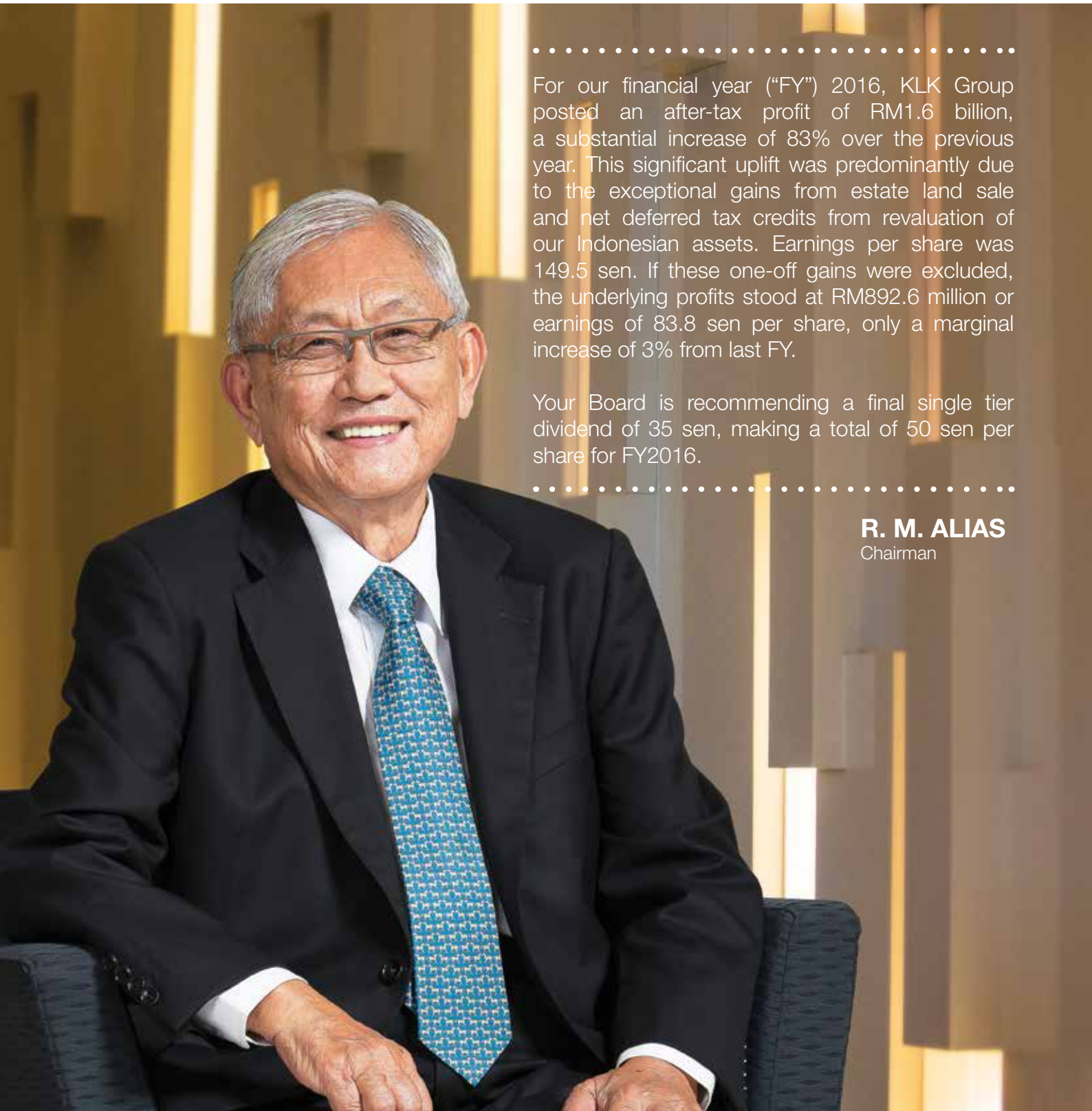




AREA STATEMENT

Age in Years	2016			2015		
	Hectares	% Under Crop	% of Total Planted Area	Hectares	% Under Crop	% of Total Planted Area
OIL PALM						
4 to 9	56,946	28		60,556	29	
10 to 18	69,596	34		71,974	35	
19 and above	49,188	24		42,293	20	
Mature	175,730	86	80	174,823	84	79
Immature	29,742	14	14	32,799	16	15
Total	205,472	100	94	207,622	100	94
RUBBER						
6 to 10	1,373	11		1,569	12	
11 to 15	2,203	17		2,247	16	
16 to 20	2,897	22		2,516	18	
21 and above	3,932	30		4,603	33	
Mature	10,405	80	5	10,935	79	5
Immature	2,657	20	1	2,981	21	1
Total	13,062	100	6	13,916	100	6
TOTAL PLANTED	218,534		100	221,538		100
Plantable Reserves	27,440			24,981		
Conservation Areas	12,738			12,813		
Building Sites, etc.	9,653			10,110		
GRAND TOTAL	268,365			269,442		

Note: The area statement above did not include 6,628 hectares of leased land in Papua New Guinea.



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For our financial year ("FY") 2016, KLK Group posted an after-tax profit of RM1.6 billion, a substantial increase of 83% over the previous year. This significant uplift was predominantly due to the exceptional gains from estate land sale and net deferred tax credits from revaluation of our Indonesian assets. Earnings per share was 149.5 sen. If these one-off gains were excluded, the underlying profits stood at RM892.6 million or earnings of 83.8 sen per share, only a marginal increase of 3% from last FY.

Your Board is recommending a final single tier dividend of 35 sen, making a total of 50 sen per share for FY2016.

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R. M. ALIAS
Chairman

SECTORAL PERFORMANCE

Revenue for the Group increased to RM16.5 billion from RM13.6 billion last year, reflecting an improvement in the overall palm products prices achieved and with more activity in our oleochemicals and refineries downstream businesses.

Operating conditions in FY2016 were largely influenced by trends similar to FY2015. Ample supply of oilseeds, weak petroleum price and uncertainties in the economic and political environment were offset by the firmer prices arising from the drastic decline in palm crop production due to the El Niño effects and producing countries' biodiesel mandates.

The upsurge in both palm oil and kernel prices was mainly in the last quarter, resulting in low average prices achieved. The El Niño caused our palm oil yield per hectare to be only 4.42 mt/ha, the lowest in 10 years, a 10% reduction from last year.

Efforts are being enhanced in the Indonesian estates as current results have a huge potential for improvements in profitability. Due to fortuitous trading positions, our downstream oil refineries and kernel crushing plants generated an excellent contribution of RM105.4 million.

We delivered a good performance in our Oleochemicals business. Despite the market remaining extremely competitive particularly from Indonesian counterparts, lower prices of synthetic based alternatives and bullish raw material prices, it contributed RM299.4 million in pre-tax profits, a substantial improvement from last FY. It is encouraging to know that the continuous efforts to improve our efficiencies and productivity are showing positive results with the turnaround of our European and China operations.

Our Property Division only managed RM28.6 million profits during the FY as the general weak sentiments for the property market continued to affect demand.

REINFORCING OUR SUSTAINABILITY AGENDA

We remain steadfast and ever conscious of our responsibilities in ensuring no deforestation, preservation of High Carbon Stock areas and improving the welfare of our team of 40,000 workers worldwide, besides the communities in the areas that we operate in.

Investments in new housing or upgrading them with better supporting infrastructure such as medical facilities (clinics), schools and 24-hour electricity are priorities that your Board drives. As part of KLK's continuous self-improvement programme, a voluntary labour audit in East Kalimantan was completed. Gaps and inconsistent practices in implementation of labour policies are being addressed. The summary of our action plan to bridge these gaps is made available on our website, www.klk.com.my.

KLK will persist and welcome our engagements in our transparent discussions with all stakeholders, particularly like-minded NGOs on the issues of preserving environment and fairness to the communities. Indeed, along this journey we have benefited from such interactions and feedback.

LOOKING AHEAD

Production of fresh fruit bunches in both Indonesia and Malaysia are expected to recover in mid-2017 and in 2018. Current price assisted by the weak Ringgit is buoyant but uncertain in the later part of next year. Nevertheless, a good start is foreseen for the first half of FY2017.

We will also continue to look to increasing productivity, yields and improving on oil extraction rates.

For the Oleochemicals Division, we will continue to optimise the integrated value chain while driving for further improvement efficiencies and productivity.

APPRECIATION

The year 2016 marked two separate milestones for the KLK Group. As we continue our 110th year journey in our Plantations business, our Oleochemicals operations celebrated its silver jubilee. Reflecting on our achievements and challenges, we are reminded of the strong core values that have become a part of the KLK DNA in the way its people behave and do business. As we enter the next chapter of our history, these values will be essential for us to adapt to the ever changing business environment.

On behalf of the Board, I would like to state my gratitude to all employees, through the ages, for their continuous contributions, support, dedication, loyalty and making KLK truly special.

Lastly, I would like to thank all our shareholders, partners and all stakeholders for their confidence, trust and on-going support.

KENYATAAN Pengerusi

Kumpulan KLK mencatatkan keuntungan selepas cukai sebanyak RM1.6 bilion bagi tahun kewangan (“TK”) 2016, peningkatan ketara sebanyak 83% berbanding pada tahun sebelumnya. Lonjakan ketara ini telah disebabkan terutamanya oleh laba luar biasa yang diperolehi daripada penjualan tanah ladang dan kredit cukai tertunda bersih daripada penilaian semula aset kami di Indonesia. Perolehan sesaham yang dicapai pula adalah sebanyak 149.5 sen. Jika semua butiran laba luar biasa yang diperolehi sekali sahaja ini tidak diambilkira, keuntungan bersih dasar adalah sebanyak RM892.6 juta atau perolehan sebanyak 83.8 sen sesaham, iaitu peningkatan kecil sebanyak 3% sahaja berbanding pada TK sebelumnya.

Lembaga Pengarah anda mengesyorkan dividen satu peringkat akhir sebanyak 35 sen, menjadikan jumlah pembayaran dividen bagi TK2016 sebanyak 50 sen sesaham.

R. M. ALIAS
Pengerusi

PRESTASI SEKTOR

Hasil Kumpulan meningkat daripada RM13.6 bilion pada tahun lepas kepada RM16.5 bilion pada tahun ini, menggambarkan peningkatan harga produk sawit secara keseluruhan dan kepesatan aktiviti perniagaan hiliran oleokimia serta penapisan.

Keadaan operasi pada TK2016 sebahagian besarnya dipengaruhi oleh arah aliran yang serupa seperti pada TK2015. Bekalan minyak bijirin yang mencukupi, kelemahan harga petroleum serta ketidakpastian persekitaran ekonomi dan politik telah dibendung oleh harga bekalan yang lebih teguh ekoran kemerosotan mendadak pengeluaran tanaman sawit akibat kesan El Niño serta mandat biodiesel negara-negara pengeluar.

Sebahagian besar lonjakan harga minyak sawit dan isirung hanya dicapai pada suku terakhir TK dan ini memberi kesan kepada harga-harga purata dicapai yang rendah. El Niño telah menyebabkan penghasilan minyak sawit setiap hektar berjumlah 4.42 mt/ha sahaja, pencapaian paling rendah sepanjang tempoh 10 tahun dan menguncup sebanyak 10% berbanding pada tahun sebelumnya.

Usaha yang dijalankan di ladang-ladang kami di Indonesia akan dilipat gandakan kerana keputusan semasa yang dicapai menandakan potensi besar untuk meningkatkan keuntungan. Disebabkan oleh kedudukan dagangan yang menguntungkan, kilang penapis minyak hiliran dan kilang penghancur isirung menjana sumbangan cemerlang sebanyak RM105.4 juta.

Kami menampilkan prestasi yang baik dalam perniagaan Oleokimia. Walaupun berdepan dengan persaingan hebat di pasaran, terutamanya daripada syarikat-syarikat di Indonesia, harga produk alternatif yang berasaskan sintetik yang rendah serta harga bahan mentah yang tinggi, namun ia mampu menyumbang keuntungan sebelum cukai sebanyak RM299.4 juta, iaitu peningkatan ketara berbanding dengan TK lepas. Usaha-usaha berterusan untuk menambahbaik tahap kecekapan dan produktiviti yang diambil sebelum ini, kini menunjukkan keputusan yang positif berikutan pemuliharaan semula operasi kita di Eropah dan China.

Bahagian Hartanah kami hanya mampu mencatatkan keuntungan sebanyak RM28.6 juta pada TK ini disebabkan sentimen lemah pasaran hartanah secara umumnya telah menjejaskan permintaan secara berterusan.

MEMPERKUKUH AGENDA KEMAMPAHAN KAMI

Kami terus berpegang teguh dan lebih prihatin terhadap tanggungjawab kami untuk memastikan tiada pengebangan hutan, memulihara kawasan-kawasan Stok Karbon Tinggi serta menambahbaik kebajikan pasukan kerja kami seramai 40,000 orang pekerja di seluruh dunia, di samping komuniti di kawasan-kawasan di mana kami beroperasi.

Pelaburan untuk perumahan baharu atau menaik taraf kawasan perumahan tersebut dengan infrastruktur sokongan yang lebih baik seperti kemudahan perubatan (klinik), sekolah dan bekalan elektrik 24 jam menjadi keutamaan yang diterajui oleh Lembaga Pengarah anda. Sebagai sebahagian daripada program penambahbaikan diri yang dilaksanakan secara berterusan oleh KLK, satu audit buruh secara sukarela telah disempurnakan di Kalimantan Timur. Jurang dan amalan tidak konsisten dalam melaksanakan dasar buruh kami sedang ditangani. Ringkasan pelan tindakan kami untuk merapatkan jurang ini disediakan di laman sesawang kami di www.klk.com.my.

KLK akan meneruskan dan menyambut baik penglibatan dalam perbincangan telus bersama seluruh pemegang kepentingan kami, terutamanya NGO yang sealign dengan fikiran kami mengenai isu memulihara alam sekitar serta kesaksamaan kepada komuniti. Malah, sepanjang perjalanan ini kami telah mendapat manfaat daripada interaksi dan maklum balas sedemikian.

MENUJU KE HADAPAN

Pengeluaran buah tandan segar baik di Indonesia mahupun Malaysia dijangka pulih pada pertengahan tahun 2017 dan tahun 2018. Harga semasa yang dibantu oleh kelemahan nilai Ringgit adalah menggalakkan, tetapi tidak menentu untuk tempoh akhir tahun depan. Walau bagaimanapun, permulaan yang baik adalah diramalkan bagi tempoh setengah tahun pertama TK2017.

Kami juga akan terus berusaha untuk meningkatkan produktiviti, penghasilan dan menambahbaik kadar perahan minyak sawit kita.

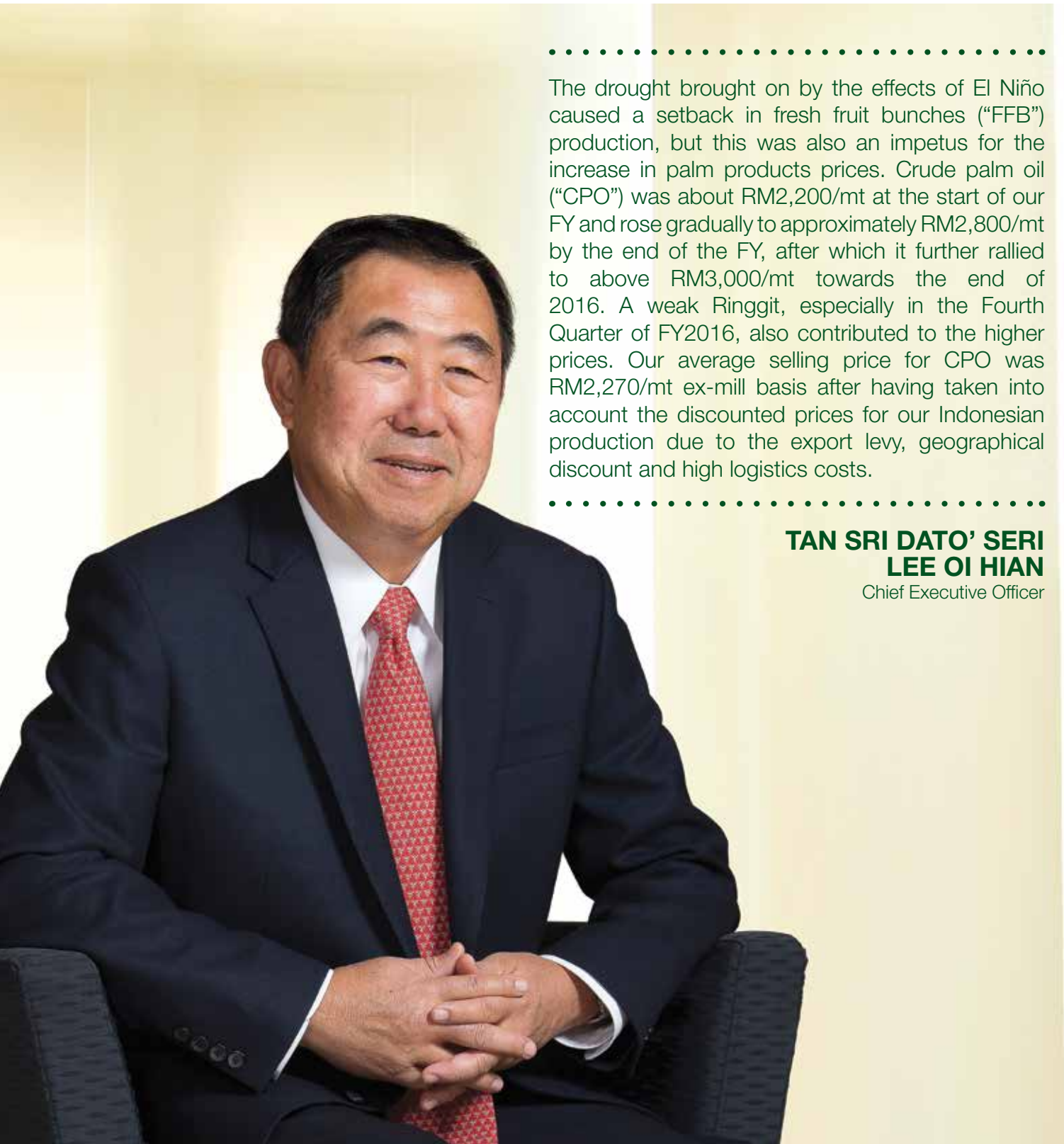
Bagi Bahagian Oleokimia pula, kita akan terus mengoptimumkan rantaian nilai bersepadu dan pada masa yang sama, meningkatkan selanjutnya tahap kecekapan dan produktiviti.

PENGHARGAAN

Tahun 2016 mencatatkan dua mercu tanda berasingan bagi Kumpulan KLK. Semasa meraikan perjalanan kami selama 110 tahun dalam perniagaan Peladangan, operasi Oleokimia kami pula merayakan jubli peraknya. Dalam menampilkan pencapaian yang kami tempa dan cabaran yang telah diharungi, kami dapat melihat betapa teguhnya nilai-nilai teras yang menjadi sebahagian daripada DNA KLK, baik dari segi bagaimana modal insannya menerapkan amalan baik dan mengendalikan perniagaan. Sambil memasuki lembaran sejarah baharu, nilai-nilai ini akan kekal menjadi asas semasa kami untuk menyesuaikan diri kepada persekitaran perniagaan yang sentiasa berubah.

Saya bagi pihak Lembaga Pengarah ingin merakamkan ucapan penghargaan kepada semua kakitangan yang telah berterusan gigih menyumbang, menyokong, menampilkan semangat kesungguhan, kesetiaan dan atas usaha anda sekalian untuk menjadikan KLK benar-benar istimewa.

Akhir sekali, saya juga ingin menyampaikan ucapan terima kasih setulus ikhlas kepada semua pemegang saham, rakan-rakan perniagaan serta semua pemegang kepentingan atas keyakinan, kepercayaan dan sokongan berterusan yang diberikan.



