



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

**Interim Financial Report
For the third quarter ended 30 June 2016**



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

The Directors are pleased to announce the unaudited financial results of the Group for the third quarter ended 30 June 2016.

Condensed Consolidated Statement of Profit or Loss For the third quarter ended 30 June 2016

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	3,922,489	3,538,322	11,962,849	9,717,908
Operating expenses	(3,588,702)	(3,226,174)	(11,189,110)	(8,874,261)
Other operating income	17,592	19,061	804,543	128,966
Finance costs	(40,772)	(25,105)	(115,929)	(72,786)
Share of results of associates	1,410	9,918	(2,125)	9,695
Share of results of a joint venture	2,325	(4,783)	8,088	(7,434)
Profit before taxation	314,342	311,239	1,468,316	902,088
Tax expense	(50,636)	(56,991)	(186,985)	(193,338)
Net profit for the period	<u>263,706</u>	<u>254,248</u>	<u>1,281,331</u>	<u>708,750</u>
Attributable to:-				
Equity holders of the Company	253,392	246,884	1,217,134	683,624
Non-controlling interests	<u>10,314</u>	<u>7,364</u>	<u>64,197</u>	<u>25,126</u>
	<u>263,706</u>	<u>254,248</u>	<u>1,281,331</u>	<u>708,750</u>
	Sen	Sen	Sen	Sen
Earnings per share - basic	<u>23.8</u>	<u>23.2</u>	<u>114.3</u>	<u>64.2</u>
Earnings per share - diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

N/A - Not applicable

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Financial Report for the year ended 30 September 2015.

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Other Comprehensive Income
For the third quarter ended 30 June 2016**

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>263,706</u>	<u>254,248</u>	<u>1,281,331</u>	<u>708,750</u>
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	119,961	99,612	(281,686)	375,447
Net change in fair value of available-for-sale investments	(213,548)	97,945	(321,043)	447,160
Realisation on fair value of available-for-sale investments	-	-	(1,726)	(1,466)
Currency translation differences on deemed disposal of a subsidiary	-	-	-	4,319
Total other comprehensive (loss)/income for the period	<u>(93,587)</u>	<u>197,557</u>	<u>(604,455)</u>	<u>825,460</u>
Total comprehensive income for the period	<u>170,119</u>	<u>451,805</u>	<u>676,876</u>	<u>1,534,210</u>
Attributable to:-				
Equity holders of the Company	157,133	442,010	621,950	1,494,427
Non-controlling interests	<u>12,986</u>	<u>9,795</u>	<u>54,926</u>	<u>39,783</u>
	<u>170,119</u>	<u>451,805</u>	<u>676,876</u>	<u>1,534,210</u>

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 September 2015.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position As at 30 June 2016

(The figures have not been audited.)

	30 June 2016 RM'000	30 September 2015 RM'000
Assets		
Property, plant and equipment	4,917,778	4,817,725
Prepaid lease payments	300,763	285,555
Biological assets	2,469,154	2,392,287
Land held for property development	1,127,580	226,353
Goodwill on consolidation	315,457	330,137
Intangible assets	11,051	15,297
Investment in associates	148,513	154,493
Investment in a joint venture	158,184	144,658
Available-for-sale investments	1,446,355	1,781,642
Other receivable	195,285	171,690
Deferred tax assets	143,293	147,513
Total non-current assets	11,233,413	10,467,350
Inventories	1,844,805	1,613,810
Biological assets	31,923	32,599
Trade and other receivables	2,125,345	2,651,148
Tax recoverable	60,268	35,879
Property development costs	98,271	59,964
Derivative financial assets	152,606	315,707
Short term funds	675,642	-
Cash and cash equivalents	1,438,202	2,083,158
Total current assets	6,427,062	6,792,265
Total assets	17,660,475	17,259,615
Equity		
Share capital	1,067,505	1,067,505
Reserves	8,755,064	8,612,349
	9,822,569	9,679,854
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	9,809,122	9,666,407
Non-controlling interests	821,139	461,703
Total equity	10,630,261	10,128,110
Liabilities		
Deferred tax liabilities	266,307	257,954
Deferred income	120,956	113,154
Provision for retirement benefits	399,572	356,563
Borrowings	2,917,100	2,681,221
Total non-current liabilities	3,703,935	3,408,892
Trade and other payables	1,278,719	1,417,861
Deferred income	5,471	6,728
Borrowings	1,714,157	1,912,840
Tax payable	46,274	28,705
Derivative financial liabilities	121,913	356,479
Dividend payable	159,745	-
Total current liabilities	3,326,279	3,722,613
Total liabilities	7,030,214	7,131,505
Total equity and liabilities	17,660,475	17,259,615
Net assets per share attributable to equity holders of the Company (RM)	9.21	9.08

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 September 2015.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity For the third quarter ended 30 June 2016

(The figures have not been audited.)

