



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

**Interim Financial Report
For the second quarter ended 31 March 2017**



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

The Directors are pleased to announce the unaudited financial results of the Group for the second quarter ended 31 March 2017.

Condensed Consolidated Statement of Profit or Loss For the second quarter ended 31 March 2017

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	5,470,921	3,702,559	10,967,070	8,040,360
Operating expenses	(5,022,524)	(3,529,871)	(10,148,104)	(7,600,408)
Other operating income	(8,517)	107,446	135,216	786,951
Finance costs	(42,950)	(38,700)	(84,843)	(75,157)
Share of results of associates	4,426	2,048	7,376	(3,535)
Share of results of joint ventures	(5,795)	(601)	(8,743)	5,763
Profit before taxation	395,561	242,881	867,972	1,153,974
Taxation	(92,454)	(55,512)	(188,777)	(136,349)
Net profit for the period	<u>303,107</u>	<u>187,369</u>	<u>679,195</u>	<u>1,017,625</u>
Attributable to:-				
Equity holders of the Company	289,569	168,532	650,245	963,742
Non-controlling interests	<u>13,538</u>	<u>18,837</u>	<u>28,950</u>	<u>53,883</u>
	<u>303,107</u>	<u>187,369</u>	<u>679,195</u>	<u>1,017,625</u>
	Sen	Sen	Sen	Sen
Earnings per share - basic	<u>27.2</u>	<u>15.8</u>	<u>61.1</u>	<u>90.5</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 2016.

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Other Comprehensive Income
For the second quarter ended 31 March 2017**

(The figures have not been audited.)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u>		<u>6 months ended</u>	
	<u>31 March</u>		<u>31 March</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>303,107</u>	<u>187,369</u>	<u>679,195</u>	<u>1,017,625</u>
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Currency translation differences	(4,293)	(375,557)	291,587	(401,647)
Net change in fair value of available-for-sale investments	376,424	50,281	438,967	(107,495)
Realisation on fair value of available-for-sale investments	-	(348)	1,041	(1,726)
	<u>372,131</u>	<u>(325,624)</u>	<u>731,595</u>	<u>(510,868)</u>
Other comprehensive loss that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(11)	-	(1,053)	-
Total other comprehensive income/(loss) for the period	<u>372,120</u>	<u>(325,624)</u>	<u>730,542</u>	<u>(510,868)</u>
Total comprehensive income/(loss) for the period	<u>675,227</u>	<u>(138,255)</u>	<u>1,409,737</u>	<u>506,757</u>
Attributable to:-				
Equity holders of the Company	662,310	(146,486)	1,373,719	464,817
Non-controlling interests	12,917	8,231	36,018	41,940
	<u>675,227</u>	<u>(138,255)</u>	<u>1,409,737</u>	<u>506,757</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 2016.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position As at 31 March 2017

(The figures have not been audited.)

	31 March 2017	30 September 2016
	RM'000	RM'000
Assets		
Property, plant and equipment	5,222,589	5,066,699
Prepaid lease payments	312,697	307,068
Biological assets	2,669,761	2,548,178
Land held for property development	1,138,924	1,130,312
Goodwill on consolidation	329,001	321,661
Intangible assets	13,716	15,076
Investment in associates	137,277	138,803
Investment in joint ventures	175,618	173,384
Available-for-sale investments	2,246,702	1,607,570
Other receivable	216,716	205,195
Deferred tax assets	469,629	454,230
Total non-current assets	<u>12,932,630</u>	<u>11,968,176</u>
Inventories	2,308,711	1,898,109
Biological assets	5,934	43,697
Trade and other receivables	2,459,569	2,165,616
Tax recoverable	42,438	57,987
Property development costs	77,317	83,463
Derivative financial assets	156,138	119,454
Short term funds	523,120	1,029,711
Cash and cash equivalents	1,560,992	970,360
Total current assets	<u>7,134,219</u>	<u>6,368,397</u>
Total assets	<u>20,066,849</u>	<u>18,336,573</u>
Equity		
Share capital	1,132,014	1,067,505
Reserves	10,326,983	9,390,511
	11,458,997	10,458,016
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	11,445,550	10,444,569
Non-controlling interests	870,267	843,457
Total equity	<u>12,315,817</u>	<u>11,288,026</u>
Liabilities		
Deferred tax liabilities	255,557	254,976
Deferred income	114,552	118,665
Provision for retirement benefits	513,458	495,894
Borrowings	3,081,339	2,967,808
Total non-current liabilities	<u>3,964,906</u>	<u>3,837,343</u>
Trade and other payables	1,473,498	1,342,174
Deferred income	6,970	6,328
Borrowings	2,030,215	1,572,222
Tax payable	123,522	71,694
Derivative financial liabilities	151,921	218,786
Total current liabilities	<u>3,786,126</u>	<u>3,211,204</u>
Total liabilities	<u>7,751,032</u>	<u>7,048,547</u>
Total equity and liabilities	<u>20,066,849</u>	<u>18,336,573</u>
Net assets per share attributable to equity holders of the Company (RM)	10.75	9.81