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The drought brought on by the effects of El Niño caused a setback in fresh fruit bunches (“FFB”) production, but this was also an impetus for the increase in palm products prices. Crude palm oil (“CPO”) was about RM2,200/mt at the start of our FY and rose gradually to approximately RM2,800/mt by the end of the FY, after which it further rallied to above RM3,000/mt towards the end of 2016. A weak Ringgit, especially in the Fourth Quarter of FY2016, also contributed to the higher prices. Our average selling price for CPO was RM2,270/mt ex-mill basis after having taken into account the discounted prices for our Indonesian production due to the export levy, geographical discount and high logistics costs.

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**TAN SRI DATO' SERI
LEE OI HIAN**
Chief Executive Officer

CEO'S REVIEW OF OPERATIONS

The dramatic drop in our FFB production, inevitably raised our cost of production and reduced our FFB yield per hectare to only 19.82 mt which was the lowest in ten years. CPO per hectare was also significantly lower at 4.42 mt/ha although our oil extraction rate ("OER") was just a tick lower at 22.28%.

Whilst this may put a damper on our aspiration for 6 mt CPO/ha, we believe that the continuous efforts to enhance operational efficiencies and labour productivity in order to contain costs, will start to bear fruit in the near future. The trend of rising costs is inevitable with inflationary pressures on wages and fertiliser, as well as increased costs related to certification schemes and sustainability standards. The Group will be prudent in managing costs and will focus on raising efficiency and productivity.

Despite global overcapacities, the Oleochemicals Division was able to deliver a better performance compared with the previous FY as profit before taxation rose nearly 75%. This was achieved on the back of an unrelenting emphasis on operational improvements, quality enhancements and widening of products range. Although there was a hiccup in the last quarter of FY2016 in the form of sluggish demand and higher raw material prices, we are confident that these challenging conditions will be managed.



PLANTATIONS

Our Plantations Division continued to face a very challenging year, having endured one of the most severe El Niño in recent times. The prolonged drought and haze that it created slashed our Group's overall FFB production and yield per hectare to substantially below last FY's achievements. The effects were strongly felt in Belitung Island and Central Kalimantan where drought persisted for a period of about five months, with adverse outcomes on production and costs. Even when the full force of El Niño had abated, its effect on production will continue to linger on into next year.

However, El Niño did have a positive consequence, as reduced production led to tight stocks and firmer palm products prices. Consequently, CPO prices rose gradually from about RM2,200/mt to RM2,800/mt as consumers sought cover to replenish their low inventories. Refineries competed for CPO and in Indonesia, this had the effect of narrowing their discount to Malaysian prices to the delight of Indonesian growers, at least for a while. Even more profound was the massive rise in the price of palm kernels to about RM2,800/mt due to rationing of lauric oils in meeting the demands of the oleochemicals and specialty fats industries.

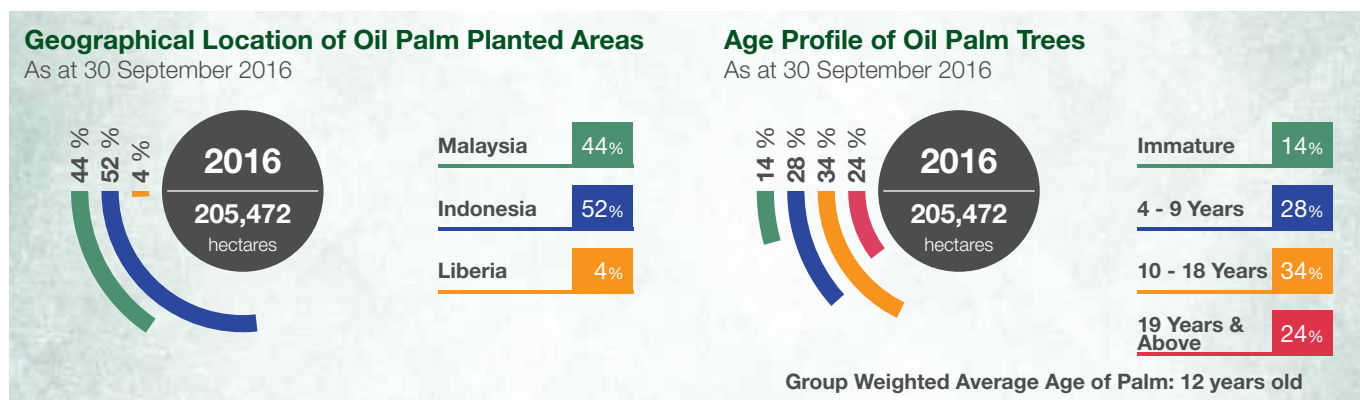
In the international scene, the ideal weather in the USA is set to yield a very big crop of soybeans, a good part of which, fortunately, will go to meet the huge appetite of China. Generally, crushing activity was subdued as meal demand has not increased correspondingly and prices are relatively low, necessitating soybean oil prices to remain high to support crushing margins. This indirectly supported CPO prices.

Under such a scenario and, despite the lower production and higher cost, the Plantations Division's contribution to profit improved by 8% to RM826.4 million on a turnover of RM8.5 billion. Other than higher prices of palm products contributing to this improvement in profit, were the sterling performance from our processing, crushing and trading sector which turnaround from a loss of RM2.4 million in the last FY to a profit of RM105.4 million this FY.

Aerial view of PT Steelindo Wahana Perkasa in Belitung Island, Indonesia



CEO'S REVIEW OF OPERATIONS



Estate operations brought in a profit contribution of RM788.6 million, with palm products accounting for RM773.4 million and rubber RM15.2 million. Our average profit per matured hectare (after replanting) for palm products and rubber was RM4,014/ha and RM974/ha respectively, the former being diluted by our Indonesian operations which have yet to reach full potential and in addition suffered from the discounted prices for both CPO and palm kernels.

The Group's average selling price for CPO was RM2,270/mt ex-mill, whilst that for palm kernels was RM1,881/mt ex-mill, both having taken into account the discounted prices for our Indonesian production and high logistics costs. The average selling price of rubber was about unchanged from last year at 667 sen/kg due to a lethargic, well supplied and depressed market. Encouragingly, there has been some rebound in prices lately.

Oil Palm

There has been no significant change in the productive areas from last year as there were no new acquisitions and no new plantings in the remaining plantable reserves in Indonesia. Progress was also slow in Liberia whilst awaiting the resolution of several land issues and completion of the studies using the High Carbon Stock Approach methodology, as well as social impact exercise through the free, prior and informed consent ("FPIC") with local communities. As such, the immature areas have declined slightly with no massive new plantings, whilst the older palms have increased marginally with impending large scale replanting in Sabah (Lahad Datu region) and Indonesia (Belitung Island region) in the coming few years. The Group has a consistent policy for replanting and for FY2016 expended RM55.1 million in replanting expenditure for oil palm and RM9.9 million for rubber.

FFB Production, Costs and OER

Dry weather reduced the Group's overall FFB production by 8% to 3.50 million mt. In tandem with lower crops, the Group's yield per hectare of FFB declined by 10% to 19.82 mt/ha which was the lowest in a decade.

Inevitably, the Group's FFB cost increased by 10% to RM244/mt ex-estate whilst CPO cost rose by 9% to RM1,381/mt ex-mill exclusive of windfall tax and Sabah sales tax.

Our OER was about unchanged at 22.28% with stringent monitoring and frequent audits to check on ripeness, loose fruit collection and mill losses. However, with the lower FFB yield/ha, our CPO/ha was lower by 10% at 4.42 mt/ha. The Group will continue to focus on sustaining and improving the OER as there is still room for improvement. Going forward, Management will also focus on Indonesian operations where the challenge is to bring some of the areas to be on par with Malaysian operations in order to realise its full potential.

Rubber

The contribution to profit from rubber of RM15.2 million, was slightly more than double that from last FY's RM6.1 million, attributed to higher output by 5% at about sixteen thousand metric tonnes. Yield at 1,553 kg/ha was a 10% improvement over last FY. Nevertheless, this had no significant impact on the Group's profits due to the low price of rubber and the continued dwindling of planted rubber area (due to substitution of old and unproductive rubber areas to oil palm). The higher productivity and recent rebound in prices of rubber shows promise of a better result for this crop next FY.

Other Developments

The Group has started planning for two new palm oil mills - a 30 mt/hour mill in Liberia expandable to 60 mt/hour to cater for the maturity of some 7,000 hectares already planted. The other mill will be built in Medan area with a capacity of 60 mt/hour. Earthworks for both have been completed and contracts for construction have been awarded with estimated commissioning in about two years' time.

Due to the expectation of further increase in FFB harvest, the Group will upgrade the capacity in two other palm oil mills i.e. Parit Sembada Mill in Belitung Island will be expanded from 60 mt/hour to 90 mt/hour and Mandau Mill in Riau will increase its capacity from the current 60 mt/hour to 80 mt/hour. Both these mills will be equipped with the latest vertical sterilisers' technology and are expected to be ready for commissioning in mid-2017.

CEO'S REVIEW OF OPERATIONS

After a long and onerous process, our Kekayaan Mill's Biogas project has finally been connected to Tenaga Nasional Berhad's transmission and distribution system in September 2016 to supply 2MW of electricity, whilst Jeram Padang Mill will do the same to supply 1MW electricity to the grid when ready sometime in April/May 2017. The same is replicated in Berau Mill in East Kalimantan, Indonesia and when our biogas plant is ready by the end of this year, it will supply 200KW power to the Indonesian grid whilst reserving 800KW to support our mill and estate requirements.

On infrastructure development in Indonesia, we will build two (2) jetty terminals - one in Central Kalimantan and the other in East Kalimantan to replace the current expensive land transportation with water/river transport. Permission from the authorities has been received for the former and permit for the other may be expected shortly. Both terminals will commence construction in 2017. In the meantime, our bulking installation of 5,600 mt in Sampit, Central Kalimantan has been completed and should be operational by end 2016 which would open up options to send our CPO to the highest paying region.

Our upgraded fractionation plant of 500 mt/day in Pasir Gudang, Johor has been commissioned and has been running well for about three months with improved quality and yield for RBD Olein which will enable us to target the packer's market. Another new fractionation plant of about 1,000 mt/day in Belitung Island has just been commissioned and is running smoothly. When in full swing, it will definitely provide more options for marketing out of Belitung Island by offering different grades or combination of grades of refined oils.

Research and Development ("R&D")

KLK's associate company, Applied Agricultural Resources Sdn. Bhd. ("AAR") has a 30-year strong history in plantation R&D and over the years has not only helped establish good agricultural policies for KLK's plantations but also benefited the oil palm industry as a whole. For its numerous outstanding scientific contributions to the oil palm industry, AAR was acknowledged by the Malaysian Oil Scientists' and Technologists' Association ("MOSTA") and awarded the inaugural MOSTA Outstanding Research Award in 2016.

AAR is a pioneer in the implementation of GIS/GPS in plantations and now amongst the first few to adopt the use of UAVs (Unmanned Aerial Vehicles) for the purpose of field mapping, assessment, palm counting as well as generating digital terrain models. Information and maps generated using UAVs are being utilised by KLK's plantations for drainage, road and infrastructure planning, planting operations during replanting as well as to monitor progress and quality of replanting programmes which include pest controls.

The search for control measures against basal stem rot disease caused by the pathogen *Ganoderma boninense* continues. The increasing spread of the disease has led AAR to progress in various research avenues to address the disease and one of them is the use of viable biocontrol agents. *Scytalidium parasiticum* is a new fungus species discovered and named by AAR which is capable of reducing *Ganoderma* basal stem rot disease incidence and severity in oil palm. The use of this new species against *Ganoderma* is being field tested.

The current high OER observed in mills processing sufficient clonal crop of AAR tissue culture ramets, proved the quality of AA Vitroa. The approach of emphasizing high oil-to-bunch ratio in the ortet is now proven commercially and in the current selection, some have oil-to-bunch near to 36% on laboratory testing.

AAR will continue to intensify its R&D efforts for crop improvement and look into areas to increase the genetic yield potential that would lead to increased productivity per unit land area.

High bunch numbers of AAR's Hybrid 1S planting materials at Kekayaan Estate

CEO'S REVIEW OF OPERATIONS



MANUFACTURING

Oleochemicals

The KLK OLEO Group achieved a pre-tax profit of RM299.4 million compared with RM171.3 million for the previous FY. Included in the results was the adverse impact of RM66.4 million arising from the changes in fair value on outstanding derivative contracts, attributed to the impact of the decline of the Ringgit at the end of the FY, and raw materials hedging position where there was big detachment between the physical and Bursa CPO Futures prices.

Despite a weak Fourth Quarter performance arising mainly from fair value changes on outstanding derivative contracts, overall the oleochemical business performed much better than the previous year. The improved results were contributed by several factors namely stronger sales at our overseas units which benefited from recent capacity expansions giving the business a more competitive cost structure, and better contribution from our specialty segment paying testament to our strategy of further downstream value extraction in our integrated value chain.

Overall, FY2016 has been a challenging year especially for our basic oleochemical segment which was very much affected by the high uncertainties in the commodity market and sluggish demand, as bullish crude palm kernel oil ("CPKO") prices forced many customers to be prudent in placing new orders. It is very difficult to manage the added value with the weakening and uncertain movement of the Ringgit affecting hedging in Bursa Futures. Petrochemical-based products also had a significant cost advantage especially over our fatty alcohols and sulphonated methyl ester ("SME"). The South East Asian producers were operating below nameplate capacity due to severe margin erosion of CPKO-based products.

Performance of our Malaysian operations was mixed. Our fatty acids and glycerine business recorded weaker sales and margins were also squeezed, as the subdued fatty alcohol sales had a spiral effect on the upstream fatty acid captive sales. Comparatively, our specialty business was healthier. The commissioning of the new Ethylene Bis-Stearamides ("EBS") plant in Third Quarter helped bolster sales. The additional capacity will also pave the way to develop new international customers.

With better operational efficiency and quality improvement, our soap business did well, as we continued to work with major multinationals and regional soap brand owners to provide a stable outlet for our products. There was also much interest in our certified sustainable soap, and sales were robust.

Ester sales remained solid although we see strong price competition ahead. The specialty ester sector chalked steady increase, whilst we face keen competition in the industrial lubricants sector. The division of Esters portfolio into specialty and industrial segments has given the business more focus, enabling the business to pursue expansion plans. The construction of a new ester plant in Malaysia that will be completed by early FY2017 is expected to pave the way for the business to venture into more products for cosmetic & toiletries and biolubricant applications.

For our fatty alcohol business, performance was adversely affected by the huge lauric price premium that prompted customers to switch to lower-cost synthetic-based alternatives. There was limited purchasing interest from Asia.

The SME business was also difficult, experiencing a lower market offtake due to strong headwinds from cheaper synthetic materials particularly linear alkyl benzene sulphonic acid ("LABSA"), making it difficult to persuade customers to switch to natural source, with some key customers even switching back to synthetics. Despite these challenges, we still see interest for this product especially in Asia, though it takes time to develop. Our SME is a highly biodegradable surfactant produced from palm oil and proven to have excellent quality based on various studies at renowned universities. There is a lot of interest in this green technology especially from customers in China and East Asia where responsible sourcing is gaining traction. We believe our natural SME will gain demand from detergent producers over time.

Our China operations are showing steady growth, benefiting from new capacity expansion. Despite a market slowdown, the unit is realising additional volumes. The successful commissioning of the new plant will also broaden our China unit's product portfolio with the introduction of liquid oleic acid, dimerised fatty acid and triacetin. After the lengthy approval process and stringent regulatory compliance, our triacetin is currently increasingly being used by major key customers.

KLK Emmerich continued to do well, and the strategy to balance key account sales with distribution channel sales is on track. The integration of the Düsseldorf unit is progressing smoothly, with several activities to further de-bottleneck its current capacities. KLK Emmerich's first ester plant has commenced production in the Second Half of FY2016. A second ester plant is also in the pipeline and is scheduled to complete next year, some output of which will be channelled to KOLB for production of ethoxylates. KLK Emmerich has also added dimerised fatty acid to the product portfolio as part of our downstream initiative.

CEO'S REVIEW OF OPERATIONS

KOLB's sales performance improved compared to the previous FY, despite a force majeure on ethylene oxide supply during the year. As for our new surfactants unit KLK Tensachem SA, various improvement projects are targeted to complete in FY2017, which will give KLK OLEO a stronger presence in the European surfactants market.

Following the stabilisation of our tocotrienol plant technology, we have expanded our palm-based phytonutrient portfolio to include beta carotene. This has helped our phytonutrient unit in Westport turn in a small profit, as beta carotene sales provided a much needed volume boost to the business. The project on high purity carotene extraction is ongoing, and is expected to complete in FY2017. We are also undertaking a rebranding exercise of our tocotrienols from *Naturale E³* (*Naturale³*) to DavosLife E3 to build a stronger brand identity in the market place.

Through the journey of the last 25 years, the KLK OLEO Group vision is to grow to be the most trusted global partner in oleo-based products and solutions, thus enriching human lives in a sustainable manner every day. We will continue to put our effort in sustainable development engaging our suppliers in our supply chain mapping and improvement projects, at the same time strive for further cost efficiency and value addition.

Non-Oleochemicals

For the FY under review, both the rubber gloves and parquet flooring businesses recorded encouraging results, with profits of RM13.4 million and RM3.9 million respectively. Their improved performances were aided by the stronger USD against Ringgit as these business units had improved in terms of competitiveness in the export market and also penetrated into new markets.

Going forward, ensuring product quality, emphasis on R&D activities to drive innovation and improve processes are the priorities for these businesses to remain competitive in their respective markets.

Triacetin plant at KLK Emmerich (Dusseldorf site), Germany



CEO'S REVIEW OF OPERATIONS



PROPERTY

The general weak sentiments for the property market lingered during the FY, inducing softer demand as buyers continued to adopt the 'wait and see' attitude in anticipation of lower selling prices. This had affected the profit from the Property Division, at RM28.6 million, almost half of what it had reported for the preceding FY, with unbilled sales at RM48.9 million.

For FY2016, our Property Division mainly focused on intensifying efforts to enhance the occupancy rate and vibrancy of Bandar Seri Coalfields ("BSC"). These included improvements to the quality of the township's environment and security.

Emphasis has been placed on beautification works of the environment by the in-house landscape, maintenance and quality-control departments. The permit to set up our own Auxiliary Police team was obtained during the FY, with the first batch of personnel having recently completed their training. While waiting for the Auxiliary Police service to commence, KLK Land has been providing security services to the township.

Plans to construct a private school offering kindergarten and primary school education is underway. The school, Wesley Methodist School, is expected to commence operations in January 2019.

The Ixora (22' x 75') terrace homes and Hibiscus 2 (18' x 60') affordable homes saw good take up rates towards end of Q4 with 81% and 72% of units sold respectively. These are expected to be completed and handed over in early 2017.