	← Attributable to the equity holders of the Company →								Non-controlling interests	Total Equity	
	Share capital	Capital reserve	Revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	Retained earnings	Treasury shares			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2015	1,067,505	1,019,259	79,067	59,840	533,068	878,724	6,042,391	(13,447)	9,666,407	461,703	10,128,110
Net change in fair value of available-for-sale investments	-	-	-	-	-	(321,043)	-	-	(321,043)	-	(321,043)
Realisation on fair value of available-for sale investments	-	-	-	-	-	(1,726)	-	-	(1,726)	-	(1,726)
Transfer from retained earnings to reserves	-	2,139	-	1,000	-	-	(3,139)	-	-	-	-
Currency translation differences	-	(75)	-	(4)	(272,336)	-	-	-	(272,415)	(9,271)	(281,686)
Total other comprehensive income/(loss) for the period	-	2,064	-	996	(272,336)	(322,769)	(3,139)	-	(595,184)	(9,271)	(604,455)
Net profit for the period	-	-	-	-	-	-	1,217,134	-	1,217,134	64,197	1,281,331
Total comprehensive income/(loss) for the period	-	2,064	-	996	(272,336)	(322,769)	1,213,995	-	621,950	54,926	676,876
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	324,800	324,800
Dividend paid	-	-	-	-	-	-	(319,490)	-	(319,490)	-	(319,490)
Dividend payable	-	-	-	-	-	-	(159,745)	-	(159,745)	-	(159,745)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(20,290)	(20,290)
Total transactions with owners of the Company	-	-	-	-	-	-	(479,235)	-	(479,235)	304,510	(174,725)
At 30 June 2016	1,067,505	1,021,323	79,067	60,836	260,732	555,955	6,777,151	(13,447)	9,809,122	821,139	10,630,261



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity For the third quarter ended 30 June 2016

(Continued)

(The figures have not been audited.)

	← Attributable to the equity holders of the Company →								Non-controlling interests	Total Equity	
	Share capital	Capital reserve	Revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	Retained earnings	Treasury shares			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			RM'000
At 1 October 2014	1,067,505	1,015,488	79,067	59,709	(333,548)	210,598	5,666,335	(13,447)	7,751,707	431,492	8,183,199
Net change in fair value of available-for-sale investments	-	-	-	-	-	447,160	-	-	447,160	-	447,160
Realisation on fair value of available-for-sale investments	-	-	-	-	-	(1,466)	-	-	(1,466)	-	(1,466)
Transfer from retained earnings to reserves	-	921	-	-	-	-	(921)	-	-	-	-
Currency translation differences on deemed disposal of a subsidiary	-	-	-	-	4,319	-	-	-	4,319	-	4,319
Currency translation differences	-	436	-	4	360,350	-	-	-	360,790	14,657	375,447
Total other comprehensive income/(loss) for the period	-	1,357	-	4	364,669	445,694	(921)	-	810,803	14,657	825,460
Net profit for the period	-	-	-	-	-	-	683,624	-	683,624	25,126	708,750
Total comprehensive income for the period	-	1,357	-	4	364,669	445,694	682,703	-	1,494,427	39,783	1,534,210
Effect of changes in shareholdings in a subsidiary	-	-	-	-	-	-	110,806	-	110,806	40,732	151,538
Dividend paid	-	-	-	-	-	-	(425,986)	-	(425,986)	-	(425,986)
Dividend payable	-	-	-	-	-	-	(159,745)	-	(159,745)	-	(159,745)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(29,516)	(29,516)
Total transactions with owners of the Company	-	-	-	-	-	-	(474,925)	-	(474,925)	11,216	(463,709)
At 30 June 2015	1,067,505	1,016,845	79,067	59,713	31,121	656,292	5,874,113	(13,447)	8,771,209	482,491	9,253,700

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2015.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows For the third quarter ended 30 June 2016

(The figures have not been audited.)

	9 months ended 30 June	
	2016	2015
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	1,468,316	902,088
Adjustment for non-cash flow:-		
Non-cash items	(239,402)	232,072
Non-operating items	26,361	(21,580)
Operating profit before working capital changes	1,255,275	1,112,580
Working capital changes:-		
Net change in current assets	119,629	(752,525)
Net change in current liabilities	(106,624)	428,579
Cash generated from operations	1,268,280	788,634
Interest paid	(90,527)	(65,784)
Tax paid	(178,249)	(248,262)
Retirement benefits paid	(19,201)	(15,597)
Net cash generated from operating activities	<u>980,303</u>	<u>458,991</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(548,911)	(513,797)
Payments of prepaid lease	(22,959)	(18,706)
Plantation development expenditure	(126,040)	(143,602)
Property development expenditure	(901,227)	(4,004)
Subscription of shares in an associate	(324,800)	-
Subscription of shares in a joint venture	(54,440)	-
Purchase of shares from non-controlling interests	-	(94)
Purchase of available-for-sale investments	(39,043)	(19,671)
Purchase of intangible assets	(291)	(670)
Proceeds from disposal of property, plant and equipment	4,351	6,635
Compensation from government on land acquired	41,727	22,920
Proceeds from disposal of land	825,135	-
Proceeds from disposal of shares in a subsidiary, net of cash disposed	-	151,632
Proceeds from deemed disposal of a subsidiary, net of cash disposed	-	(35,089)
Proceeds from disposal of available-for-sale investments	5,235	7,663
Repayment of loan from a joint venture	32,919	55,037
Increase in short term funds	(675,642)	-
Dividends received from associates	6,051	5,677
Dividends received from investments	39,188	14,275
Interest received	29,202	26,608
Net cash used in investing activities	<u>(1,709,545)</u>	<u>(445,186)</u>
Cash Flows from Financing Activities		
Term loans received	20,142	-
Issuance of Islamic medium term notes	500,000	-
Repayment of term loans	(1,757)	(6,893)
(Repayment)/Drawdown of short term borrowings	(339,713)	407,531
Dividend paid to shareholders of the Company	(319,490)	(425,986)
Dividends paid to non-controlling interests	(20,290)	(29,516)
Issuance of shares to non-controlling interests	324,800	-
Increase in other receivable	(11,249)	(16,393)
Net cash generated from/(used in) financing activities	<u>152,443</u>	<u>(71,257)</u>
Net decrease in cash and cash equivalents	(576,799)	(57,452)
Cash and cash equivalents at 1 October	2,055,990	1,264,854
	1,479,191	1,207,402
Currency translation differences on opening balances	(59,641)	78,744
Cash and cash equivalents at 30 June	<u>1,419,550</u>	<u>1,286,146</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2015.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report

A Explanatory Notes as required by FRS 134

A1. Basis of Preparation

The Interim Financial Report is unaudited and has been prepared in compliance with Financial Reporting Standard ("FRS") 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB"). The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2015.

The accounting policies and methods of computation adopted by the Group in this Interim Financial Report are consistent with those adopted in the audited financial statements for the year ended 30 September 2015.

A2. Seasonal and Cyclical Factors

The Group's plantation operations are affected by seasonal crop production, weather conditions and fluctuating commodity prices.

A3. Unusual Items

There were no items affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

A4. Changes in Estimates

There were no significant changes in the amount of estimates reported in prior interim periods or prior financial years that have a material effect in the current interim period.

A5. Changes in Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the current financial year-to-date.

A6. Dividends Paid

	9 months ended 30 June	
	2016	2015
	RM'000	RM'000
Dividend proposed in Year 2015, paid in Year 2016:-		
Final single tier dividend 30 sen (2015: 40 sen) per share	<u>319,490</u>	<u>425,986</u>

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,064,965,692 (2015: 1,064,965,692).



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

A7. Segment Information

Segment information is presented in respect of the Group's reportable segments which are based on the Group's management and internal reporting structure.