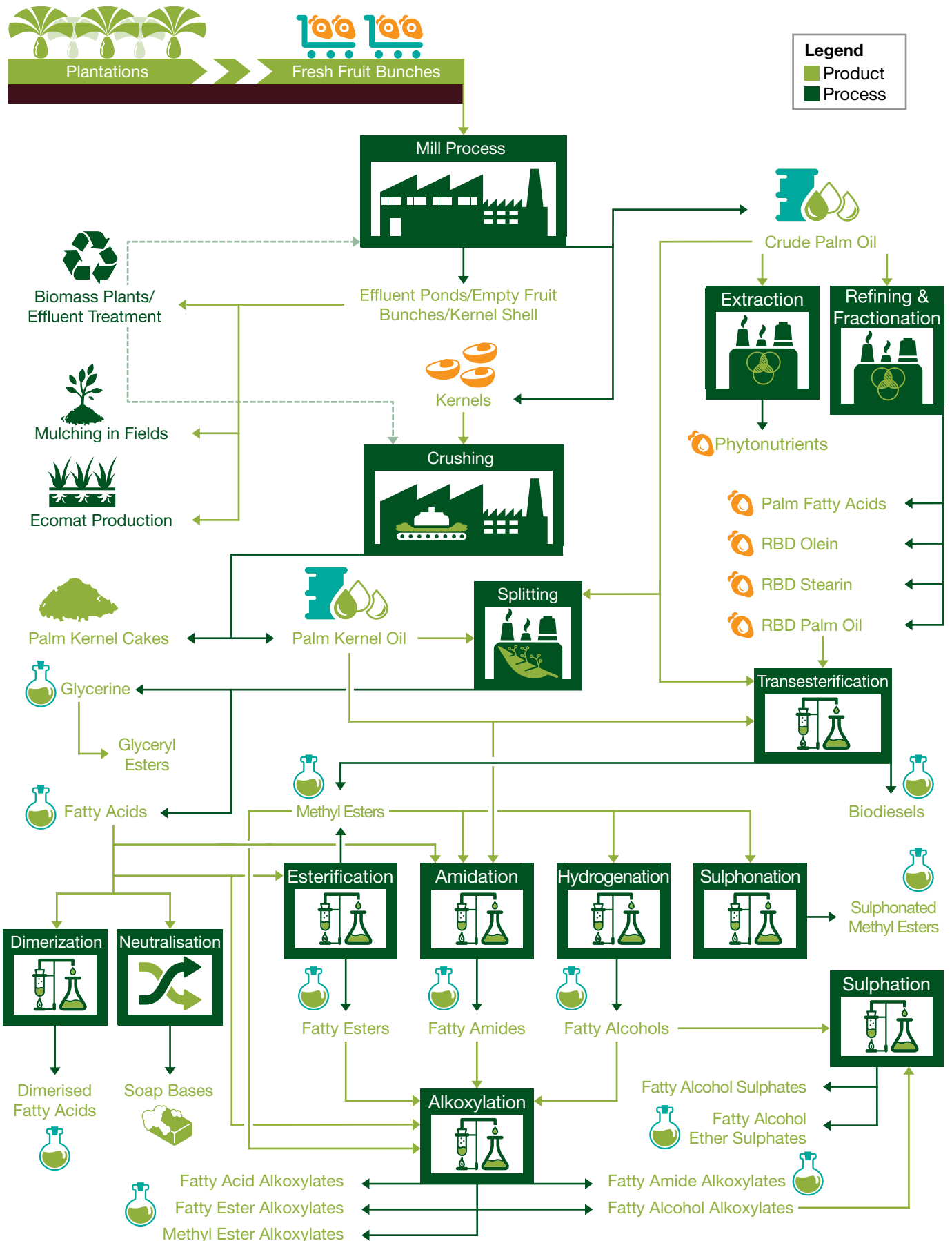
The Senna (20' x 70') terrace homes were successfully handed over and was the first phase in the township planned as a guarded community complete with security anti-scale fencing and guardhouse. The houses in this phase, with its lush landscaping and underground utility and services, received a high-quality rating under The Construction Quality Assessment System ("Conquas"), attesting to the high standards of the development.

As the lacklustre sentiment towards property is expected to last for another year, KLK Land will continue to emphasise on enhancing amenities, landscaping, security, improve accessibility to BSC and talent development. It will also look to offer a selection of products to meet the needs of different income groups. More affordable homes are in the pipeline while a wider selection of more up-market homes will be made available towards 2018 when the market is expected to recover.

The Senna (20' x 70') terrace homes in Bandar Seri Coalfields, Sungai Buloh



INTEGRATED BUSINESS VALUE CHAIN



MISSION STATEMENT

“ Creating sustainable stakeholder value by integrating environmental and societal concerns into business strategies and performance. ”

KLK believes that doing business in a sustainable manner goes hand-in-hand with corporate responsibility and both are integral to generate and sustain short and long term values for its stakeholders. The management of sustainable business and corporate responsibility activities are focused on four (4) core areas, namely:



KLK SUSTAINABILITY MILESTONES



The Journey Continues...



MARKETPLACE

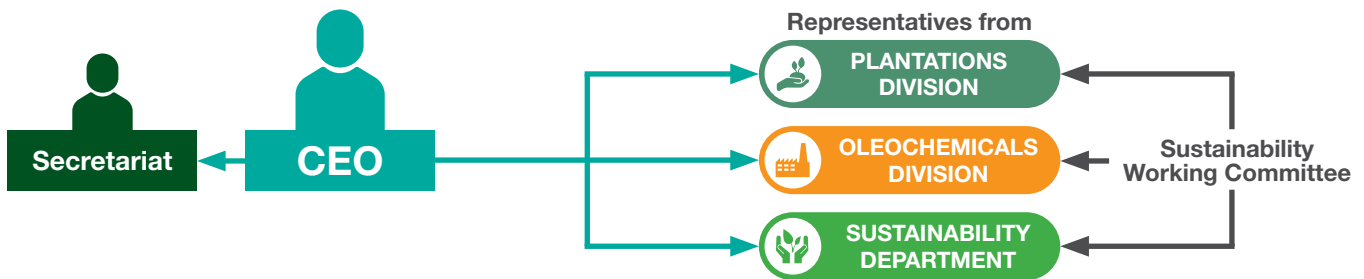
SUSTAINABILITY GOVERNANCE

1.1 Strengthening of Sustainability Governance

At KLK, sustainability is an organic journey and a fundamental aspect of how it conducts its business. Sustainability governance is done at the highest level through the Sustainability Steering Committee (“SSC”) formed in September 2015, chaired by the Chief Executive Officer (“CEO”) whilst members of the SCC include the Group Plantations Director, Managing Director of Oleochemicals Division and representatives from the Sustainability team. The mandate of the SSC is to develop sustainable strategies and policies, and to guide decision-making efforts for the KLK Group. The SSC also has a monitoring role to ensure that KLK meets both its compliance and sustainable development responsibilities. The CEO updates the Board of Directors on the Group’s progress pertaining to its Sustainability Agenda.

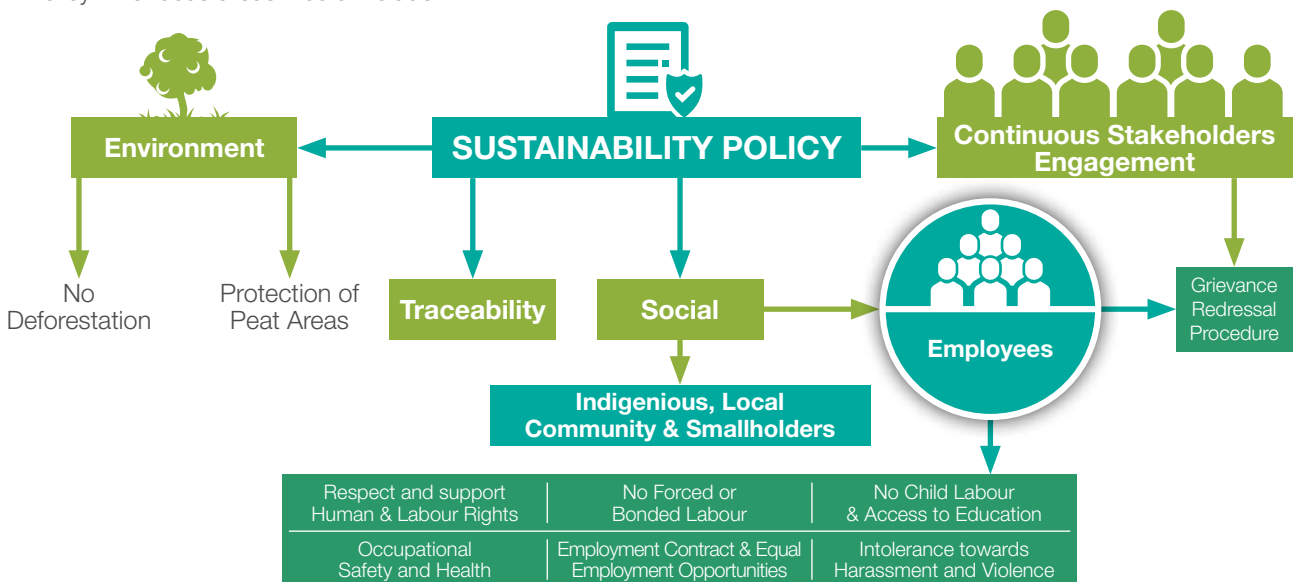
The SSC is supported by the Sustainability Working Committee (“SWC”). The SWC discusses operational matters that center around sustainability, recommends and implements solutions.

Sustainability Steering Committee



1.2 Sustainability Policy

KLK has a Sustainability Policy (“Policy”) put into action since December 2014. This publicly available Policy helps us keep our values, sustainability pillars and commitments in check. KLK adopts the Principles & Criteria (“P&C”) set out by the RSPO as the foundation of its sustainable practices and are further guided by the areas stipulated in its Sustainability Policy. The focus areas would include:-



SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

1.3 Policy Action Plan & Implementation

JUL-DEC 2015

- > Undertook a baseline assessment and analysis of responses to questionnaires sent out during the period of January – June 2015. This assessment was used to determine potential ‘gaps’ of KLK’s suppliers in complying the KLK Sustainability Policy.
- > Held face-to-face engagement sessions with external suppliers, customers and Non-Government Organisations (“NGOs”) – both upstream and downstream.
- > Continuation of Smallholders Project to assist them in achieving certification.
- > Undertook independent audit on labour practices in East Kalimantan.
- > Applied the High Carbon Stock Approach methodology to new planting areas in Liberia (Palm Bay – Phase 1 and Butaw concession areas).
- > Setup of KLK SSC and SWC.

JAN-SEPT 2016

- > Preparation of Smallholders for internal and external RSPO Audit.
- > Implementation of External Stakeholders Grievance Procedure.
- > Consolidation of Group Level Employee Grievance Redressal Policy.
- > Continuation of face-to-face engagement with external suppliers, customers and NGOs.
- > Initiated field assessment on external suppliers.

KLK believes in engaging with its stakeholders in a timely and effective manner. Both internal and external stakeholder meetings were carried out at least once a year in all its operating units. These meetings allow KLK to disseminate accurate and quality insights, communicate latest updates and gather feedback and comments for improvements on the Group’s development and performance.

KLK’s website at www.klk.com.my is one of the channels to further enhance stakeholders communication. Information pertaining to the Group include announcements, news releases, stakeholders responses, quarterly financial announcements and reports are made available online. Regular meetings are also held to keep stakeholders abreast with the developments in the Group.

A robust community engagement framework such as Free, Prior and Informed Consent (“FPIC”) process is also crucial to manage risks to its business. As such, the potential impacts of plantations operations on local communities present in all of its concession areas are managed via the FPIC process guided by recommendations in the RSPO P&C.

KLK also acknowledges that the implementation of its Sustainability Policy and its effectiveness would require the support and co-operation of its supply chain partners. In this respect, KLK has developed a grievance procedure process, made available on its website for a transparent and responsible handling of all complaints and grievances on matters relating to its own operations and those of its suppliers. This avenue will be in addition to the existing grievance framework of the RSPO. The feedback, input and constructive comments from external stakeholders in the process of dealing with the grievance will be taken into consideration as KLK continues its journey for continuous improvement to ensure its products are produced in a sustainable manner.



Stakeholder Engagement – Liberia

KLK’s commitment to continuous engagement with its stakeholders and respect for their rights (through the FPIC process) has brought about numerous meetings and engagements with its stakeholders.

One such occasion took place at Palm Bay estate between KLK’s subsidiary in Liberia, Equatorial Palm Oil Plc (“EPO”) and the non-consenting group within the Joghban communities and their representative, Sustainable Development Institute. This engagement exercise had resulted in the signing of a Memorandum of Understanding (“MoU”) in May 2016. A joint resolution with regards to the planned development of the area was reached. Subsequently there were many participatory exercises which included demarcation of villages buffer zone, site verification and crop counting. Similar engagements also took place at EPO’s Butaw estate which saw the details of the planned development being deliberated with the respective communities.



Designated community leaders signed a MoU with EPO through the FPIC process

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

Stakeholder Groups And Key Engagements Conducted In FY2016

Stakeholder Group	How KLK Engages with Stakeholders	Outcomes
Employees	<ul style="list-style-type: none"> • Team building, sport and social activities • Annual training programmes • Building different employee committees 	<ul style="list-style-type: none"> • First-aid, RSPO P&C, environment, social and safety aspects training • Employees are integrated to share their needs and desires
Local Communities	<ul style="list-style-type: none"> • Meetings with different stakeholders • Organise joint exercises with different stakeholders 	<p>Liberia:</p> <ul style="list-style-type: none"> • Signed MoU with different stakeholders • Initiated the Smallholder Tree Crops Revitalisation Support Project in collaboration with Liberia's Ministry of Agriculture and World Bank assisting oil palm smallholders • Developed joint participatory mapping • Conflict resolutions including land claims • Oil palm maintenance training • All communities agreed with the initiated village buffer zone in Liberia <p>Other regions (Malaysia and Indonesia)</p> <ul style="list-style-type: none"> • Training programme for smallholders supplying to Bornion Palm Oil Mill, Sabah • Engaging and organising community projects that involve local communities such as gotong royong at village, health talks and checks for villagers and festive celebrations
Governments	Engage with different ministries and involve them in our projects	Compensation process and venue
Media	Involve media in our local projects, invite them to our meetings	Article published about our projects
Secretariat of certification bodies such as: RSPO, ISPO, ISCC	Regular reporting: meetings	Actively engaged as a member of the RSPO
Certification Bodies	One-on-one meetings	Audit and provided us the certification
NGOs	Involve different NGOs in meetings and joint exercises	Collaboration with smallholders, development of programmes
Schools and Universities	<ul style="list-style-type: none"> • Provide scholarships for students • Talks held in schools and universities 	<ul style="list-style-type: none"> • Opportunities for underprivileged children to study • Awareness about oil palm development and the palm oil industry • Create awareness about working life and expectations of graduates
Consumers	Invite consumers for discussions regarding social and environmental issues	Consumers are actively involved in the production and co-creation of programmes
Consultancies	Involve consultants in project development for specific fields	Successful execution and projects results
Investors	One-on-one meetings for investment discussions	Business improvement and better business performances

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

1.5 Certifications

Roundtable on Sustainable Palm Oil (“RSPO”)



The RSPO is a multi-stakeholder initiative that aims to transform the market to make sustainable palm oil the norm. Members consist of supply chain members namely producers and processors, consumer goods manufacturers, retailers, banks & investors as well as environmental and social non-governmental organisations. KLK is one of its early members.

KLK is fully committed to certify all of its operating centres. KLK’s Malaysian operations have been fully certified since 2014. For its Indonesia operations, KLK targets to achieve full certification by end of 2017.

RSPO Supply Chain Certification (“SCC”)

Supply Chain Certification assures customers that the palm oil and palm kernel oil used in the production of finished goods, actually comes from the claimed RSPO source. Five (5) refineries and three (3) kernel crushing plants in Malaysia and Indonesia, together with KLK Oleochemicals Division in Malaysia and Europe, are RSPO SCC certified. With the SCC, it can satisfy the product and sustainable development needs of its customers.

RSPO Certified Sustainable Palm Oil (“CSPO”)

As of September 2016, KLK’s estimated annual production of RSPO CSPO stood at 603,254 mt.

RSPO Certified Sustainable Palm Kernel (“CSPK”)

As of September 2016, the estimated production of RSPO CSPK stood at 134,304 mt.

International Sustainability and Carbon Certification (“ISCC”)



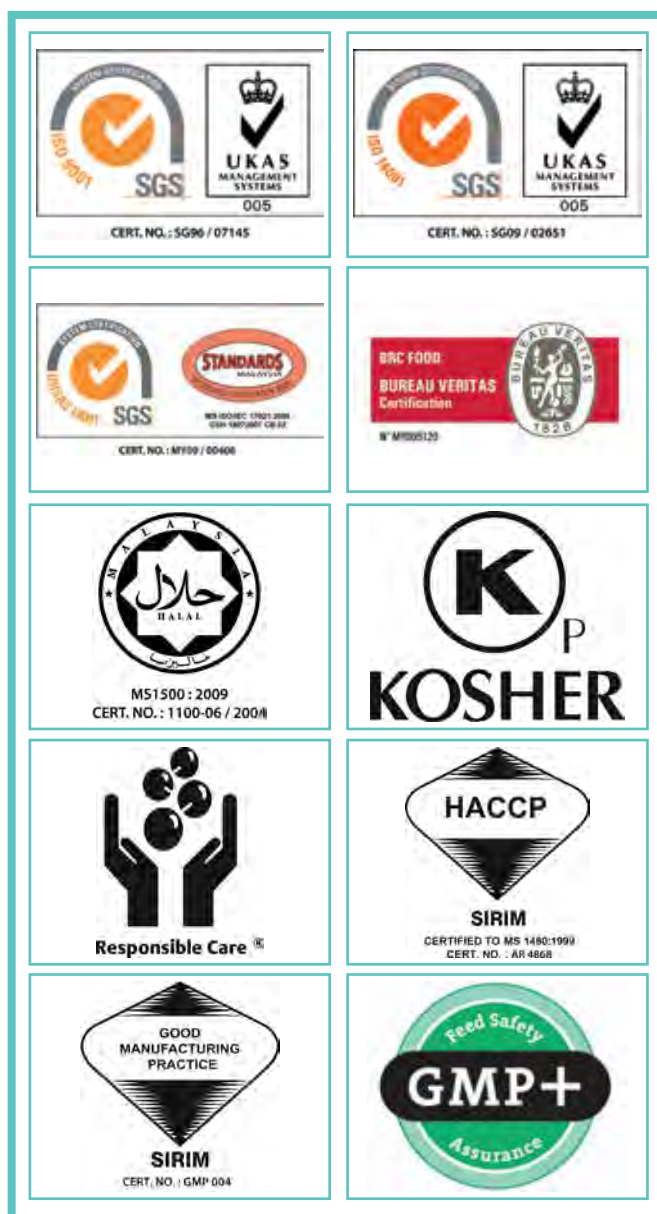
ISCC is a system for certifying the biomass and bioenergy industries. The system focuses on reducing GHG emissions, sustainable use of land, protection of natural biospheres and social sustainability. It has received official state recognition through the German government’s biomass sustainability ordinance (BioNachV) and is recognised by the European Commission as a certification scheme compliant with the EU Renewable Energy Directive’s (“RED”) requirements. As of September 2016, KLK had reached a production of approximately 537,129 mt ISCC certified palm oil.

Indonesia Sustainable Palm Oil (“ISPO”)

The Government of Indonesia established the mandatory ISPO certification scheme, to improve the sustainability and competitiveness of the Indonesian palm oil industry. This scheme also supports the Indonesian government’s objectives to reduce Greenhouse Gases (“GHG”) emissions and draw attention to environmental issues. Similar to the RSPO, the ISPO Standard include legal, economic, environmental and social requirements, which are based largely on existing national regulations. Currently, five (5) of KLK’s palm oil mills (“POMs”) in Indonesia are ISPO certified.

Certifications for KLK OLEO

Our manufacturing facilities are certified with various international standards. As an example, all the certification mark shown below belongs to Palm-Oleo Sdn Bhd.



SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

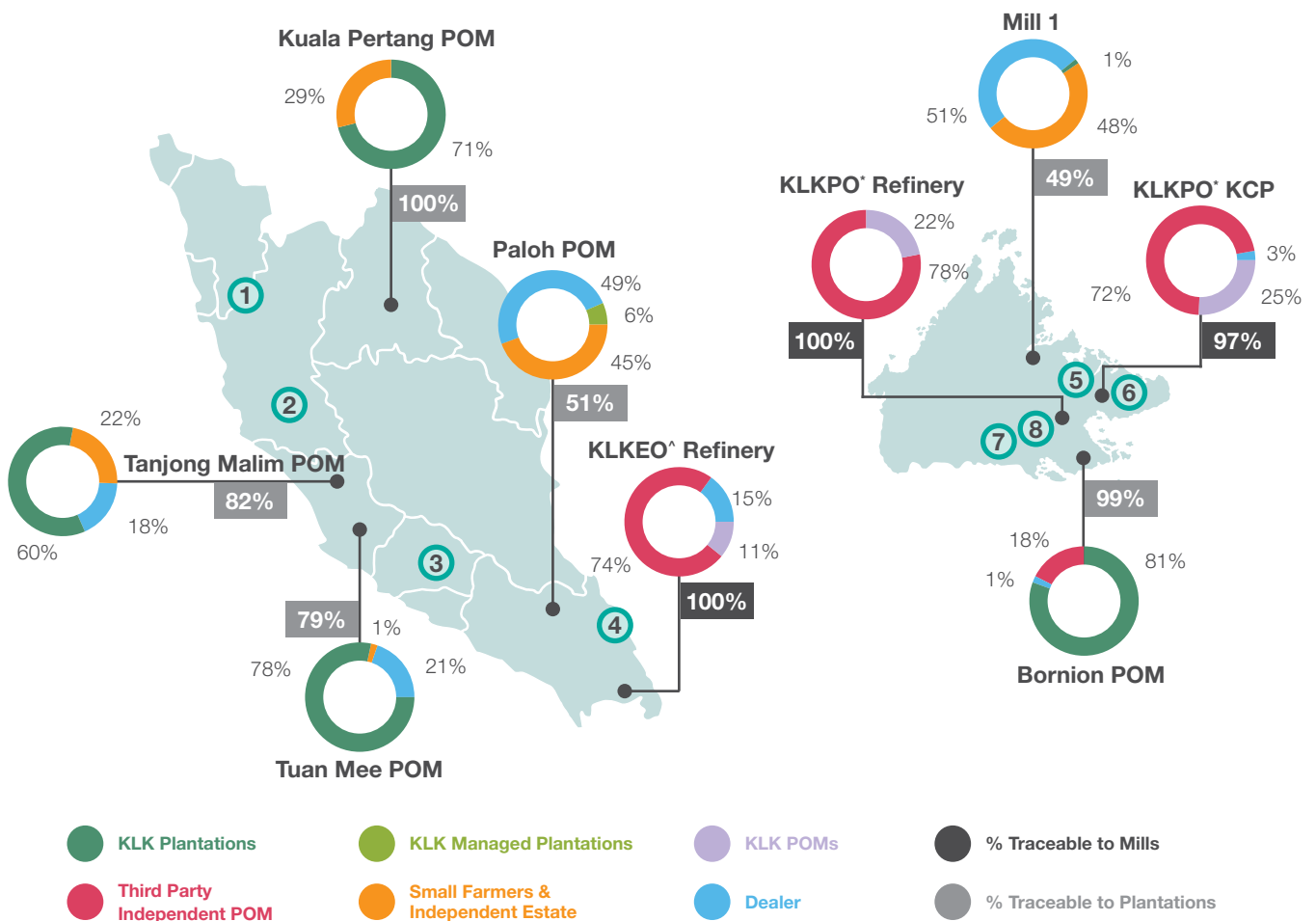
1.6 Traceability

Traceability is an important goal within palm oil sector. The palm products produced at KLK are traceable right up to its respective POMs, refineries and kernel crushing plants (“KCP”). The next step of tracing the source of palm products of its third party suppliers, remains a huge challenge. These suppliers include smallholders, small growers, POMs, refineries and other palm products production plants. KLK has taken steps to understand the practices of its third party suppliers and to include them in its traceable data. This is a long term process and KLK will strive to convince its third party suppliers of the importance of adopting traceability requirements.

To further improve transparency towards traceable palm products, KLK has also made the GPS coordinates of its POMs available in their corporate website, www.klk.com.my.

Plantations – KLK POMs, Refineries and KCPs in Malaysia

As at 30 September 2016



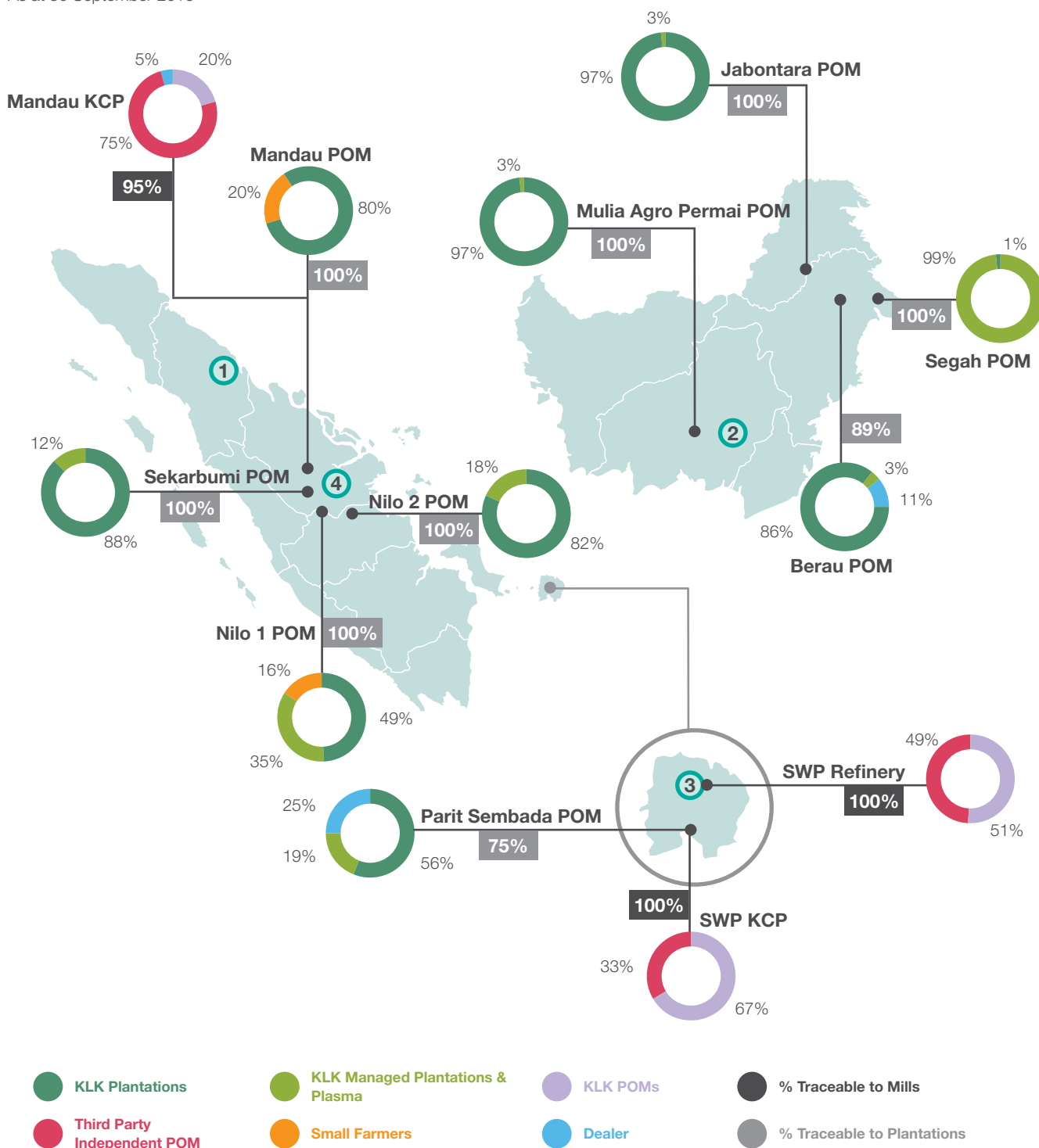
POM receiving 100% FFB from KLK Plantations:	
① Batu Lintang POM	⑤ Rimmer POM
② Changkat Chermin POM	⑥ Lungmanis POM
③ Jeram Padang POM	⑦ Pinang POM
④ Kekayaan POM	⑧ Mill 2 POM

[^] KLKEO – KL-Kepong Edible Oils Sdn Bhd
[^] KLKPO – KL-Kepong Premier Oils Sdn Bhd

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

Plantations – KLK POMs (including those managed by KLK), Refineries and KCPs in Indonesia

As at 30 September 2016



POM receiving 100% FFB from KLK Plantations:	Mandau Refinery receiving 100% PKO from:
① Stabat POM	④ Mandau KCP
② Karya Makmur Abadi POM	
③ Steelindo Wahana Perkasa POM	

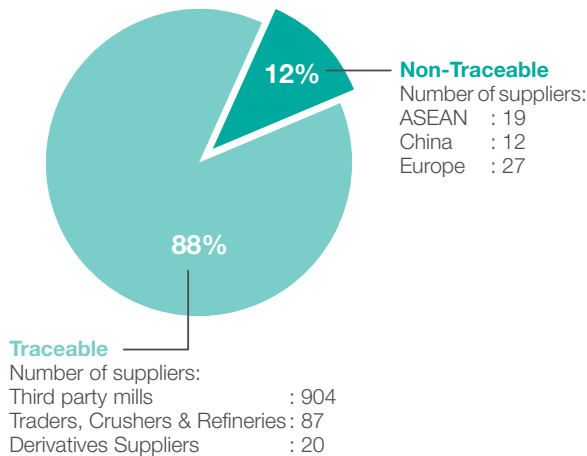
SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

Oleochemicals Division

With the inherent complexity in KLK's supply chain, traceability for its downstream business is mapped to the POM level and the data provided are estimates. The percentages disclosed were tabulated based on the weighted average purchases for oils and derivatives processed in its operating centres in China, Europe, Indonesia and Malaysia and taking into consideration the information publicly available and those provided by its suppliers (with verification exercises still on-going).

Traceability levels for KLK OLEO

As at 30 September 2016



ENVIRONMENT

2.1 Management of GHG

KLK is committed to take all possible measures to manage and reduce GHG emission in its operations.

From Emissions to Renewable Resource

To achieve less emissions, KLK currently has four (4) operational methane capture plants, with two (2) more in the process of installation spread across Malaysia and Indonesia. Our biggest source of emissions come from palm oil mill effluent ("POME"), the breakdown of wastewater from the mills which releases methane gas. The biogas plants help to trap methane gas and prevent it from being released into the atmosphere. Trapping methane gas helps generate power for electricity and is an efficient way to avoid the release of methane.

1.7 Smallholders & Small Growers Project

KLK together with Fuji Oil Holdings Inc. are currently undertaking a Smallholders' Project in KLK's Bornion POM in Sabah facilitated by Wild Asia. KLK believes that such collaborations are important in achieving its commitment towards traceable production in its supply chain, particularly with smallholders and small growers.

Training programmes have been organised for the smallholders with topics that include concepts relating to labour contracts and wages, environmental sustainability and HCV, best management practices, Occupational Safety and Health, storage facilities, general housekeeping and domestic & scheduled waste management. We acknowledge that there are many challenges faced by small growers when it comes to complying with the requirements of major players in the production of palm oil. As such, we will continue our engagement with smallholders. The first batch of 55 smallholders and small growers under this project are expected to be certified under the RSPO Certification by early 2017.

Additionally, in line with KLK's pledge to drive positive socio-economic changes, EPO has collaborated with Liberia's Ministry of Agriculture and World Bank to initiate the Smallholder Tree Crops Revitalisation Support Project in June 2016 to assist the rehabilitation and provide necessary information required for the future replanting by the smallholders. To-date, a total of 54 farmers in District #4 of Grand Bassa County have been identified to participate in this project.

BIOGAS PLANTS – Methane Capture

Malaysia

The 3MW biogas plant in Kekayaan POM is currently supplying 2MW power to the Malaysian Government Grid.

In mid of 2017, the 2MW biogas plant at Jeram Padang POM is expected to be commissioned, and supplying 1MW to the grid.

Indonesia

In Indonesia, the biogas plant in Berau POM, East Kalimantan to be commissioned by end 2016, will supply about 200KW to the Indonesian Government Grid while reserving 800KW to support its own requirements.



Methane Capture Plant in Kekayaan POM

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY



Filter Belt-Press at Kekayaan

Filter Belt-Press (“FBP”)

Besides the use of methane capture facilities, KLK also installs FBP in its POMs. The FBP system removes the bottom slurry solids from effluent ponds and helps to reduce the formation of methane gas. In addition, it treats the POME into organic fertiliser which is then reapplied to our palms. Water extracted from this system is also recycled for cleaning purposes. To-date, we have 14 FBP installed and nine (9) are in the process of installation.

KLK is currently collaborating with Neste Oil, ISCC and Initiatief Duurzame Handel (“IDH”) to explore further the potential of the FBP system for further GHG emission reductions and removal of organic matter.

2.2 Reduction of GHG

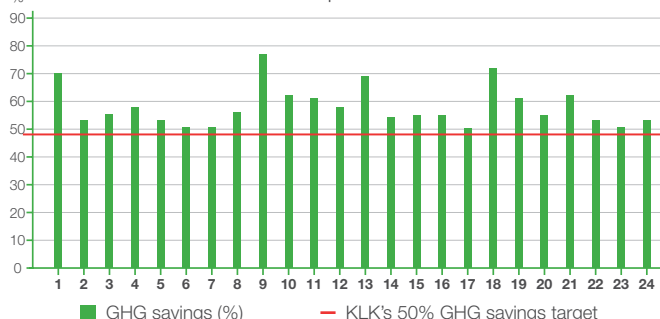
During the period under review, GHG emissions were scheduled to be progressively reduced on existing plantations and within operating centres through the methane capture facilities and the FBP system. Efforts to reduce GHG emissions are also supported by national as well as international legislation, such as the European Renewable Energy Directive (“EU RED”).

As at 30 September 2016, KLK has achieved GHG reduction target of 50% against fossil fuel emissions for all its existing POMs - well ahead of the EU RED Requirement target of 2018.

KLK will fully adopt the RSPO and ISCC P&C to minimise GHG emissions for all new developments, and continue to reduce those emissions on existing plantations and operations.

GHG Savings of KLK POMs (including those managed by KLK)

As at 30 September 2016



List of POMs			
1. Kekayaan	9. Mill 2	17. Jabontara	
2. Changkat Chermin	10. Lungmanis	18. Mandau	
3. Tuan Mee	11. Rimmer	19. Nilo 1	
4. Tanjung Malim	12. Bornion	20. Nilo 2	
5. Batu Lintang	13. SWP	21. Tapung Kanan	
6. Jeram Padang	14. Parit Sembada	22. Stabat	
7. Kuala Pertang	15. Segah	23. Karya Makmur Abadi	
8. Pinang	16. Berau	24. Mulia Agro Permai	

2.3 No Deforestation

Protecting the forests is a very important responsibility that KLK undertakes. Its Policy lays out its strong commitment to comply with national laws and international conventions and agreements.

KLK acknowledges that there is a need to have a single methodology to implement no deforestation commitments. There is now an agreement to converge the HCS Approach¹ and HCS+² methodologies to constructively develop recommendations to provide a roadmap going forward to address the outstanding issues in a collaborative and integrated manner. Decisions from this convergence exercise will be reflected in the revised HCS Approach Toolkit. In the interim, and until the results of the convergence are adopted, KLK will adopt the current HCS Approach methodology for all new oil palm development.

2.4 Protection of Peat Lands

Peat land is a natural area that is accumulated with partially decayed vegetation or organic matter. Peat land plays a vital role in providing drinking water, biodiversity maintenance, carbon-water storage and regulation. KLK is committed to ensuring no new development in peat areas, regardless of depth.

¹ a methodology developed by a multi-stakeholder body called the High Carbon Stock Approach Steering Group. The HCS Approach distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values.

² a methodology from a study commissioned by a group of grower companies and agribusinesses. The HCS+ focused on the GHG emissions and the opportunities for improved livelihood by permitting some level of responsible conversion of land to oil palm plantations.

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

KLK would also apply best management practices to peat lands that exist within its plantations. In areas that are found to be unsuitable for replanting, it will work with experts to explore options, including environmentally friendly alternative uses or peat restoration.

2.5 Zero Burning Policy

KLK maintains a strict Zero Burning Policy in relation to all new planting, re-planting and other related development. This policy is also extended to all plasma schemes managed by KLK.

Haze Task Force was set up at the Indonesia Head Office to monitor and manage the haze situation in our operating centres. Standardised practices of managing possibility of any fire outbreak within or outside the operating centres have been adopted. These would include the mapping of any high risk fire zones, setting up of hotlines in each estate, building of additional fire-monitoring towers, making available more fire-fighting equipment like Shibaura water-pump, setting up fire index signages to create awareness, daily satellite monitoring of hotspots in and outside our plantations (within the radius of approximately three (3) km). Canal blocking has also been set up with the assistance of the police force to ensure sufficient water is available during dry periods.

Each operating centre is also equipped with a fire-fighting team, trained by the local government fire-fighting department (Dinas Pemadam Kebakaran). Managers, assistants, relevant staff, workers and members from the communities in surrounding areas also take part in the training to equip them with the relevant information and knowledge in combating incidences of fire. Our fire patrolling teams are deployed to monitor the estates and also neighbouring villages.



Fire index signboards set up in KLK estates in Indonesia

Promoting improved land conditions

The implementation of the Zero Burning Policy minimises smoke pollution, reduces GHG emissions and promotes economic and ecological sustainability. By recycling plant biomass, the zero burning technique improves soil organic matter, moisture retention and soil fertility. This reduces the overall requirement for inorganic fertilisers and decreases the risk of water pollution through leaching or surface wash of nutrients.

Agronomic benefits can be enhanced if the oil palm seedlings are planted directly on the residue piles, rather than on bare soil. Through this approach higher levels of total nitrogen, potassium, calcium and magnesium can be obtained, releasing nutrients over a longer period of time.

2.6 Fertilisers, Herbicides and Pest Management

In order to develop and improve the quality of KLK's plantations, it is essential to cut back on reliance on fertilisers, pesticides and herbicides. By focusing on the use of non-chemical pest control, plants and owls, KLK's Plantations Division in Malaysia was able to reduce herbicide consumption from 2.94 litres/ha to 2.45 litres/ha and reduction of fertiliser consumption from 1.38 mt/ha to 1.36 mt/ha. This also includes reducing the total volumes of pesticides applied.

Non-chemical pest control

We have adopted environmentally friendly techniques and used them to innovate our Integrated Pest Management System ("IPMS"). These techniques are used when we clear out the old palm trees. Small pieces of pulverised palms are spread widely across the whole field, effectively destroying potential breeding sites of pests such as rhinoceros beetles and rats. This form of non-chemical pest management system ensures that the decomposed biomass eventually adds back the soil's organic matter and reduces the use of pesticides.

Plants and barn owls as pest managers

Pulverised palms are not the only way to control pests. Beneficial plants such as *Antigonon leptopus*, *Turnera subulata*, *Cassia cobanensis* and the use of barn owls are also integrated into our IPMS. The additional uses of plants and barn owls have proven to be effective biological controls. A much simpler and less risky approach to pest management.

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

2.7 Biodiversity

KLK pledges to conserve biodiversity by identifying, protecting and maintaining areas of High Conservation Value (“HCV”). This would include areas that contain significant concentration of biological values, rare, threatened and endangered species and areas that provide eco-system services. Examples are watersheds, waterfalls, hot springs, natural forests and riparian boundaries.

In the context of RSPO, HCV areas would also include:

- Areas fundamental to meeting basic needs of local communities (e.g. subsistence and health); and
- Areas critical to the local communities’ traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in co-operation with local communities).

In line with this objective, KLK also undertakes rehabilitation programmes for steep, degraded slopes by planting them with forest trees and grown for forest regeneration.



Conservation of the natural hot springs in Sabah



WORKPLACE

KLK believes that its employees are one of its greatest assets and employee welfare remains its top priority. KLK has a workforce of over 40,000 enthusiastic employees, at locations all over the world. We value our people, and reward their hard work with career development opportunities, scholarships and further training prospects.

3.1 Occupational Safety & Health (“OSH”)

Being a responsible company, KLK seeks to conduct its business with highest standard of safety and health protection for our employees and stakeholders. We are committed to continuously identify and eliminate or manage any safety risks associated with the Group’s activities.

The Plantations OSH department at the Group’s Head Office, guided by the KLK OSH Manual and Guidelines ensures that OSH requirements are applied uniformly and consistently across all operating centres. In order to effectively identify and manage occupational risk, a Safety and Health Committee (“SHC”) was set up at each operating centre. KLK currently has close to 2,000 OSH Committee representatives in all of its Plantations operating centres. All operating centres would also undergo annual audit for its OSH procedures and compliance in order to uphold the high OSH standards that have been established through the years.