(a) Segment revenue and results

	Plantations RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
9 months ended						
30 June 2016						
Revenue						
External revenue	6,182,837	5,568,071	50,123	161,818	-	11,962,849
Inter-segment revenue	675,459	-	-	28,937	(704,396)	-
Total revenue	<u>6,858,296</u>	<u>5,568,071</u>	<u>50,123</u>	<u>190,755</u>	<u>(704,396)</u>	<u>11,962,849</u>
Results						
Operating results	605,205	365,115	6,704	48,770	-	1,025,794
Interest income	544	3,941	6	65,982	(28,022)	42,451
Finance costs	(8,397)	(39,860)	-	(95,694)	28,022	(115,929)
Share of results of associates	2,366	242	2,671	(7,404)	-	(2,125)
Share of results of a joint venture	8,088	-	-	-	-	8,088
Segment results	<u>607,806</u>	<u>329,438</u>	<u>9,381</u>	<u>11,654</u>	<u>-</u>	<u>958,279</u>
Corporate income						<u>510,037</u>
Profit before taxation						<u>1,468,316</u>
9 months ended						
30 June 2015						
Revenue						
External revenue	4,935,825	4,521,231	101,558	159,294	-	9,717,908
Inter-segment revenue	500,846	-	-	54,156	(555,002)	-
Total revenue	<u>5,436,671</u>	<u>4,521,231</u>	<u>101,558</u>	<u>213,450</u>	<u>(555,002)</u>	<u>9,717,908</u>
Results						
Operating results	590,538	174,332	40,606	70,402	-	875,878
Interest income	436	3,124	128	50,808	(23,582)	30,914
Finance costs	(2,833)	(25,750)	-	(67,785)	23,582	(72,786)
Share of results of associates	4,163	22	9,802	(4,292)	-	9,695
Share of results of a joint venture	(7,434)	-	-	-	-	(7,434)
Segment results	<u>584,870</u>	<u>151,728</u>	<u>50,536</u>	<u>49,133</u>	<u>-</u>	<u>836,267</u>
Corporate income						<u>65,821</u>
Profit before taxation						<u>902,088</u>

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)

(Incorporated in Malaysia)

Notes to Interim Financial Report

(Continued)

(b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2016					
Operating assets	6,085,392	6,365,323	1,294,272	3,405,230	17,150,217
Associates	60,848	5,710	72,230	9,725	148,513
Joint venture	158,184	-	-	-	158,184
Segment assets	<u>6,304,424</u>	<u>6,371,033</u>	<u>1,366,502</u>	<u>3,414,955</u>	<u>17,456,914</u>
Tax assets					203,561
Total assets					<u>17,660,475</u>
As at 30 September 2015					
Operating assets	6,436,286	6,389,884	450,441	3,500,461	16,777,072
Associates	61,826	5,755	68,466	18,446	154,493
Joint venture	144,658	-	-	-	144,658
Segment assets	<u>6,642,770</u>	<u>6,395,639</u>	<u>518,907</u>	<u>3,518,907</u>	<u>17,076,223</u>
Tax assets					183,392
Total assets					<u>17,259,615</u>

(c) Segment liabilities

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2016					
Segment liabilities	<u>1,352,651</u>	<u>2,243,766</u>	<u>46,488</u>	<u>2,914,983</u>	<u>6,557,888</u>
Tax liabilities					472,326
Total liabilities					<u>7,030,214</u>
As at 30 September 2015					
Segment liabilities	<u>2,167,840</u>	<u>2,216,412</u>	<u>24,744</u>	<u>2,435,850</u>	<u>6,844,846</u>
Tax liabilities					286,659
Total liabilities					<u>7,131,505</u>

A8. Event Subsequent to Reporting Date

Standard Soap Company Ltd ("SS"), a wholly-owned subsidiary of the Company incorporated in the United Kingdom, was placed under member's voluntary winding-up as it had ceased its business operations.

SS will be dissolved on 18 October 2016 which is three months after the lodgement of the Return of Final Winding-Up Meeting with the Companies House, United Kingdom.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

A9. Changes in the Composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinued operations during the quarter under review.

A10. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets since the last annual reporting date.

A11. Capital Commitments

	30 June 2016	30 September 2015
	RM'000	RM'000
Capital expenditure		
Approved and contracted	299,753	191,494
Approved but not contracted	486,985	919,924
	<u>786,738</u>	<u>1,111,418</u>
Acquisition of shares in a subsidiary		
Approved and contracted	1,285	1,268
Acquisition of land for property development		
Approved and contracted	-	784,080

A12. Significant Related Party Transactions

The significant related party transactions set out below were carried out in the normal course of business and on terms and conditions not more materially different from those obtainable in transactions with unrelated parties.

	9 months ended 30 June	
	2016	2015
	RM'000	RM'000
(i) Transactions with associates and joint venture		
Sale of goods	4,075	2,156
Purchase of goods	383,150	2,774
Service charges paid	3,536	1,957
Research and development services	9,902	9,384



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

		9 months ended 30 June	
		2016	2015
		RM'000	RM'000
(ii)	Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
	Sale of goods		
	PT Satu Sembilan Delapan	21,860	15,062
	Siam Taiko Marketing Co Ltd	2,520	1,678
	Taiko Marketing Sdn Bhd	4,194	4,322
	Taiko Marketing (Singapore) Pte Ltd	<u>3,695</u>	<u>1,874</u>
	Storage tanks rental received		
	Taiko Marketing Sdn Bhd	<u>2,227</u>	<u>2,097</u>
	Barge rental received		
	PT Satu Sembilan Delapan	<u>347</u>	<u>2,150</u>
	Purchases of goods		
	Borneo Taiko Clay Sdn Bhd	3,560	3,267
	Bukit Katho Estate Sdn Bhd	2,175	2,182
	Kampar Rubber & Tin Co Sdn Bhd	5,551	6,308
	Ladang Tai Tak (Kota Tinggi) Sdn Bhd	2,245	2,097
	Malay Rubber Plantations (M) Sdn Bhd	3,530	4,351
	PT Agro Makmur Abadi	38,665	55,877
	PT Bumi Karyatama Raharja	1,399	-
	PT Safari Riau	17,786	22,871
	PT Satu Sembilan Delapan	52,124	57,444
	PT Taiko Persada Indoprima	-	4,506
	Taiko Clay Marketing Sdn Bhd	1,245	1,453
	Taiko Drum Industries Sdn Bhd	2,472	1,958
	Taiko Fertiliser Marketing Sdn Bhd	16	4,290
	Taiko Marketing Sdn Bhd	<u>19,604</u>	<u>23,511</u>
	Rental of office paid		
	Batu Kawan Holdings Sdn Bhd	<u>3,163</u>	<u>2,856</u>
	Aircraft operating expenses and management services paid		
	Smooth Route Sdn Bhd	<u>999</u>	<u>1,120</u>
	Supply of contract labour and engineering works		
	K7 Engineering Sdn Bhd	<u>2,724</u>	<u>2,173</u>
(iii)	Transactions between subsidiaries and non-controlling interests		
	Sale of goods		
	Mitsubishi Corporation	121,129	59,687
	Mitsui & Co Ltd	219,444	183,733
	Tejana Trading & Management Services Sdn Bhd	<u>2,336</u>	<u>1,214</u>
	Purchases of goods		
	PT Eka Dura Indonesia	23,398	-
	PT Letawa	44,273	-
	PT Tanjung Sarana Lestari	<u>932,219</u>	<u>-</u>

**Notes to Interim Financial Report**

(Continued)

B Explanatory Notes as required by the BMSB Revised Listing Requirements**B1. Analysis of Performance****3rd Quarter FY2016 vs 3rd Quarter FY2015**

The Group's profit before tax for the 3rd quarter was marginally higher at RM314.3 million (3QFY2015: profit RM311.2 million). Revenue increased 10.9% to RM3.922 billion (3QFY2015: RM3.538 billion). Comments on the business sectors are as follows:-

- (i) Plantations profit of RM209.3 million was 13.2% above last year's 3rd quarter profit of RM184.9 million which was attributed to:-

- Favourable average selling prices of CPO and PK realised as shown below:-

	3QFY2016	3QFY2015	% Change
Crude Palm Oil (RM/mt ex-mill)	2,496	2,126	17.4
Palm Kernel (RM/mt ex-mill)	2,136	1,517	40.8

- Higher returns from refining and kernel crushing operations.
- Net unrealised foreign exchange gain of RM25.0 million (3QFY2015: net gain RM2.8 million) which arose from the translation of inter-company loans advanced and bank borrowings to Indonesian companies.