During the year under review, we have implemented various activities to provide a safe and occupational-illness free environment to our employees. These programmes include:

- Safety training (eg. fire drills, first aid training, safety and healthy talks, etc);
- Conducting regular medical and physical checkups;
- Chemical Health Risk Assessment; and
- Introducing noise reduction rooms

Tractor Driver Training carried out by the Estate Manager



Chemical Sprayer equipped with appropriate personal protection equipment

KLK employees receiving the training from the fire department



Workplace safety training such as working at heights was conducted at Kolb for all engineers

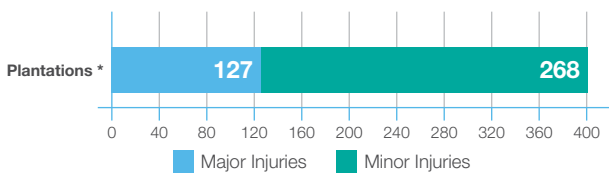
SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

Accident Monitoring

Operating under the system of continuous improvement, the OSH department reviews the Lost Time Injury (“LTI”) on a monthly basis. The results produced will be monitored and aspects of our operations that may pose OSH impacts will be identified. Through this we take action to improve the LTI rate and severity rate of the LTI.

Loss Time Injury (Number of Cases Reported)

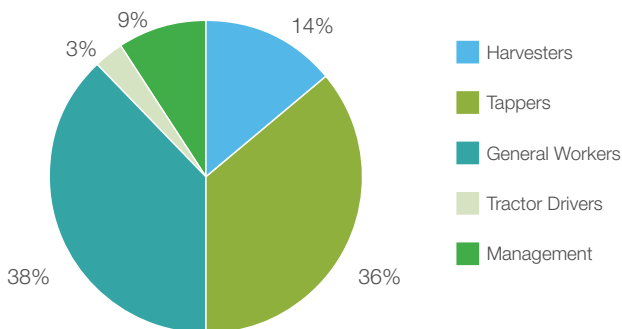
As at 30 September 2016



* Data reported is for plantation operations in Peninsular Malaysia only.

Major^ Accidents Reported Per Category*

As at 30 September 2016



^ An accident is deemed to be major if five (5) medical days or more are taken.

* Data reported is for plantation operations in Peninsular Malaysia only.

Our operating centre in Central Kalimantan, PT. Mulia Agro Permai (“PT. MAP”) has again for the fourth consecutive year been recognised by the Indonesian Ministry of Manpower and Transmigration for its excellence in creating a safe and healthy work environment for workers with the Zero Accident Award.

PT. MAP was also recognised for a third consecutive year for its continuous efforts and programmes related to prevention and countermeasures of HIV/AIDS in work place.

In our manufacturing operations, our colleagues at KOLB in Europe have achieved an outstanding 730 days or in other words for two (2) years without an accident with lost days.

These achievements are a testament of the high standards of OSH practices in our operating centres.



PT. MAP has been recognised for its excellence in creating a safe and healthy work environment for workers

3.2 Independent Labour Audit

As part of KLK’s continuous self-improvement programme and to ensure the welfare of its employees are consistently taken into consideration, it undertook a voluntary labour audit during the FY, focusing on the practices of its East Kalimantan operations. The gaps in the implementation of its Sustainability Policy and any inconsistent practices highlighted served as a guide in the Group’s overall enhancement programme. Labour practices have now been standardised across its Indonesian operating centres and where applicable, other improvements will be rolled out simultaneously. KLK had also made the findings of the audit transparent for stakeholders and it is available on its website, www.klk.com.my.

3.3 Human Capital Development

Human capital is the backbone of KLK and it places great emphasis in developing its people to reach their full potential. This development is achieved through structured training programmes and exposure on the job. Various initiatives such as conducting training, encouraging workplace diversity, promoting employee welfare.

General Training

The key to a competent and committed workforce lies in efforts to provide continuous learning and development opportunities for employees. For the Plantations Division, all newly recruited planters and engineers are required to undergo orientation and induction programmes. For our Manufacturing side, the Supervisor Centre of Excellence programme is designed to develop the skills of our existing supervisors. Regardless of the type of training, all employees are grounded in the KLK core values of integrity, loyalty and teamwork.

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

Intentional Mentoring Programme (“IMP”)

At KLK, we understand that mentoring is an important aspect of helping our people move forward in their careers. To that end, we have set up a two-phased training structure for plantations staff and executives, consisting of IMP at our KLK Training Centre.



Intentional mentoring course for plantations executives

The mentoring courses last for a minimum of nine months, and cover all necessary knowledge surrounding plantation management for oil palm and rubber planting in 11 field modules. For the duration of the course, trainees will be rotated through five selected operating centres. For the purpose of monitoring, on a quarterly basis, the Estate Manager will submit a progress report for each trainee on the scheduled and completed subjects. These reports will be compiled by the Training Manager at the KLK Training Centre, where they will be evaluated by Senior Management as a source of reference for the next phase of training programme.

Trainees will then continue to the KLK Training Centre in Ipoh, to address any knowledge gaps. A wide range of topics are covered in the Phase Two modular courses, ranging from technical and administrative knowledge to soft skills and motivational talks. The weeklong courses are conducted twice a year.



Annual Sports Festival in Sabah

3.4 Health and Wellbeing of Employees

KLK encourages its employees to adopt a healthy lifestyle. We believe that sports not only encourage integration, it also fosters good values like unity and healthy sportsmanship. KLK provides sporting facilities at its plantations operating centres to encourage its employees to adopt an active and healthy lifestyle.

Employees at KLK are encouraged to take part in the various activities to maintain a balanced lifestyle. These activities include the annual Sports Festivals, Family Days, health campaigns, religious festivals and an annual employee dinner, all of which serve as catalyst to encourage strong team work, comradeship and discipline.

Team building exercise is an important aspect here at KLK. It helps to make our teams stronger and more attuned to one another. We are committed to workplace diversity and this can be seen in our practices which do not discriminate stakeholders on account of race, age, gender and minorities. It is here that our employees and workers learn more about one another and their similarities, making it easier to communicate more clearly with each other.



Cultural performance by KLK's employees during annual dinner in Sabah



Team building activity

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

3.5 Employee Engagement

Company-wide, we always have our employees' best interests at heart. We strive to engage them in activities and knowledge sharing, to keep everyone at KLK informed about the updates in the Company.

Communications through KLK Newsletters and internal email blasts to all employees within the KLK Group allow sharing of information and development within the various business divisions of the Group as we operate in a diverse environment.

Managers' and Assistant Managers' Conferences

Continuing with the practice started by KLK's founding chairman, the late Tan Sri Lee Loy Seng, KLK organises its Managers' and Assistant Managers' Conferences for its Plantations Division as part of its development programme. These conferences also serve as a platform to reinforce the Company's values and also for the Company to show appreciation to its employees.

Participants from all operating centres are able to share technical knowledge and experience in facing different challenges on the ground as they operate in vast areas spreading across Peninsular Malaysia, Sabah, five (5) regions in Indonesia and Liberia.

Townhall Sessions

Townhall sessions are held at KLK OLEO to allow employees to share thoughts and observations with senior management. Such events also allows Management to share the aspirations and plans for the year.



Team building activities held prior to Managers' Conference to strengthen the spirit of camaraderie amongst colleagues



Colleagues from various regions discussing and articulating opinions during conferences



Colleagues getting together for a fun evening after conferences



KLK Plantations Malaysian Managers' Conference 2016 held in Kota Kinabalu, Sabah

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY



MADE LEDRA
INDONESIAN

4 years in KLK, Currently works in Nursery

Throughout my time with KLK, safety has always held high priority in my work. I started off as a spraying operator on the estate for two years. Thereafter, I worked in the fertiliser section for eight months and now I'm being kept busy in the nursery.

On my very first day of work I received safety and job training. Even though it has been four years since I started working at KLK, I still receive regular training sessions. Taking necessary precautions whilst maintaining the nursery is my main focus. I like working here, and enjoy being valued by the Company and my colleagues.



AHMAD AZMIL
(Lab Technician)

MALAYSIAN, Aged 28
3 years in KLK

I get great satisfaction working in KLK. Here we have good career advancement prospects, great support from the organisation and annual training, which help to keep me up-to-date in my field of work as well as of the knowledge about the latest lab innovations. I hope to work for many more years in KLK.

I am working in a pleasant environment, with a healthy subsidised lunch programme and plenty of fun activities organised by the Company. It is a total package, in my opinion.



MOHD ABDUL KALAM
(Collector)

BANGLADESHI, Aged 38
Family lives in Bangladesh, 2 years of service in KLK

I enjoy working at KLK, and have been able to grow within my job since joining.

I like the fact that my steady job here allows me to send money to my family in Bangladesh each month. The working environment here is very pleasant, and the Company watches out for me by, for example, giving me regular training and my own set of PPE for my safety. KLK provides me with adequate housing, and even pays the utilities – including the costs of cable television for entertainment.



KHOO PING KHEAN
(Executive Director of Palm-Oleo Sdn Bhd)
MALAYSIAN, 37 years in KLK

I started working in KLK in 1979 as a Cadet Engineer. Throughout the 80s and 90s, I was able to work in various departments within KLK.

It has been my life's work to improve safety, quality and health and security within KLK – from both an employee and a product perspective. I remain committed to the welfare and career security of my colleagues and myself, and enjoy seeing hard workers bloom in their respective career paths.

Now at Palm-Oleo Sdn Bhd, I look forward to more years of work to bring about sustainable solutions at KLK. After all, for a sustainable future, we must not be complacent; we must be open minded and receptive to changes.



COMMUNITY

“ At KLK, we recognise the importance of a strong and healthy community, and we endeavour to do our part to maintain and protect those communities in which we operate. ”

4.1 Educational Programmes and Campaigns

One of the major causes supported by KLK is education, as it creates a sustainable future for the individual, especially children and has a long-term impact on the community at large.

Humana Schools (“Humana”)

In Sabah, KLK collaborates with Humana Child Aid Society with the aim of providing basic primary education to the children of plantations workers and other underprivileged children in remote areas in Sabah that have little or no access to mainstream education. Starting with the first learning centre at KLK Mill Complex in Tawau, Sabah, it has now since grown to five (5) learning centres in various KLK’s estates in Sabah. For FY2016, total enrolment is 835 children.

In addition to providing funding for basic infrastructure, transportation is provided for the children to travel to and from the learning centres. These educational centres are equipped with libraries, basic sciences laboratories, computer rooms, canteens, playgrounds and other amenities.



Children in Humana school in Sabah

Indonesia: Learning Centres

Partnering the Indonesia Heritage Foundation (“IHF”), KLK has developed a programme to provide kindergartens for the children of our estate workers in Indonesia and those living in the vicinity of these estates. The focus of the IHF curriculum is to instill good character and values at young age.

There are currently 30 learning centres set up by KLK in our operating centres in Indonesia; 12 of which are in collaboration with IHF. In addition, we also have three (3) primary schools in our Riau operating centres. Free bus services are provided to ferry students to the learning centres.



Children in one of KLK’s learning centres in Indonesia

Liberia: Education for Children, Adult Literacy Programme

In Liberia, we have two (2) schools providing free education to the children of our workers as well as those from the surrounding villages. This is done in partnership with the Liberian Ministry of Education. In total, there are 980 students with 485 males and 495 females. Free adult literacy classes are also provided for the adults after working hours.

Children waiting for the class to start at the school in Liberia



School bus provided for children in Liberia

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

KLK Scholarship

Yayasan KLK, an educational foundation has been supporting needy and deserving Malaysians to continue their tertiary education with focus areas in Agricultural Sciences and Engineering. As part of the scholarship programme, Yayasan scholars are given practical training and internship to enable them to gain an insight into the business environment. Upon completion of their studies, successful scholars are given opportunities to take up employment in the Group where they will be mentored. Currently, KLK is sponsoring 36 scholarships.

Similarly in Indonesia, educational aid is provided to support the learning of local students consisting of our employees' children and also those from the nearby villages.

Deserving students awarded the KLK Scholarship to pursue a degree at local higher-learning institutions in Malaysia



Educational aid provided to employees' children and also those from nearby villages in Indonesia

4.2 Community Health and Wellbeing Campaigns

Building Infrastructure and Places of Worship

KLK Group is committed to providing and maintaining a healthy and safe working environment for its employees while working together with the communities to improve their quality of life. Projects carried out include provision of clean, safe water for drinking, places of worship and availability of nurseries for babies and very young children.

In terms of housing and amenities, continuous efforts are made to inculcate a "maintenance culture" including timely repairs and repainting of workers' quarters; and beautifying their compounds.

Houses for estate workers and managers



Automated Teller Machine facility for employees at estate in Indonesia



Clean drinking water provided for employees at PT Malindomas Perkebunan, East Kalimantan

Medical Facilities and Disease Prevention

KLK strives to ensure that healthcare is accessible to its employees on the plantations. In addition to the provision of clinics in the estates, we also organise visits by qualified medical personnel to the villages in the vicinity of our operating centres for the benefits of the local communities. Updated medical facilities and emergency contact such as free ambulance service was also being put up on the notice board in every operating centres.

There are regular health campaigns organised in order to raise public awareness on disease prevention. An on-going campaign on Dengue fever was conducted across all KLK estates to ensure employees are aware of the symptoms of the disease and method of prevention.



A child in Liberia getting free medical check in KLK's clinic

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

4.3 Fostering Unity and Togetherness

“Muhibah (Harmony)” Cup

KLK believes that through sports one learns the true meaning of sportsmanship and helps toward positive physical and mental growth. It also helps to forge a harmonious and good relationship with others. KLK organised its second “Muhibah” Football Tournament (Boys Under 12 & Under 16 categories) in Ipoh. A total of 25 teams competed in this tournament in which each team represented by players of various races.



Players from the Under 12 category



Winning team for the Under 16 category



Children from different races & backgrounds coming together for a football tournament

The OTHER Festival

KLK collaborated with Kakiseni (a non-profit organisation dedicated to develop the Malaysian arts industry) to hold The Other Festival in Ipoh.



The festival that took place from 22 Oct - 8 Nov 2015 was a celebration of Ipoh Old Town’s history, food and arts. Themed ‘Mapping the City’, this inaugural festival focused on a series of trails designed by popular personalities who are either Ipoh natives or have a connection to the city. The idea is to encourage festival goers to explore Old Town on foot and discover the inspiring tales that await behind the crumbling facades of heritage buildings.



The trail map of the old Ipoh town sponsored by KLK

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

In conjunction with The OTHER Festival, KLK also organised a Tote Art Competition for primary schools across the Kinta district where close to 700 primary school children participated. Themed “My Ipoh in the Future”, these children came up with some amazing artwork to illustrate what they envisage Ipoh to be in the future through their young eyes. It is hoped that such events promote a sense of belonging within the community regardless of race and region.

Additionally, KLK hosted a fun day out with about 70 underprivileged children from three (3) children homes to explore the old town of Ipoh city through a heritage trail walk where they were able to learn and experience the wonders of what the town has to offer.



Themed “My Ipoh in the Future”, close to 700 bags were submitted with artwork illustrating what children envisage Ipoh be like in the future.

The children and KLK volunteers at the front of the “Ipoh Tree” with the Ipoh Railway Station set as a backdrop



The ‘Kopi’ Break, one of the seven popular street murals in Ipoh

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY

4.4 Volunteerism and Philanthropic Deeds

At KLK, employees are encouraged to volunteer in various capacities to encourage the spirit of giving back to society and caring for the environment. KLK also continued to support numerous charitable initiatives in the form of grants, direct cash donations and other gifts in kind for causes related to education, community welfare, sports and the performing arts.

A Glimpse of KLK's Volunteerism Activities



Blood donation campaigns are held on an annual basis



KLK volunteers giving a children's home in Perak a makeover



KLK volunteers from Sabah made their way to Tawau Old Folks Home to mingle with the elderly and donated some necessity to the home



KLK's estate managers turned speakers in a motivational seminar held at Sabah where they shared their life experiences, the importance of education and tips to develop self-motivation



Volunteers from KLK OLEO participated in the "Program Pendidikan Khas Integrasi" to beautify Sekolah Kebangsaan Taman Klang Jaya in Selangor to provide a clean and conducive environment for the students



KLK volunteers including Senior Management taking part in a story-telling competition held for students from SJK (C) Papan in Perak, with the aim to promote the use of English in the school

SUSTAINABLE DEVELOPMENT & CORPORATE RESPONSIBILITY



Volunteers from KLK OLEO collaborated with a special needs school, Sekolah Kebangsaan Telok Gadong, Klang to organised a motivational camp for the children



KLK employees contributed to the annual "Wish Tree" project to spread cheer and joy to the underprivileged children of Ipoh during the holiday season



Volunteers from KLK Emmerich GmbH teach and help out in the daycare facility in Germany under its assist the refugees campaign



Volunteers from KLK OLEO served as mentors to motivate secondary school going children under the Programme After Class Enrichment project organised by the Edge Education Foundation

Apart from the above, other organisations that were supported by KLK include Perak Association for Intellectually Disabled, Perdana Leadership Foundation, Yayasan Nurul Yaqeen, Olympic Council of Malaysia, Malaysian Care, Perak Women for Women Society, Ray of Hope and National Sports Council of Malaysia.

CORPORATE & KEY MILESTONES

A Glimpse of our Corporate Milestones for the financial year ended 30 September 2016.

2015

OCT

1

KLK completed the acquisition of Emery Oleochemicals GmbH's oleochemicals assets and business in Holthausen, Düsseldorf, Germany.



DEC

8

Taiko Palm-Oleo Zhangjiagang successfully commissioned a new plant EP2 which have a splitting capacity of 150,000 mt per annum, with dimer and oleic acid production capacity.



OCT

21

KLK participated in the International Global Transformation Forum 2015 organised by PEMANDU.

DEC

30

KLK Land Sdn Bhd, a wholly-owned subsidiary of KLK completed the sale and purchase of various parcels of freehold land totaling approximately 3,000 acres in Johor for purpose of future joint development with UEM Land Berhad.

2016

JAN

KLK Bioenergy was recognised for its safety record with one million total worked hours without a lost time incident.

APR

19

KLK participated in the Minggu Saham Amanah Malaysia 2016 organised by Permodalan Nasional Berhad held in Tapah, Perak, Malaysia.

MAR

9

KLK OLEO celebrated its 25th year anniversary together with key suppliers, partners and customers at the Palm and Lauric Oils Price Outlook Conference & Exhibition 2016.



MAY

2

Equatorial Palm Oil Plc signed a Memorandum of Understanding with designated community leaders over four (4) key aspects of Palm Bay estate for the development of its oil palm activities.

APR

1

KLK Land issued the inaugural issue of e-newsletter.



CORPORATE & KEY MILESTONES

A Glimpse of our Corporate Milestones for the financial year ended 30 September 2016.

2016

MAY

9

KLK issued 2nd Sustainability Policy Implementation Progress Report.

MAY

18

PT. Mulia Agro Permai from the Kalimantan Tengah region has for the fourth consecutive year been recognised by the Ministry of Manpower and Transmigration for its excellence in creating a safe and healthy work environment for workers.



MAY

19

KLK Plantations marked its 110th year anniversary.

JUNE

Procter & Gamble had awarded KOLB for “Excellence in Maintaining P&G supply chains” during the European Ethylene Crisis.



JULY

4

KLK issued its Grievance Procedure with regards to its Sustainability Policy, made available in its website at www.klk.com.my.

AUG

23

Minister of Plantation Industries and Commodities together with the ministerial delegation visited the KL-Kepong Oleomas Sdn Bhd's plant in Port Klang, Selangor, Malaysia.



SEP

5

KLK awarded the “Excellence in Plantations & Commodities” during the Pangkor Dialogue Awards 2016 ceremony.



AUG

25

KLK Land Sdn Bhd signed a Memorandum of Understanding with Wesley Methodist School for the building and the running of a private school at its Bandar Seri Coalfields Township.