- (ii) Manufacturing sector reported a substantial rise of 72.3% in profit to RM103.3 million (3QFY2015: profit RM60.0 million) with increase in revenue by 22.0% to RM1.947 billion (3QFY2015: RM1.596 billion). Most operating entities registered improvement in sales volume particularly Europe and China operations. However, the increasing cost of raw materials, especially CPKO, had squeezed profit margins of the Malaysian entities.

The oleochemical division's profit surged 74.8% to RM99.5 million (3QFY2015: RM56.9 million) and the profit from the other manufacturing units improved 26.9% to RM3.8 million (3QFY2015: profit RM3.1 million).

- (iii) Properties sector's profit was 33.9% lower at RM5.1 million (3QFY2015: profit RM7.8 million) with a reduction of 16.5% in revenue to RM24.2 million (3QFY2015: RM29.0 million) which was affected by the slowdown in the property market.

- (iv) This quarter result had included a lower dividend income of RM21.9 million (3QFY2015: RM53.4 million) from an overseas investment, Synthomer plc.

Todate 3rd Quarter FY2016 vs Todate 3rd Quarter FY2015

The pre-tax profit of the Group for the period under review was sharply higher by 62.8% at RM1.468 billion (Todate 3QFY2015: profit RM902.1 million), aided by the recognition of a surplus of RM485.6 million derived from the sale of plantation land to an associate. Revenue climbed 23.1% to RM11.963 billion (Todate 3QFY2015: RM9.718 billion). The performance of the business sectors are summarised below:-

- (i) Plantations profit had increased 3.9% to RM607.8 million (Todate 3QFY2015: profit RM584.9 million) which was attributed to higher contributions from processing operations despite lower profit from estate operations. Although the selling prices of CPO and PK had improved, the estate operations performance was affected by the reduction in FFB production and the increase in cost of CPO production.

The average CPO and PK selling prices realised were:-

	Todate 3QFY2016	Todate 3QFY2015	% Change
Crude Palm Oil (RM/mt ex-mill)	2,199	2,155	2.0
Palm Kernel (RM/mt ex-mill)	1,734	1,488	16.5

**Notes to Interim Financial Report**

(Continued)

- (ii) Manufacturing sector's profit rose more than twofold to RM329.4 million (Todate 3QFY2015: profit RM151.7 million) on the back of a 23.2% increase in revenue to RM5.568 billion (Todate 3QFY2015: RM4.521 billion) which was supported by growth in sales volume especially from the Europe operations. This sector also recorded an unrealised gain of RM12.3 million (Todate 3FY2015: unrealised loss RM22.7 million) arising from the changes in fair value on outstanding derivative contracts.

The oleochemical division contributed a significantly higher profit of RM310.7 million (Todate 3QFY2015: profit RM142.2 million) and the other manufacturing units had achieved a much higher profit of RM18.7 million (Todate 3QFY2015: profit RM9.5 million).

- (iii) Properties sector's profit was sharply lower at RM9.4 million (Todate 3QFY2015: RM50.5 million) on account of reduced revenue of RM50.1 million (Todate 3QFY2015: RM101.6 million) owing to slow sales. Last year's same period had included surpluses from the disposals of industrial and commercial land.
- (iv) The Group's results had accounted for higher surpluses of RM47.1 million (Todate 3QFY2015: surplus RM28.0 million) arising from government acquisitions and sale of land. However, the dividend income from Synthomer plc had decreased to RM21.9 million (Todate 3QFY2015: RM53.4 million).

B2. Variation of Results to Preceding Quarter**3rd Quarter FY2016 vs 2nd Quarter FY2016**

For the current quarter, the Group's pre-tax profit of RM314.3 million was 29.4% above the preceding quarter's profit of RM242.9 million. The Group's revenue rose 5.9% to RM3.922 billion (2QFY2016: RM3.703 billion).