GROUP CORPORATE STRUCTURE

As at 30 September 2016



Plantations

- 100% Betatechnic Sdn Bhd
- 63% Bornion Estate Sdn Bhd
- 51% Collingwood Plantations Pte Ltd
 - 51% Ang Agro Forest Management Ltd
 - 51% Kubahi Marine Services Ltd
- 63% Equatorial Palm Oil Plc
 - 63% Equatorial Biofuels (Guernsey) Limited
- 100% Fajar Palmkel Sdn Berhad
- 100% Golden Complex Sdn Bhd
 - 92% P.T. Malindomas Perkebunan
- 100% KL-Kepong Edible Oils Sdn Bhd
- 100% KL-Kepong Plantation Holdings Sdn Bhd
 - 51% Astra-KLK Pte Ltd
 - 100% Gunong Pertanian Sdn Bhd
 - 100% Jasachem Sdn Bhd
 - 90% P.T. Karya Makmur Abadi
 - 95% P.T. ADEI Plantation & Industry
 - 95% P.T. Anugrah Surya Mandiri
 - 92% P.T. Hutan Hijau Mas
 - 95% P.T. Jabontara Eka Karsa
 - 100% P.T. KLK Agriservindo
 - 60% P.T. Langkat Nusantara Kepong
 - 80% P.T. Menteng Jaya Sawit Perdana
 - 90% P.T. Mulia Agro Permai
 - 65% P.T. Sekarbumi Alamlestari
 - 62% P.T. Alam Karya Sejahtera AKS
 - 95% P.T. Steelindo Wahana Perkasa
 - 90% P.T. Parit Sembada
- 100% KL-Kepong (Sabah) Sdn Bhd
- 100% KLK Agro Plantations Pte Ltd
 - 50% Liberian Palm Developments Limited¹
 - 50% EBF (Mauritius) Limited¹
 - 50% Liberia Forest Products Inc¹
 - 50% LIBINC Oil Palm Inc¹
 - 50% EPO (Mauritius) Limited¹
 - 50% Equatorial Palm Oil (Liberia) Incorporated¹
 - 50% Liberian Agriculture Developments Corporation¹

- 85% KLK Premier Oils Sdn Bhd
 - 85% Golden Yield Sdn Bhd
- 100% Kulumpang Development Corporation Sdn Bhd
[In Members' Voluntary Liquidation]
- 100% Rubber Fibreboards Sdn Bhd
- 100% Sabah Cocoa Sdn Bhd
- 70% Sabah Holdings Corporation Sdn Bhd
- 100% Taiko Cambodia Rubber Pte Ltd
- 100% Taiko Plantations Sendirian Berhad
 - 100% Taiko Plantations Pte Ltd
- 51% Uni-Agro Multi Plantations Sdn Bhd



Property

- 100% KL-K Holiday Bungalows Sendirian Berhad
- 100% KLK Land Sdn Bhd
 - 100% Austerfield Corporation Sdn Bhd
[In Members' Voluntary Liquidation]
 - 100% Brecon Holdings Sdn Bhd
[In Members' Voluntary Liquidation]
 - 100% Colville Holdings Sdn Bhd
 - 100% KLK Landscape Services Sdn Bhd
 - 100% KLK Park Homes Sdn Bhd
 - 100% KLK Retail Centre Sdn Bhd
 - 100% KLK Security Services Sdn Bhd
 - 100% KL-Kepong Complex Sdn Bhd
 - 100% KL-Kepong Country Homes Sdn Bhd
 - 100% KL-Kepong Property Development Sdn Bhd
 - 100% KL-Kepong Property Management Sdn Bhd
 - 80% Kompleks Tanjung Malim Sdn Bhd
 - 100% Palermo Corporation Sdn Bhd
 - 60% Scope Energy Sdn Bhd
 - 100% Selasih Ikhtisas Sdn Bhd

GROUP CORPORATE STRUCTURE

As at 30 September 2016



Manufacturing

- 100% Davos Life Science Sdn Bhd
- 100% Davos Life Science Pte Ltd
 - 100% Biogene Life Science Pte Ltd
 - 100% Centros Life Science Pte Ltd
- 100% Kolb Distribution Ltd
 - 100% Dr. W. Kolb AG
 - 100% Dr. W. Kolb Deutschland GmbH
 - 100% Dr. W. Kolb Netherlands BV
 - 100% Kolb Distribution BV
 - 100% Kolb France SARL
- 100% KL-Kepong Industrial Holdings Sdn Bhd
 - 100% B.K.B. Hevea Products Sdn Bhd
 - 100% B.K.B. Flooring Sdn Bhd
 - 100% Capital Glogalaxy Sdn Bhd
 - 100% KL-Kepong Rubber Products Sdn Bhd
 - 100% Masif Latex Products Sdn Bhd
 - 100% P.T. KLK Dumai
 - 80% Palm-Oleo Sdn Bhd
 - 80% KSP Manufacturing Sdn Bhd
 - 80% Palmamide Sdn Bhd
 - 80% Palm-Oleo (Klang) Sdn Bhd
- 96% KL-Kepong Oleomas Sdn Bhd
 - 96% KLK Bioenergy Sdn Bhd
- 100% KLK Emmerich GmbH
- 100% KLK Overseas Investments Limited
 - 100% Standard Soap Company Limited ²
[In Members' Voluntary Liquidation]
- 80% KLK Premier Capital Limited
 - 80% Taiko Palm-Oleo (Zhangjiagang) Co Ltd
- 100% KLK Tensachem SA
- 100% Shanghai Jinshan Jingwei Chemical Co Ltd
 - 100% KLK OLEO (Shanghai) Co Ltd
- 51% Stolthaven (Westport) Sdn Bhd



Investment Holding & Others

- 100% Draw Fields Sdn Bhd
- 100% Kersten Holdings Ltd
- 100% KL-Kepong Equity Holdings Sdn Bhd
 - 100% Ablington Holdings Sdn Bhd
 - 100% KL-Kepong International Ltd
 - 100% Quarry Lane Sdn Bhd
- 100% KLK Assurance (Labuan) Limited
- 100% KLK Capital Resources (L) Ltd
- 100% KLK Farms Pty Ltd
- 100% KLK Global Resourcing Sdn Bhd
- 100% KLKI Holdings Limited
 - 100% Kuala Lumpur-Kepong Investments Limited
 - 100% Somerset Cuisine Limited
- 100% Ladang Perbadanan-Fima Berhad
- 100% Ortona Enterprise Sdn Bhd
- 100% Richinstock Sawmill Sdn Bhd



Associates

- 50% Applied Agricultural Resources Sdn Bhd
- 40% Aura Muhibah Sdn Bhd
- 30% FKW Global Commodities (Pvt) Limited
- 50% Kumpulan Sierramas (M) Sdn Bhd
- 38% Malaysia Pakistan Venture Sdn Bhd
- 30% MAPAK Edible Oils (Private) Limited
- 30% MEO Trading Sdn Bhd
- 23% Phytopharma Co Ltd



Joint Ventures

- 50% P.T. Kreasijaya Adhikarya
- 50% Rainbow State Limited

Notes: Shareholdings are shown as Group's percentage interest.

¹ Group's percentage interest is 81.5%.

² The company was dissolved on 18 October 2016.



ACCOUNTABILITY

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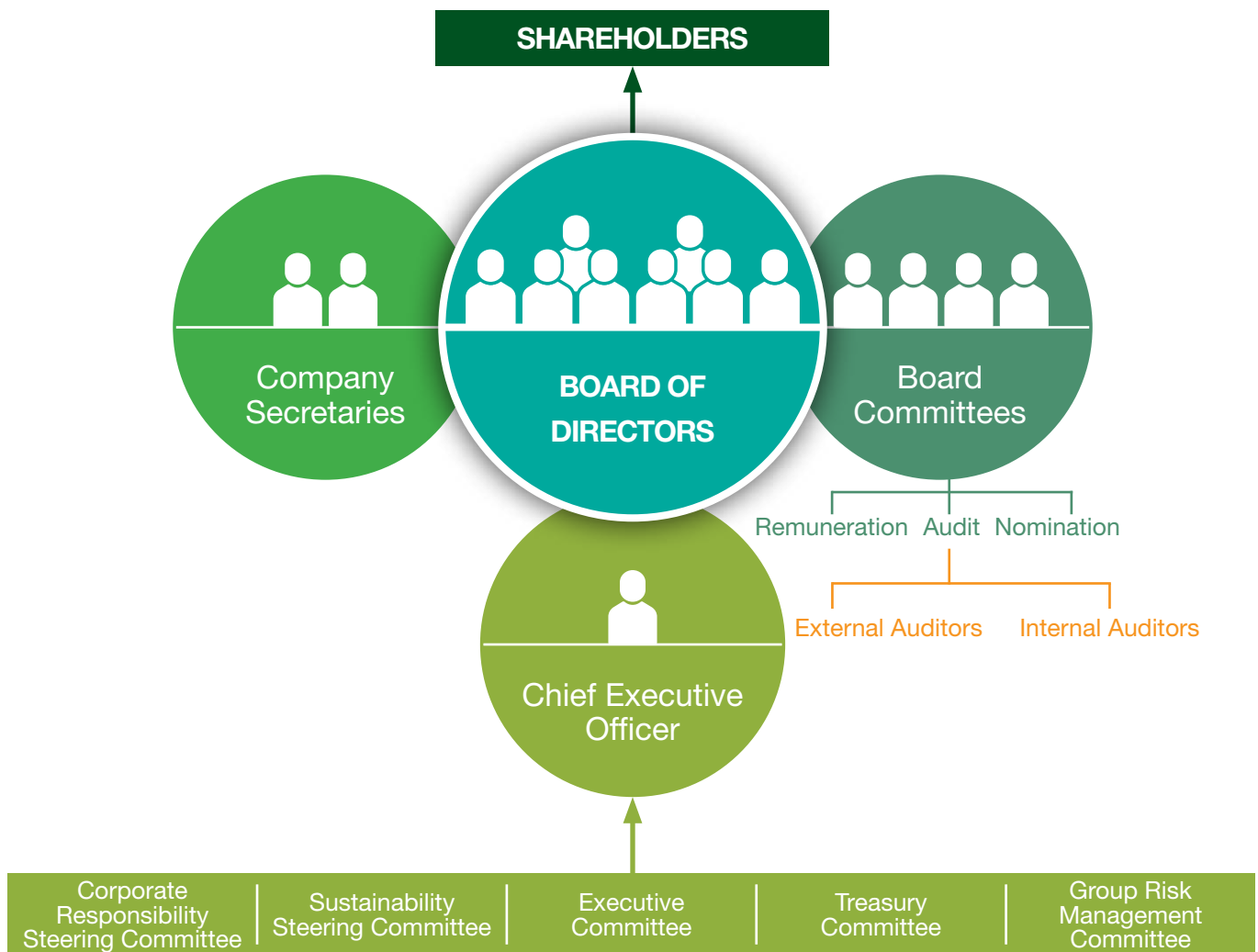
CORPORATE GOVERNANCE STATEMENT

The Board of Directors of KLK recognises the importance of good corporate governance and is committed to practise high standards in corporate governance throughout the Group. Such commitment is based on the belief that a strong culture of good corporate governance practices is fundamental towards enhancing long term shareholders' value, increasing investors' confidence and protecting stakeholders' interests.

The Board supports the Group's adoption of best practices as propounded by the Malaysian Code on Corporate Governance 2012 ("the Code") which sets out broad principles and specific recommendations to promote and cultivate a strong culture of good corporate governance at all levels of the Group's businesses. The Board will continue to review and enhance the Group's corporate governance framework to ensure its relevance and ability in meeting future challenges and to establish long term sustainable shareholders' value.

This statement demonstrates the Board's commitment in sustaining high standards of corporate governance and outlines how the KLK Group has complied with the principles set out in the Code with regards to the recommendations stated under each principle for the year under review.

THE GROUP'S GOVERNANCE MODEL



CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 1 – ESTABLISH CLEAR ROLES & RESPONSIBILITIES OF THE BOARD & MANAGEMENT

CLEAR FUNCTIONS OF THE BOARD AND MANAGEMENT

KLK continues to be led by an experienced, competent and diversified Board that is made up of Directors with appropriate competencies, knowledge, skills and experience from diverse sectors and backgrounds and also in the Group's core businesses. The Directors collectively, have wide and varied technical, financial and commercial experience which facilitates effective, thorough and considered discharge of the Board's statutory and fiduciary duties and responsibilities.

There is a clear division of functions between the Board and the Management to ensure that no one individual or group is dominating the decision-making process. The Board is focused on the Group's overall governance by ensuring the implementation of strategic plans and that accountability to the Group and stakeholders is monitored effectively; whereas the Management is responsible for the implementation of management goals in accordance with the direction of and delegation by the Board.

In a nutshell, the Board leads the Group and plays a strategic role in overseeing the overall activities of the Management. The Management then carries out the delegated duties to achieve the Group's corporate objectives with long term strategic plans of the business.

CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

The principal functions and responsibilities of the Board include the following:

- (a) Providing leadership to the Company by:
 - Guiding the development of appropriate standards and values for the Company.
 - Acting in a manner consistent with the Directors' Code of Conduct.
- (b) Overseeing the development and implementation of corporate strategies by:
 - Working with the Senior Management to ensure that an appropriate strategic direction and set of goals are in place.
 - Regularly reviewing and amending or updating the Company's strategic direction and goals developed by the Senior Management.
 - Overseeing planning activities including the development and approval of strategic plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets.
 - Reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews.
- (c) Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through its Chairman, being the key interface between the Company and its shareholders.
- (d) Overseeing the control and accountability systems that seek to ensure the Company is progressing towards the goals set by the Board and which are in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations.
- (e) Ensuring effective risk management, compliance and control systems (including legal compliance) are in place.
- (f) Delegating appropriate powers to the Chief Executive Officer ("CEO"), Management and Committees to ensure the effective day-to-day management of the business, and monitoring the exercise of these powers.
- (g) Reviewing potential candidates for the Board and Senior Management positions across the Group through the Nomination Committee to ensure efficient succession planning and continuity of the vision and mission of the Group.

CORPORATE GOVERNANCE STATEMENT

BOARD CHARTER

The Board is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter is a source reference and primary induction literature, providing insights to prospective Board members and Senior Management. Hence, the Board Charter is reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness and consistency with the Board's objectives and corporate vision.

The current Board Charter is accessible for reference on our corporate website, www.klk.com.my.

CODE OF CONDUCT FOR DIRECTORS

The Board continues to adhere to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility.

The Board recognises the importance of adhering to and complying with the provisions of the Code of Conduct in their day-to-day functioning. Thus, the Board collectively and individually acts within the authority conferred upon them in the best interest of the Group and:

- (a) acts in the best interest of, and fulfils their fiduciary obligations to the Group and its shareholders;
- (b) acts honestly, fairly, ethically and with integrity;
- (c) conducts themselves in a professional, courteous and respectful manner without taking improper advantage of their position;
- (d) acts in good faith, responsibly, with due care, competence and diligence without allowing their independent judgement to be subordinated;
- (e) uses their prudent judgement to avoid/abstain from all situations, decisions or relationships which give or could give rise to conflict of interest or appear to conflict with their responsibilities within the Group, and to inform the Board, at the earliest opportunity, of any existing or potential conflict of interest situation;
- (f) not exploit for his own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the Group declines to pursue such opportunity for its business interest;
- (g) acts to enhance and maintain the reputation of the Group; and
- (h) strives to contribute towards the growth and stability of the Group.

The Code of Conduct for Directors is available on our corporate website, www.klk.com.my.

SUSTAINABILITY OF BUSINESS

KLK believes that doing business in a sustainable manner goes hand-in-hand with corporate responsibility and both are integral to generate and sustain short and long term value for its stakeholders. As such, the Board is committed to promote business sustainability strategies via continuous balanced assessment and development of its operations, whilst simultaneously conserving and improving the natural environment, and uplifting the socio-economic conditions of its employees and local communities.

The Sustainability Policy is available on our corporate website, www.klk.com.my and the sustainable development and corporate responsibility programmes of the Group are disclosed on pages 34 to 55.

SUPPLY OF INFORMATION TO BOARD MEMBERS

The Board meets on a quarterly basis and additionally as and when required. Prior to Board meetings, all Directors are furnished with the Agenda which sets out the matters to be discussed not less than seven (7) days prior to the meetings. Detailed board papers that contain relevant qualitative and/or quantitative information for the Agenda are also circulated to the Directors simultaneously to give Directors time to review the reports, obtain further clarification if necessary and enable focused and constructive deliberation at Board meetings.

Monthly reports on the financial performance of the Company and the Group are also circulated to the Directors for their views and comments. All proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of the Companies Act, 1965. Minutes of meetings of each Committee are also tabled to the Board for perusal and the Directors may request clarification or raise comments on the minutes wherever necessary.

CORPORATE GOVERNANCE STATEMENT

ACCESS TO MANAGEMENT, COMPANY SECRETARIES AND INDEPENDENT PROFESSIONAL ADVICE

All Directors have unrestricted direct access to the Company's Senior Management and the services of the Company Secretaries to enable them to discharge their duties and responsibilities effectively. The Board is regularly updated and advised on statutory and regulatory requirements by the Company Secretaries who are suitably qualified, experienced and competent.

The Company Secretaries are responsible to provide clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system. Apart from playing an active role in advising the Board on governance and regulatory matters, the Company Secretaries also organise and attend all Board meetings and ensure that all Directors receive timely, clear and concise information in advance prior to the scheduled meetings.

In order to ensure uniformity of Board conduct, the Company Secretaries also oversight on the overall corporate secretarial functions of the Group, both locally and in the countries where the subsidiaries are operating, and served as an adviser on matters pertaining to governance.

In the furtherance of its duties, the Board is also authorised to obtain independent professional advice on specific matters, if necessary, at the Company's expense from time to time to enable the Board to discharge its functions in the decision-making process.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

The Board is satisfied with its current composition which comprises of a balanced mix of skills, knowledge and experience in the business and management fields which are relevant to enable the Board to carry out its responsibilities in an effective and efficient manner.

In discharging its duties, the Board is assisted by Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee. Each Committee operates within its respective defined Terms of Reference ("TOR") which have been approved by the Board.

The Board Committees periodically review and assess their respective TORs to ensure the TORs remain relevant, adequate and concise in governing the functions and responsibilities of the Committees and reflect the latest developments in the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the Code.

NOMINATION COMMITTEE ("NC")

The NC has been established since 2001. The Committee's responsibility, among others, is to identify and recommend the right candidate with the necessary skills, experience and competencies to be filled in the Board and Board Committees. Recruitment matters are discussed in depth by the Committee before the entire Board makes the final decision on new appointments.

The NC comprises three (3) Non-Executive Directors, the majority of whom are Independent. The members are:

Dato' Yeoh Eng Khoon (Chairman)

– Senior Independent Non-Executive Director

R. M. Alias

– Independent Non-Executive Director

Dato' Lee Hau Hian

– Non-Independent Non-Executive Director

CORPORATE GOVERNANCE STATEMENT

The NC convened three (3) meetings for the financial year under review and the attendance of the members for the meetings held are as follows:

Members	Number of Meetings	
	Held	Attended
Dato' Yeoh Eng Khoon	3	3
R. M. Alias	3	3
Dato' Lee Hau Hian	3	3

The Committee oversees the selection and assessment of Directors to ensure the Board's composition remains relevant and optimal. The Committee is responsible to review annually the size, composition and diversity of the Board in order to ensure the Board has the requisite competencies and capacity to effectively oversee the overall businesses and handle all matters pertaining to the Group.

The Committee is also responsible for assessing the effectiveness of the Board as a whole, the other Committees of the Board and the contributions of each individual Director. Having conducted a detailed review of each Director's personal/professional profile, attendance record, training activities, character and attitude, and participation in Board meetings as well as Group functions for the year, the Committee concluded that each Director has the requisite competence to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time, participation and dialogue during the year under review.

Apart from reviewing the size, composition and diversity of the Board annually, the Committee is also responsible for developing succession plans to identify potential and suitable successors for key senior management positions in the Group.