Plantations profit surged 66.7% to RM209.3 million (2QFY2016: profit RM125.6 million) on account of:-

- Higher selling prices of CPO and PK realised as shown below:-

	<u>3QFY2016</u>	<u>2QFY2016</u>	<u>% Change</u>
Crude Palm Oil (RM/mt ex-mill)	2,496	2,205	13.2
Palm Kernel (RM/mt ex-mill)	2,136	1,770	20.7

- Net unrealised foreign exchange gain of RM25.0 million (2QFY2016: net loss RM35.8 million) derived from the translation of inter-company loans advanced and bank borrowings to the companies in Indonesia.

Manufacturing sector posted a slightly higher profit of RM103.3 million (2QFY2016: profit RM100.2 million) despite recognising an unrealised loss of RM11.3 million (2QFY2016: unrealised gain RM13.7 million) from the fair value changes on outstanding derivative contracts. Revenue was up by 6.2% at RM1.947 billion (2QFY2016: RM1.834 billion) on account of better sales volume. However, the fatty alcohol business continued to be affected by the bullish CPKO price, with buyers of fatty alcohol switching to lower cost synthetic-based alternatives.

The oleochemical division's profit had increased 5.5% to RM99.5 million (2QFY2016: profit RM94.3 million) whilst the other manufacturing units' profit was down 34.5% to RM3.8 million (2QFY2016: profit RM5.9 million).

Properties sector posted a marginal improvement in profit to RM5.1 million (2QFY2016: profit RM5.0 million) but revenue had increased 54.7% to RM24.2 million (2QFY2016: RM15.6 million).



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report

(Continued)

B3. Current Year Prospects

The current palm oil prices remain resilient on account of low stock levels due to the drought hit production. With the anticipated recovery of FFB crop production in the coming months, production cost may decline. Taking these factors into consideration, the plantations profit is expected to be satisfactory for the current financial year.

The oleochemical business continues to be challenging under difficult market conditions with margins being pressured especially those CPKO-based products. Notwithstanding this, the oleochemical division anticipates to achieve favourable results on account of additional capacities from plants expansion coming fully on-stream together with operational efficiency and productivity improvement.

Without accounting for the surplus on sale of plantation land realised in the 1st quarter, the Group expects a satisfactory profit for the current financial year 2016.

B4. Profit Forecast and Profit Guarantee

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

B5. Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	35,995	36,862	98,067	124,345
Overseas taxation	13,358	21,203	71,003	66,529
	<u>49,353</u>	<u>58,065</u>	<u>169,070</u>	<u>190,874</u>
Deferred tax				
Origination and reversal of temporary differences	8,663	(2,305)	24,038	(8,044)
Relating to changes in tax rate (Over)/Under provision in respect of previous years	(6)	-	542	-
	<u>(10,754)</u>	<u>12</u>	<u>(11,171)</u>	<u>8,037</u>
	<u>(2,097)</u>	<u>(2,293)</u>	<u>13,409</u>	<u>(7)</u>
	<u>47,256</u>	<u>55,772</u>	<u>182,479</u>	<u>190,867</u>
Under/(Over) provision in respect of previous years				
Malaysian taxation	320	(2,743)	460	(2,487)
Overseas taxation	3,060	3,962	4,046	4,958
	<u>3,380</u>	<u>1,219</u>	<u>4,506</u>	<u>2,471</u>
Total tax expense	<u>50,636</u>	<u>56,991</u>	<u>186,985</u>	<u>193,338</u>

The effective tax rate for the current quarter and financial year-to-date is lower than the statutory tax rate mainly due to non-taxable income.

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

B7. Group Borrowings

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

	30 June 2016		30 September 2015	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
(a) Repayable within 12 months:-				
(i) Term Loans				
- Secured	7,570	Euro1,691	1,001	Euro204
- Unsecured	120,597	USD30,000	88,235	USD20,000
	-		98,388	Euro20,000
	120,597		186,623	
	128,167		187,624	
(ii) Islamic Medium Term Notes				
- Unsecured	300,000		-	
(iii) Bank Overdraft				
- Unsecured	18,652	Euro4,167	27,168	Euro5,523
(iv) Short Term Borrowings				
- Unsecured	491,439	USD121,945	813,493	USD184,843
	10,730	GBP2,000	26,637	GBP4,000
	129,820	Euro29,000	167,281	Euro34,000
	635,349		690,637	
	1,267,338		1,698,048	
Total repayable within 12 months	1,714,157		1,912,840	
(b) Repayable after 12 months:-				
(i) Term Loans				
- Secured	12,897	Euro2,881	1,286	Euro261
- Unsecured	223,805	Euro50,000	147,582	Euro30,000
	80,398	USD20,000	132,353	USD30,000
	304,203		279,935	
	317,100		281,221	
(ii) Islamic Medium Term Notes				
- Unsecured	2,600,000		2,400,000	
Total repayable after 12 months	2,917,100		2,681,221	

B8. Derivative Financial Instruments

The forward foreign exchange contracts are entered into by the Group as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign exchange on receipts and payments.

The commodity future contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the vegetable oil commodities.



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

Notes to Interim Financial Report

(Continued)

As at 30 June 2016, the values and maturity analysis of the outstanding derivatives are as follows:-

<u>Derivatives</u>	Contract/Notional	Fair value
	Value Net long/(short) RM'000	Net gains/(losses) RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(762,137)	6,694
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(461,218)	23,999
- 1 year to 3 years	-	-
- More than 3 years	-	-

With the adoption of FRS 139, derivative financial instruments are recognised at fair value on contract dates and are subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss.

For the quarter ended 30 June 2016, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

B9. Fair Value Changes of Financial Liabilities

The Group does not have any financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

B10. Material Litigation

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

B11. Dividend

(a) An interim single tier dividend of 15 sen (2015: 15 sen) per share has been declared by the Directors in respect of the financial year ending 30 September 2016 and was paid on 9 August 2016.

(b) The total dividend for the current financial year to-date is single tier dividend of 15 sen (2015: 15 sen) per share.

B12. Earnings Per Share

Basic earnings per share

The earnings per share is calculated by dividing the net profit for the period attributable to equity holders of the Company by the weighted average number of shares of the Company in issue during the period.

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2016	2015	2016	2015
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	253,392	246,884	1,217,134	683,624
(b) Weighted average number of shares	1,064,965,692	1,064,965,692	1,064,965,692	1,064,965,692
(c) Earnings per share (sen)	23.8	23.2	114.3	64.2



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

B13. Audit Report

The audit report for the financial year ended 30 September 2015 was not subject to any qualifications.

B14. Profit Before Taxation

Profit before taxation is arrived at after charging and (crediting) the following:

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(13,986)	(11,731)	(42,451)	(30,914)
Other income including dividend income	(46,721)	(66,600)	(88,322)	(149,402)
Interest expense	40,772	25,105	115,929	72,786
Depreciation and amortisation	117,718	97,082	345,561	286,318
(Reversal of write-off)/Provision for and write-off of receivables	(67)	4,453	(95)	3,191
(Reversal of write-off)/Provision for and write-off of inventories	(792)	10,123	11,124	21,371
Surplus on disposal of quoted or unquoted investments	(2)	(2)	(1,790)	(2,181)
Surplus on disposal of land	(230)	(349)	(491,806)	(8,700)
Surplus on government acquisition of land	105	(8,150)	(40,894)	(21,211)
Surplus on deemed disposal of a subsidiary	-	-	-	(12,266)
Impairment of property, plant and equipment	8,143	-	8,143	-
Impairment of goodwill	952	-	952	-
Foreign exchange (gain)/loss	(51,129)	(1,498)	43,812	(32,176)
Loss/(Gain) on derivatives	14,323	34,797	(97,638)	60,791
Exceptional items	-	-	-	-



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

B15. Breakdown of Realised and Unrealised Profits or Losses

	30 June 2016	30 September 2015
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- realised	7,666,898	6,517,336
- unrealised	230,146	322,501
	<u>7,897,044</u>	<u>6,839,837</u>
Total share of retained profits from associates		
- realised	65,696	73,795
- unrealised	211	287
	<u>65,907</u>	<u>74,082</u>
Total share of (accumulated losses)/retained profits from a joint venture		
- realised	(15,061)	(24,856)
- unrealised	8,898	10,606
	<u>(6,163)</u>	<u>(14,250)</u>
	7,956,788	6,899,669
Consolidation adjustments	<u>(1,179,637)</u>	<u>(857,278)</u>
Total group retained profits as per consolidated accounts	<u>6,777,151</u>	<u>6,042,391</u>

By Order of the Board
YAP MIOU KIEN
FAN CHEE KUM
Company Secretaries

17 August 2016