A summary of key activities undertaken by the NC in the discharge of its duties for the financial year ended 30 September 2016 is set out herebelow:

- (1) Assessed the suitability of Mr. Quah Poh Keat based on his professional qualifications and proven track record of integrity, ability and reliability in the corporate services and business sectors, and recommended to the Board his appointment as an Independent Non-Executive Director and Member of the Audit Committee ("AC");
- (2) Reviewed and approved the orientation programme for the new Director;
- (3) Reviewed and assessed the performance, and made recommendations to the Board for its approval, regarding the Directors who are seeking re-appointment and re-election at the forthcoming Annual General Meeting ("AGM");
- (4) Reviewed the composition of the Board based on the required mix of skills, experience and other qualities of the Board;
- (5) Reviewed the composition of the Board Committees based on their compliances with the provisions of the regulations;
- (6) Evaluated the size of the Board to ensure that the Board had the requisite competencies and capacity to effectively handle all matters pertaining to the Group;
- (7) Assessed the overall Board and its Committees' performance and effectiveness as a whole;
- (8) Reviewed and assessed the independence of Independent Directors and their tenure of service;
- (9) Considered the adoption of a Boardroom Diversity Policy to ensure there is appropriate expertise and diversity on the Board;
- (10) Assessed and recommended to the Board the extension of the service contract of the CEO, the Group Plantations Director and the Group Financial Controller ("GFC");
- (11) Reviewed the responsibilities of the GFC, and recommended to the Board the streamlining of its roles and responsibilities in order for the GFC to better focus on directing the other fiscal and corporate functions of the Group;
- (12) Reviewed and assessed the functions of the Chief Financial Officer ("CFO") (Plantations) and recommended to the Board the restructuring of its roles and responsibilities;
- (13) Reviewed the succession plans of the Board and Senior Management in order to ensure that there are appropriate plans in place to fill vacancies and to meet the Group's future needs, and in this respect, recommended the appointment of a deputy GFC to be filled by the current CFO (Plantations);
- (14) Assessed Directors' training needs to ensure all Directors receive appropriate continuous training programmes;
- (15) Reviewed and assessed the term of office and performance of the AC and each of its members; and
- (16) Reviewed and revised the TOR in the light of new amendments to the Main LR affecting the NC, for recommendation to the Board for its approval.

CORPORATE GOVERNANCE STATEMENT

RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, one-third of the Directors are required to retire by rotation at each AGM subject to the retirement of all Directors at least once in every three (3) years. The Directors due to retire by rotation at the forthcoming AGM, and being eligible, offered themselves for re-election, are shown in the Notice of Meeting (Ordinary Resolutions 2 and 3).

The Company's Articles of Association also provides that the Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill up a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with the Articles of Association. Any Director so appointed shall hold office only until the next following AGM and shall then be eligible for re-election. The Director due to retire at the forthcoming AGM, and being eligible, offered himself for re-election, is shown in the Notice of Meeting (Ordinary Resolution 4).

Directors over 70 years old are required to seek re-appointment annually in accordance with the Companies Act, 1965. Details of Directors seeking re-appointment at the forthcoming AGM are shown in the Notice of Meeting (Ordinary Resolutions 5 and 6).

The performance and commitment of those Directors who are subject to re-election and re-appointment at the forthcoming AGM were reviewed and assessed by the NC before recommendations were made to the Board for its approval to table the proposed re-election and re-appointment at the forthcoming AGM for shareholders' approval.

BOARDROOM DIVERSITY

The Board acknowledges the importance of boardroom diversity and the recommendation of the Code pertaining to the establishment of a gender diversity policy. Hence, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender.

The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. Despite no specific targets are set in relation to boardroom diversity, the Board is continuously working towards boardroom diversity to create a diverse Board in terms of regional and industry experience, cultural and geographical background, ethnicity, age and perspective.

REMUNERATION COMMITTEE ("RC")

The RC has been established since 1994. This Committee's primary responsibility is to structure and review the remuneration policy for executives of the Group, with a view to ensure that compensation and other benefits encourage performance that enhances the Group's long-term profitability and value. The Committee's remuneration package for Senior Management and that for the CEO are subject to the approval of the Board, and in the case of Non-Executive Directors' fees including Board Committees' fees, the approval of the shareholders. The members of the RC, the majority of whom are Independent Non-Executive Directors, are as follows:

R. M. Alias (Chairman)

– Independent Non-Executive Director

Tan Sri Azlan Bin Mohd Zainol

– Independent Non-Executive Director

Dato' Lee Hau Hian

– Non-Independent Non-Executive Director

CORPORATE GOVERNANCE STATEMENT

The RC convened two (2) meetings for the financial year under review and the attendance of the members for the meetings held are as detailed below:

Members	Number of Meetings	
	Held	Attended
R. M. Alias	2	2
Tan Sri Azlan Bin Mohd Zainol	2	1
Dato' Lee Hau Hian	2	2

DIRECTORS' REMUNERATION

The Company pays its Non-Executive Directors annual fees which are approved annually by the shareholders. The annual fee for the Chairman and other Non-Executive Directors was last revised in 2015 and it had been agreed by the RC and endorsed by the Board that the annual fee for the Chairman and other Non-Executive Directors would be held constant for three (3) years. The Non-Executive Directors are paid a meeting allowance for each Board meeting they attend. Similarly, members of Board Committees are also paid a meeting allowance for each Committee meeting they attend. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company.

The Company's framework on Directors' remuneration has the underlying objectives of attracting and retaining Directors of high calibre needed to run the Group successfully. In the case of the Executive Directors, the various components of the remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by a particular Non-Executive Director concerned. Where applicable, the Board also takes into consideration any relevant information provided by independent consultants or from survey data.

The appropriate Directors' remuneration paid or payable or otherwise made available from the Company and its subsidiary companies for the financial year ended 30 September 2016 are presented in the table below:

(a) Aggregate remuneration of Directors categorised into appropriate components:

	Fees		Salaries* RM'000	Bonus* RM'000	Benefits-In-Kind* RM'000	Other Emoluments* RM'000
	Company RM'000	Group RM'000				
Executive Directors	–	–	4,860	4,935	160	1,763
Non-Executive Directors	1,593	1,649	–	–	26	120

* Paid by the Company

(b) The number of Directors of the Company whose total remuneration band falls within the following bands of RM50,000 is as follows:

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM150,001 to RM200,000	–	1
RM250,001 to RM300,000	–	3
RM300,001 to RM350,000	–	1
RM500,001 to RM550,000	–	1
RM2,900,001 to RM2,950,000	1	–
RM8,750,001 to RM8,800,000	1	–

Currently there are no contracts of service between any Director and the Company or its subsidiaries, except for the CEO, Tan Sri Dato' Seri Lee Oi Hian and the Executive Director, Mr. Roy Lim Kiam Chye.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 3 – REINFORCE INDEPENDENCE

ASSESSMENT OF INDEPENDENCE OF INDEPENDENT DIRECTORS

The Board recognises the importance of independence and objectivity in the decision-making process. The Board and its NC assessed the independence of the five (5) Independent Non-Executive Directors based on the criteria prescribed under the Main LR in which an Independent Director should be independent and free from any business or other relationship which could interfere with the exercise of independent judgement, or the ability to act in the best interest of the Company.

The Board and its NC have upon their annual assessment, concluded that the independence criteria as set out in the Main LR have been fulfilled by each of the five (5) Independent Non-Executive Directors and each of them continues to demonstrate intrinsic independent values, conduct and behaviour that are essential indicators of independence.

TENURE OF INDEPENDENT DIRECTORS

The Board notes the Code's recommendations in relation to the tenure of an Independent Director which shall not exceed a cumulative term of nine (9) years. The NC and the Board have deliberated on the said recommendation and hold the view that a Director's independence cannot be determined solely with reference to tenure of service. Instead, a Director's health, attitude, integrity, ability for dispassionate discourse, business knowledge or judgement, and the discharge of his duties and responsibilities in the best interest of the KLK Group, are also valid criteria to determine his independence and effectiveness. Furthermore, board composition should reflect a balance between effectiveness on the one hand, and the need for renewal and fresh perspectives on the other.

The NC and the Board have determined that R. M. Alias and Dato' Yeoh Eng Khoon, who have served on the Board as Independent Directors, each exceeding a cumulating term of nine (9) years, remain unbiased, objective and independent in expressing their opinions and in participating in the decision-making of the Board. As the NC and the Board hold the view that independence in thought and action should be evaluated qualitatively and on a case-by-case basis, the Board, upon the recommendation of the NC, has approved the continuation of R. M. Alias and Dato' Yeoh Eng Khoon as Independent Directors of the Company based on the following justifications:

- (a) each of them fulfils the criteria of an independent director pursuant to the Main LR;
- (b) each of them is familiar with and has wide experience relating to the Company's business operations;
- (c) each of them has devoted sufficient time and attention to his responsibilities as an independent director of the Company; and
- (d) each of them has exercised due care during his tenure as an independent director of the Company and carried out his duty in the best interest of the Company and shareholders.

The Board concluded that the length of their service on the Board has not in any way interfered with their objective and independent judgement in carrying out their roles as members of the Board and Committees. Furthermore, their pertinent expertise, skills and detailed knowledge of the Group's businesses and operations enable them to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions.

In addition, the Board believes that it is in the best position to identify, evaluate and determine whether any Independent Director can continue acting in the best interest of the Company and bringing independent and professional judgement to Board's deliberations.

SEPARATION OF POSITIONS OF THE CHAIRMAN AND THE CEO

The Board believes that the separation of the roles and responsibilities of the Chairman and the CEO ensures an appropriate balance of power and authority. There is a clear division of responsibilities and accountabilities between the Chairman and the CEO under the present hierarchical structure to facilitate efficiency and expedite decision-making.

Given the current structure of the Board, the Chairman is responsible to lead the Board in the oversight of management, whilst the CEO focuses on the business, organisational effectiveness and day-to-day management of the Group.

CORPORATE GOVERNANCE STATEMENT

COMPOSITION OF THE BOARD

There are eight (8) members on the Board of Directors, comprising two (2) Executive Directors and six (6) Non-Executive Directors, five (5) of whom are Independent. One of the Executive Directors is the CEO and the Chairman is an Independent Non-Executive Director.

The majority of the Board comprises Independent Directors who are essential in providing unbiased and independent opinion, advice and judgement and thus play a key role in corporate accountability. All Independent Directors act independently of Management and are not involved in any other relationship with the Group that may impair their independent judgement and decision-making.

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

The Board is mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills. Thus, each Director is expected to commit sufficient time as and when required to carry out their responsibilities, besides attending meetings of the Board and Board Committees.

As the Board believes that it is impractical to specifically set out the minimum/maximum time commitment expected of its Directors, each Director is expected to devote sufficient time to attend AGMs, EGMs, Directors' training and site visits apart from all meetings of the Board and Board Committees.

BOARD MEETINGS

The Board meets at least four (4) times a year on a scheduled basis and has a formal schedule of matters reserved for its meetings. The meeting calendar is tabled and confirmed at least five (5) months prior to the first scheduled meeting and allows Directors to plan ahead. All Directors are furnished with the Agenda in hard copies at least seven (7) days prior to the meetings. This allows Directors to have ample time for prior review and, if necessary, the acquisition of further details for deliberation at the meeting.

Additional meetings may be convened as and when necessary should major issues arise that need to be resolved between scheduled meetings. Relevant management personnel are invited to Board meetings to report and apprise the Board on operations and other developments within their respective purview. Where the Board is considering a matter in which a Director has an interest, such Director abstains from all deliberations and decision-making on the subject matter. In the event Directors are unable to attend Board meetings physically, the Company's Articles of Association allow for such meetings to be conducted via telephone, video conference or any other form of electronic or instantaneous communication.

During the financial year ended 30 September 2016, six (6) Board meetings were held. All Directors have complied with the Main LR that all Directors have had attended more than 50% of the Board meetings held during the financial year. The following are the details of attendance of each Director:

Directors	Number of Meetings		Attendance Percentage
	Held ¹	Attended	
R. M. Alias	6	6	100%
Tan Sri Dato' Seri Lee Oi Hian	6	6	100%
Roy Lim Kiam Chye	6	6	100%
Dato' Lee Hau Hian	6	6	100%
Dato' Yeoh Eng Khoon	6	6	100%
Kwok Kian Hai	6	5	83%
Tan Sri Azlan Bin Mohd Zainol	6	5	83%
Quah Poh Keat ²	3	3	100%

Notes:

¹ Reflects the number of meetings held during the time the Director held office.

² Appointed w.e.f. 18 February 2016.

CORPORATE GOVERNANCE STATEMENT

DIRECTORS' CONTINUING DEVELOPMENT

The Board oversees the training needs of its Directors. Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors are encouraged to visit the Group's operating centres to have an insight into the Group's various operations which would assist the Board to make effective decisions relating to the Group.

The Directors recognise the importance of continuing development by attending conferences, briefings and workshops to update their knowledge and enhance their skills. All Directors are encouraged to attend various external professional programmes relevant and useful in contributing to the effective discharge of their duties as Directors. In this respect, in-house briefings by external auditors, solicitors and/or Management are organised from time to time to update Directors on relevant statutory and regulatory requirements and the Group's business and operational practices.

For the financial year under review, all Directors have attended various programmes to keep abreast with general economic, industry and technical developments as well as changes in legislation and regulations affecting the Group's operations. Directors also visited the Group's marketing and operating centres in Malaysia, Singapore, Indonesia, Europe and Australia with the aim of enhancing their understanding and knowledge on the technical and operational aspects of industry-related issues.

Particulars of various training programmes attended by the Directors during the financial year ended 30 September 2016 are as follows:

Conference/Seminar/Workshop	Presenter/Organiser	Date
Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – Financial Instruments	RHB Banking Group	01.10.2015
Khazanah Megatrends Forum 2016	Khazanah Nasional	05-06.10.2015
International Palm Oil Congress (PIPOC) 2015	Malaysian Palm Oil Board	06.10.2015
Capital Market Director Programme – Module 1 : Director as Gatekeepers of Market Participants Module 2A : Business Challenges and Regulatory Expectations Module 2B : Business Challenges and Regulatory Expectations Module 3 : Risk Oversight and Compliance Action Plan for Board of Directors Module 4 : Current and Emerging Regulatory Issues in the Capital Market	Securities Commission Malaysia	19-21.10.2015
Global Transformation Forum 2015	Big Fast Results Institute Sdn Bhd	21-23.10.2015
The Palm Oil Refiners Association of Malaysia (PORAM) Annual Events 2015	PORAM	20-21.11.2015
APAC Pricing Strategy Forum – Global Pricing and Sales Excellence	Simon-Kucher & Partners	25.11.2015
Special Commemorative Seminar on Tun Abdul Razak	ASLI & Yayasan Cemerlang	14.01.2016
Corporate Governance Breakfast Series for Directors – Improving Board Risk Oversight Effectiveness	Bursa Malaysia Berhad	26.02.2016
Advanced Retail Management Programme – The Future of Retailing and United Kingdom Retail Study Tour	Institute of Retail Management, Said Business School, Oxford University, United Kingdom	07-11.03.2016
Corporate Governance Breakfast Series for Directors – Future of Auditor Reporting : The Game Changer for Boardroom	Bursa Malaysia Berhad in collaboration with the MIA-MICPA Joint Working Group	09.03.2016

CORPORATE GOVERNANCE STATEMENT

Conference/Seminar/Workshop	Presenter/Organiser	Date
Briefing on Bank Negara Malaysia Annual Report 2015/ Financial Stability and Payments Systems Report 2015	Bank Negara Malaysia	23.03.2016
Briefing on British Anti – Corruption Act	Eco World International Bhd	24.03.2016
Independent Directors Programme – The Essence of Independence	Bursa Malaysia Berhad	28.03.2016
Briefing on Trans-Pacific Partnership Agreement	RHB Banking Group	29.03.2016
Sustainability Engagement Series for Directors/Chief Executive Officers	Bursa Malaysia Berhad in collaboration with INSEAD	31.03.2016
Nomination Committee – Effective Board Evaluations	Bursa Malaysia Berhad	11.04.2016
Invest Malaysia 2016	Malayan Banking Berhad in collaboration with Bursa Malaysia Berhad	12.04.2016
Vision & Mission Oleo Development Workshop	Kuala Lumpur Kepong Berhad	13-14.04.2016
Corporate Governance Breakfast Series with Directors – The Strategy, the Leadership, the Stakeholders and the Board	Bursa Malaysia Berhad in collaboration with MINDA	06.05.2016
Sustainability Engagement Program	Bursa Malaysia Berhad	02.06.2016
Briefing on Malaysian Financial Reporting Standard 9	RHB Banking Group	25.07.2016
Media Coaching	Ogilvy	15.08.2016
FIDE FORUM's Directors Register – Identify the Right Board Talent	FIDE FORUM	14.09.2016
Islamic Banking: Compliance, Innovation, Profitability and Social Entrepreneur/Social Responsibility Investment	RHB Banking Group	15.09.2016
Future Finance Conference	Bank Negara Malaysia	23.09.2016
Presentation on impact from Brexit Referendum	EcoWorld-Ballymore	27.09.2016
Managers' Conference 2016 – Living the KLK DNA	Kuala Lumpur Kepong Berhad	29.09.2016

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

FINANCIAL REPORTING

The Board takes due care and responsibility for presenting a fair, balanced and comprehensible assessment of the Group's operations, performance and prospects each time it releases its quarterly and annual financial statements to shareholders and the general public. The AC plays a crucial role in reviewing information to be disclosed to ensure its accuracy, adequacy, transparency and compliance with the appropriate accounting standards and the financial statements give a true and fair view of the state of affairs of the Company and the Group.

In respect of the financial statements for the financial year ended 30 September 2016, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- ensured that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

CORPORATE GOVERNANCE STATEMENT

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies Act, 1965. They have an overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

In assisting the Board to discharge its duties on financial reporting, the Board has established an AC, comprising wholly Independent Non-Executive Directors since 1993 to oversee the integrity of the Group's financial reporting.

SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS

Through the AC, the Company has established a transparent and professional relationship with the external auditors. The AC met the external auditors twice during the year under review without the presence of the Executive Directors and Management to allow the AC and the external auditors to exchange independent views on matters which require the Committee's attention.

The suitability and independence of external auditors are consistently reviewed by the AC. The review process covers the assessment of the independence of the external auditors and the evaluation of their performance, quality of work, non-audit services provided and timeliness of services deliverables. A summary of the work of the AC during the year under review is set out in the AC Report.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

SOUND RISK MANAGEMENT FRAMEWORK

Within the powers conferred upon the Board by the Company's Articles of Association and in addition to its statutory and fiduciary duties and responsibilities, the Board assumes responsibility for effective stewardship and management of the Company with the strategic objective to build and deliver long term shareholder value whilst meeting the interests of shareholders and other stakeholders. The Board provides strategic direction and formulates corporate policies to ensure the Group's resources and profitability are optimised. The Board is also responsible for assessing the integrity of the Group's financial information and the adequacy and effectiveness of the Group's system of internal control and risk management processes.

The Board is supported by the Group Risk Management Committee which is responsible to oversee the risk management efforts within the Group. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

INTERNAL AUDIT FUNCTION

The Board recognises the importance of risk management and internal controls in the overall management processes. An adequately resourced Internal Audit Division is in place to assist the Board in maintaining a system of internal control to safeguard shareholders' investment and the Group's assets. An overview of the Group's risk management and state of internal controls is set out in the Group's Statement on Risk Management & Internal Control.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Company and the Group are committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. Importance is also placed on timely and equal dissemination of material information to the stakeholders, media and regulators. In this respect, the Company has in place a Corporate Disclosure Policy, which is accessible on our corporate website, www.klk.com.my, to ensure that comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders.

CORPORATE GOVERNANCE STATEMENT

The objectives of the Corporate Disclosure Policy are to:

- (a) confirm in writing KLK's existing disclosure policies, guidelines and procedures and ensure consistent approach to the Company's disclosure practices throughout the Company;
- (b) ensure that all persons to whom this Disclosure Policy applies understand their obligations to preserve the confidentiality of material information;
- (c) effectively increase understanding of the Company's business and enhance its corporate image by encouraging practices that reflect openness, accessibility and co-operation; and
- (d) reinforce KLK's commitment to compliance with the continuous disclosure obligations imposed by the Malaysian securities law and regulations and the Main LR.

Material information will in all cases be disseminated broadly and publicly via Bursa Malaysia, and other means. Summaries of the interim and the full year's results are advertised in the local newspaper. Interested parties may also obtain the full financial results and the Company's announcements from our corporate website at www.klk.com.my which are also posted on the Bursa Malaysia's website.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

KLK upholds a strong culture of continuous, timely and equal dissemination of material information with shareholders, stakeholders, media and regulators through practicable and legitimate channels. Its commitment, both in principle and practice, is to maximise transparency consistent with good corporate governance, except where commercial confidentiality dictates otherwise.

ANNUAL GENERAL MEETINGS

The AGM is the principal forum for dialogue and interaction with the shareholders of the Company, where they may present their views or to seek clarification on the progress, performance and major developments of the Company. The Board encourages shareholders' active participation at the Company's AGM and endeavours to ensure all Board members, the Company's Senior Management and the Group's external auditors are in attendance to respond to shareholders' queries.

Where it is not possible to provide immediate answers to shareholders' queries, the Board will undertake to provide the answers after the AGM. It is the usual practice of the Chairman to inform the shareholders of their rights, as provided for in the Articles of Association of the Company, to call for poll voting at the commencement of the AGM or any other general meetings. Nevertheless, voting of all resolutions at all forthcoming general meetings shall be conducted by poll pursuant to Paragraph 8.29A(1) of the Main LR. The Board will consider using the most feasible voting method for polling to facilitate shareholders' voting process by taking into account its practicability, efficiency and reliability.

At the 43rd AGM of the Company, all seven (7) Directors were present in person to engage directly with the shareholders of the Company. During the AGM, shareholders had actively taken the opportunity to raise questions on the agenda items of the AGM as well as current development of the Group. The Directors and Senior Management responded to all the questions raised and provided clarification as required by the shareholders. To ensure transparency, the Board also shared with the shareholders the Board's responses to questions submitted in advance by the Minority Shareholder Watchdog Group and Employees Provident Fund Board by distributing the replies before the commencement of the meeting. The results of all resolutions tabled and passed at the AGM were released to Bursa Malaysia immediately after the meeting to enable the public to know the outcome thereof. In addition, the summary of AGM proceedings was also made available on our corporate website, www.klk.com.my.

ANNUAL REPORT

The Company and the Group have consistently been able to publish its Annual Reports in a timely manner. The Notice of AGM is circulated more than 21 days before the date of the meeting to enable shareholders to thoroughly review the Annual Report which contains comprehensive reports on the Group's financial performance, directions and insights.

An abridged version of the Annual Report is published and posted to shareholders together with a CD-ROM. The full version of the Annual Report is available on our corporate website, www.klk.com.my and a printed full version will be provided to shareholders upon request within four (4) days.

CORPORATE GOVERNANCE STATEMENT

INVESTOR RELATIONS

The Board recognises the importance of keeping shareholders, investors, research analysts, bankers and the press informed of the Group's business performance, operations and corporate developments. The Board's primary contact with major shareholders is via the CEO and the GFC, who have regular dialogues with institutional investors and deliver presentations to analysts periodically.

For the financial year ended 30 September 2016, Management has attended more than 100 meetings including tele-conferences and video-conferences with both local and foreign investors and analysts. These meetings are scheduled to keep the investment community abreast of the Group's strategic developments and financial performance.

The Company's website, www.klk.com.my serves as a channel of communication for shareholders, investors and the general public. Information such as disclosures made to Bursa Malaysia (including interim and full year financial results, Annual Report and other announcements on relevant transactions undertaken by the Group), Company Profile, Corporate Information, Group Policies, Corporate Mission & Values, the respective TORs of the AC and NC, Corporate Disclosure Policy and an overview of the Group's business activities etc., can be obtained from the website. Requests for information on the Company can be forwarded to its dedicated Investor Relations & Corporate Communications Department through the same website.

Pursuant to the best practices in corporate governance, Dato' Yeoh Eng Khoon continues to serve as the Senior Independent Non-Executive Director to whom concerns of investors and shareholders may be directed. Dato' Yeoh Eng Khoon is also the Chairman of the AC and NC.

COMPLIANCE STATEMENT

The Board is of the view that the Group has, in all material aspects applied the principles and complied with the recommendations of the Code, save for the recommendations in relation to the tenure of an Independent Director which shall not exceed a cumulative term of nine (9) years where the non-observance has been explained and the reasons therefor have been included in this Statement.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main LR of Bursa Malaysia, the Board of Directors of KLK is committed to maintain a sound risk management framework and internal control system in the Group and is pleased to present herewith the Statement on Risk Management and Internal Control which outlines the nature and state of risk management and internal control of the Group during the year.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility in maintaining a sound risk management and internal control system at KLK to safeguard the interest of shareholders, customers, employees and the Group's assets. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations.

CONTROL ENVIRONMENT AND ACTIVITIES

RISK MANAGEMENT FRAMEWORK

A formal risk management framework has been established with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives.

The Group has in place an on-going process for identifying, evaluating and managing the principal risks that affect the attainment of the Group's business objectives and goals for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

The Board is supported by the Group Risk Management Committee ("GRMC"), headed by the Chief Executive Officer ("CEO") in overseeing the risk management efforts within the Group. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

The Group's risk management framework is set out in the diagram below:



STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The GRMC directs the Risk Management Units (“RMUs”) on the guidelines and time line for the submission of the risk reports to the GRMC. The RMUs revise or identify new risks based on risk appetite in terms of its magnitude of the financial or non-financial impact against the likelihood of the occurrence of the risk. The RMUs submit the risk reports to the Business Division Heads (“BDHs”) for review. The BDHs review the risks associated with the Group’s strategic objectives and overall risks appetite to ensure all principal risks are adequately addressed by the RMUs. The principal risks and remedial actions are deliberated in the GRMC meeting and reported to the Audit Committee and the Board yearly. Any changes highlighted by the Board would then be cascaded to the RMUs for remedial action plans. Notwithstanding the above, any emerging principal risks that may arise during the year will be escalated immediately to the GRMC.

These on-going processes are co-ordinated by the Internal Audit Division in conjunction with all BDHs within the Group and periodic reporting to the GRMC.

The principal risks for the financial year 2016 include:

Sustainability Risks

Sustainability standards for all businesses are becoming more onerous. Demand by consumers on traceability of palm products, in particular the palm oil supply chain to enhance visibility and transparency of operations at various stages, has increased. In addition, Non-Governmental Organisations (“NGOs”) activities have intensified and specifically focus on Plantation companies and their downstream business, its clients and financiers in relation to issues such as deforestation, protection of peat land, violations of communities’ rights and labour practices. KLK has a Sustainability Policy that addresses these areas of concern. A copy of the Sustainability Policy is available on the Company’s website at www.klk.com.my.

KLK abides by the Principle & Criteria of Roundtable on Sustainability Policy (“RSPO”) and the Indonesia Sustainable Palm Oil (“ISPO”). KLK believes in open dialogue, cooperation and transparency and actively engages with stakeholders, particularly the communities living in the vicinity of the Company’s operations. Such engagement is focused on KLK’s contribution to the socio-economic development of these communities and the measures taken to mitigate possible adverse impact on the communities arising from KLK’s operations. KLK currently subscribes to the High Carbon Stock (“HCS”) Approach for any new oil palm development and has imposed a moratorium on areas unsuitable for oil palm development. An independent third party had been engaged to undertake a voluntary audit focusing on labour practices, and the audit report has been published. Gaps highlighted in the report will serve as a guide in the Group’s overall enhancement programme.

The Company has also formed a Sustainability Steering Committee overseeing the management policies, processes and strategies designed to manage social, environmental and reputational risks. The Company on a periodic basis, reports to the public in relation to the efforts and status of compliance to the KLK Sustainability Policy.

Regulatory Risks

The Group businesses are governed by relevant laws, regulations and standards. The Group regularly assesses the impact of new laws and regulation affecting its businesses to ensure its processes and infrastructure setting are able to operate under new requirements.

In Indonesia, the preliminary procedures are complex and penalties can be invoked on any plantations investor who fails to perform the expected obligation. A committee chaired by Senior Management had been set up to carry out intensive due diligence on the status of land and compliance to ensure the regulatory risk is managed systematically. Management has been continuously conducting intensive check of all legal requirements, licences etc. by individual region.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Market and Commodity Prices Risks

(i) Low crude oil prices

Low crude oil prices have a negative impact on the economic feasibility of producing biodiesel which in turn affects the demand and price of Crude Palm Oil (“CPO”). To mitigate the effect of low CPO prices, the Company had implemented measures to reduce CPO production cost and improve productivity.

The Indonesian government is also making efforts to boost the demand for biodiesel by imposition of export levy of USD50/MT for CPO and USD30/MT for processed products to subsidise its biodiesel industry.

(ii) Excess Refining Capacity in Indonesia

The rate of increase in Indonesia’s refining capacity is much faster than the production of CPO. This had resulted in competition of securing feedstock and thus, eroding refinery margins. Refineries are also at risk of not being able to run at full capacity due to insufficient feedstock. The CPO output available in Indonesia is estimated at 31 million tonne but the total refining capacity in Indonesia is estimated at 47 million tonne in 2016.

The Company is addressing this risk by leveraging on smart partnerships with key upstream players to fill up the refining capacity. The Company had also focused on developing supply from other upstream players via the dynamic and aggressive procurement team.

(iii) Limited Supply of Lauric Oil

The Oleochemicals Division, in particular its fatty alcohol business requires substantial lauric oil, i.e. the Crude Palm Kernel Oil (“CPKO”) as raw material for its production process. Hence, huge fluctuations in CPKO prices and limited availability in its supply had rendered buyers extremely prudent in products’ purchase.

The Company manages this business risk with clear visibility of forward month raw material price and cost structure. The Company also enhances the coordination with the factory management on the usage of additional types of raw materials other than CPKO.

(iv) Over Supply of Fatty Alcohol

The fatty alcohol business continued to be affected by the bullish CPKO price and buyers of fatty alcohol switching to lower cost synthetic-based alternatives created an oversupply of fatty alcohol in the market. The significant cost disadvantage to synthetic alcohol had impacted the profitability of Oleochemicals Division.

The Company is managing the risk by improving its product management and production efficiency in producing high quality of alcohol products. This includes the raw material sourcing and its hedging mechanism to mitigate drastic fluctuation of raw material prices.

Operational Risks

(i) Labour Shortages and Escalating Operational & Development Costs in the Plantations Division

Plantation operations are labour intensive. The Group faces challenges in the form of inadequate skilled workers for its harvesting operations. Though efforts are being made to recruit local workers, the reliance on foreign workers remains heavy. Labour supply is also tightening due to rising wages in Indonesia. Further increase in the minimum wages and other operational costs such as chemicals and fertilisers would be also a cause of concern.

To mitigate the above risk, the Company is continuously devising ways to mechanise and increase efficiency and productivity by reducing the ‘workers to hectare ratio’. Prudent cost control measures are in place through a budgeting process and monitoring system. Management also carried out consistent replanting programmes and introduced new planting materials to increase production yields.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(ii) Industrial Risks

The Oleochemicals Division uses hydrogen/methanol/hydrogen peroxide in its production processes. Likewise, in Plantation Division, the Palm Fibre Oil Extraction Plant uses solvent, i.e. hexane to recover residual oil from the palm pressed fibre. These gases and solvent are hazardous and can cause explosion and fire.

The Group adhered strictly to the safety and security policies which are constantly reviewed to take into account the changing risk landscape to manage industrial risks. The Emergency Response Team is properly trained to contain and control leakages or fires. To mitigate the financial impact, these plants are adequately insured under Industrial All Risk Policy and Fire-Industrial Policy for Oleochemicals and Plantation Division respectively.

OTHER ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

BOARD MEETINGS

The Board meets at least quarterly and has a formal agenda on matters for discussion. The CEO leads the presentation of board papers and provides explanation on pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on a timely and regular basis.

ORGANISATIONAL STRUCTURE WITH FORMALLY DEFINED RESPONSIBILITY LINES AND DELEGATION OF AUTHORITY

There is in place an organisational structure with formally defined responsibility lines and authorities to facilitate quick response to changes in the evolving business environment, effective supervision of day-to-day business conduct and accountability for operation performance. Capital and non-capital expenditures and acquisition and disposal of investment interest are subject to appropriate approval processes. There is a Limit of Authorities for approval levels established for budgeted and non-budgeted capital expenditure.

PERFORMANCE MANAGEMENT FRAMEWORK

Management reports are generated on a regular and consistent basis to facilitate the Board and the Group's Management in performing financial and operation reviews on the various operating units. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operation results and compliance with laws and regulations.

The Group has in place a well-controlled budgeting process that provides a responsible accounting framework. The Group's annual budget is approved by the Board prior to implementation.

OPERATIONAL POLICIES AND PROCEDURES

The documented policies and procedures form an integral part of the internal control systems to safeguard shareholders' investment and the Group's assets against material losses and ensure complete and accurate financial information. The documents consist of approved memoranda, circulars, manuals and handbooks that are continuously being revised and updated to meet operational needs.

GROUP INTERNAL AUDIT

The Internal Audit Division, which reports directly to the Audit Committee, conducts reviews on the system of internal controls and the effectiveness of the processes that are in place to identify, evaluate, manage and report risks. Routine reviews are conducted on units under the Group's major core activities.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Recommended Practice Guide (“RPG”) 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the year ended 30 September 2016, and reported to the Board that nothing has come to their attention that caused them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; or
- (b) is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors’ Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group’s risk management and internal control system including the assessment and opinion by the Board and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

CONCLUSION

The Board has reviewed the adequacy and effectiveness of the Group’s risk management and internal control system for the year under review and up to the date of approval of this statement for inclusion in the Annual Report, and is of the view that the risk management and internal control system is satisfactory and there were no material losses incurred during the year under review as a result of internal control weakness or adverse compliance events.

For the period under review, the CEO and the Group Chief Financial Officer have provided assurance to the Board that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 8 December 2016.

AUDIT COMMITTEE REPORT

The Audit Committee (“AC”) of KLK is pleased to present the AC Report for the financial year ended 30 September 2016 in compliance with Paragraph 15.15 of the Main LR of Bursa Malaysia.

The AC was established in 1993 to serve as a committee of the Board of KLK. In performing their duties and discharging their responsibilities, the AC is guided by its terms of reference. The AC’s Terms of Reference is available at the Company’s website at www.klk.com.my.

COMPOSITION AND MEETINGS

The AC convened five (5) meetings during the financial year ended 30 September 2016. Details of the membership and their attendance at the meetings, are as follows:

Members	Number of Meetings	
	Held ¹	Attended
Dato’ Yeoh Eng Khoon (Chairman) Senior Independent Non-Executive Director	5	5
Tan Sri Azlan Bin Mohd Zainol Independent Non-Executive Director	5	4
Kwok Kian Hai ² Independent Non-Executive Director	5	5
Quah Poh Keat ³ Independent Non-Executive Director	1	1

Notes:

¹ Reflects the number of meetings held during the time the Directors held office.

² Resigned on 19 October 2016.

³ Appointed w.e.f. 16 May 2016.

Tan Sri Azlan Bin Mohd Zainol and Mr. Quah Poh Keat are members of the Malaysian Institute of Accountants. The AC, therefore, meets the requirements of Paragraph 15.09(1)(c) of the Main LR which stipulate that at least one (1) member of the AC must be a qualified accountant.

SUMMARY OF THE WORK OF THE AC

In line with the terms of reference of the AC, the work carried out by the AC in the discharge of its functions and duties for the financial year ended 30 September 2016 are as follows:

Financial Procedures and Financial Reporting

- Reviewed the following Group financial statements and made recommendations to the Board for approval of the same:

Date of AC Meetings	Quarterly Results/Financial Statements Reviewed
16 February 2016	Unaudited first quarter results for the period ended 31 December 2015
15 May 2016	Unaudited second quarter results for the period ended 31 March 2016
16 August 2016	Unaudited third quarter results for the period ended 30 June 2016
15 November 2016	Unaudited fourth quarter results for the period ended 30 September 2016 and the unaudited results of the Group for the financial year ended 30 September 2016
6 December 2016	Audited Financial Statements for the year ended 30 September 2016

The review of the unaudited quarterly financial results is to ensure the disclosures are in compliance with the Financial Reporting Standard 134 – Interim Financial Reporting and applicable disclosure provisions in the Main LR.

AUDIT COMMITTEE REPORT

The AC had also reviewed the audited financial statements of the Company and the Group for the financial year ended 30 September 2016 which covers the financial position and performance for the year and ensure that it complied with all disclosures and regulatory requirements and recommended the audited financial statements to the Board for approval.

- Reviewed the significant matters highlighted by the external auditors in the financial statements and significant judgements made by the Management.

External Audit

- Reviewed and endorsed the external auditors' audit strategy, scope of work and audit plan for the year.
- Met with the external auditors twice a year without the presence of Management to review and discuss on the key issues within their duties and responsibilities. There were no major concerns raised by the external auditors at the meetings.
- Evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment and audit fees.
- The AC was satisfied with the work performed by KPMG based on the quality of services, sufficiency of resources, performance, independence and professionalism, and their ability to conduct the external audit within an agreeable timeline fixed by the Management. Accordingly, it was recommended to the Board to re-appoint KPMG as the Auditors of the Company as well as proposed audit fees for approval. A resolution for their re-appointment will be tabled for shareholders' approval at the forthcoming Annual General Meeting.

Internal Audit

- Reviewed the risk-based annual audit plan to ensure adequate scope and coverage on the activities of the Company and the Group.
- Reviewed and deliberated on reports of audits conducted by the Internal Audit Division ("IAD").
- Appraised the adequacy of actions and remedial measures taken by the Management in resolving the audit issues reported and recommended further improvement measures.

Related Party Transactions which include Recurrent Related Party Transactions ("RPTs")

- Formalised the Policy on RPTs ("the Policy") in a single cohesive document for orderly treatment. The Policy was adopted in July 2016.
- Reviewed the RPTs entered into by the Company and the Group and disclosure of such transactions pursuant to Chapter 10 of the Main LR, Financial Reporting Standard 124 and Companies Act, 1965.
- Reviewed the Circular to Shareholders in relation to the proposed shareholders mandate for recurrent related party transactions.
- Reviewed the processes and procedures in the Policy to ensure that related parties are appropriately identified and that RPTs are appropriately declared, approved and reported.

Risk Management

- Reviewed the Group Risk Management Committee's meeting minutes and reports and deliberated on the principal risks highlighted and the controls to mitigate the risks.

Other Duties

- Reviewed the AC Report, Statement on Risk Management and Internal Control and Corporate Governance Statement before submitting for the Board's approval and inclusion in the Company's Annual Report.

AUDIT COMMITTEE REPORT

SUMMARY OF THE WORK OF THE INTERNAL AUDIT FUNCTION

The Group has an independent in-house IAD whose primary function is to assist the AC in discharging its duties and responsibilities. The IAD's role is to provide the AC with independent and objective reports on the adequacy and effectiveness of the internal controls and procedures in the operating units within the Group and the extent of compliance with the Group's established policies, procedures and guidelines, and also compliance with the applicable laws and regulations.

The Internal Audit's activities are guided by the Internal Audit Charter and the IAD adopts a risk-based approach focusing on high risks areas. The IAD conducts regular and systematic reviews on the effectiveness of key controls and processes in the operating units to provide reasonable assurance that such systems would continue to operate satisfactorily and effectively.

For the financial year under review, the IAD conducted audit assignments on various operation units in Malaysia, Indonesia, China and Europe. The audit reports incorporating audit recommendations and management responses on the control issues were submitted to the AC on a quarterly basis. Periodic follow-up audits were carried out where appropriate to ensure recommendations for corrective actions were implemented and enforced.

The IAD had also reviewed the quarterly financial reports to ensure disclosures are in compliance with the Financial Reporting Standard 134 – Interim Financial Reporting and Main LR.

The User Acceptance Testing on the new in-house IT systems was performed before implementation. IAD also conducts training for the operating units' personnel to enhance their internal control awareness.

The total costs incurred for the internal audit function of the Group for the financial year ended 30 September 2016 was RM4.73 million.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in accordance with Paragraph 9.25 of the Main LR of Bursa Malaysia as set out in Part A of Appendix 9C thereto.

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from any corporate proposals during the financial year.

AUDIT AND NON-AUDIT FEES

- (i) The amount of audit fees paid or payable to the external auditors, KPMG, for services rendered to the Company and the Group for the financial year ended 30 September 2016 amounted to RM240,000 and RM830,000 respectively.
- (ii) The amount of non-audit fees paid or payable to the external auditors, KPMG and its affiliates, for services rendered to the Company and the Group for the financial year ended 30 September 2016 amounted to RM47,000 and RM825,000 respectively.

MATERIAL CONTRACTS

There were no material contracts other than in the ordinary course of business entered into by the Company or its subsidiaries involving the interest of Directors and major shareholders during the financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“RRPTs”)

The details of the RRPTs entered into by the Company and its subsidiaries during the financial year are disclosed in Note 38 to the financial statements on pages 134 to 136.