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 September 2016.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
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Condensed Consolidated Statement of Changes in Equity For the second quarter ended 31 March 2017

(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
	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	
At 1 October 2016	1,067,505	1,022,528	78,725	62,007	442,630	702,441	7,082,180	(13,447)	10,444,569	843,457	11,288,026
Net change in fair value of available-for-sale investments	-	-	-	-	-	438,967	-	-	438,967	-	438,967
Realisation on fair value of available-for sale investments	-	-	-	-	-	1,041	-	-	1,041	-	1,041
Transfer from retained earnings to reserves	-	4,611	-	2,500	-	-	(7,111)	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	-	-	(981)	-	(981)	(72)	(1,053)
Currency translation differences	-	355	-	2	284,090	-	-	-	284,447	7,140	291,587
Total other comprehensive income/(loss) for the period	-	4,966	-	2,502	284,090	440,008	(8,092)	-	723,474	7,068	730,542
Profit for the period	-	-	-	-	-	-	650,245	-	650,245	28,950	679,195
Total comprehensive income for the period	-	4,966	-	2,502	284,090	440,008	642,153	-	1,373,719	36,018	1,409,737
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	10,292	10,292
Dividends paid	-	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(19,500)	(19,500)
Total transactions with owners of the Company	-	-	-	-	-	-	(372,738)	-	(372,738)	(9,208)	(381,946)
Reclassification of capital redemption reserve to share capital pursuant to Section 618(2) of the Companies Act 2016	64,509	-	-	(64,509)	-	-	-	-	-	-	-
At 31 March 2017	1,132,014	1,027,494	78,725	-	726,720	1,142,449	7,351,595	(13,447)	11,445,550	870,267	12,315,817



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity For the second quarter ended 31 March 2017

(Continued)

(The figures have not been audited.)

	← Attributable to the equity holders of the Company →							Total	Non-controlling interests	Total Equity	
	Share capital	Capital reserve	Revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	Retained earnings				Treasury shares
	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	
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	-	-	-	-	-	(107,495)	-	-	(107,495)	-	(107,495)
Realisation on fair value of available-for sale investments	-	-	-	-	-	(1,726)	-	-	(1,726)	-	(1,726)
Transfer from retained earnings to reserves	-	1,908	-	500	-	-	(2,408)	-	-	-	-
Currency translation differences	-	(285)	-	(5)	(389,414)	-	-	-	(389,704)	(11,943)	(401,647)
Total other comprehensive income/(loss) for the period	-	1,623	-	495	(389,414)	(109,221)	(2,408)	-	(498,925)	(11,943)	(510,868)
Profit for the period	-	-	-	-	-	-	963,742	-	963,742	53,883	1,017,625
Total comprehensive income/(loss) for the period	-	1,623	-	495	(389,414)	(109,221)	961,334	-	464,817	41,940	506,757
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	324,800	324,800
Dividend paid	-	-	-	-	-	-	(319,490)	-	(319,490)	-	(319,490)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(20,290)	(20,290)
Total transactions with owners of the Company	-	-	-	-	-	-	(319,490)	-	(319,490)	304,510	(14,980)
At 31 March 2016	1,067,505	1,020,882	79,067	60,335	143,654	769,503	6,684,235	(13,447)	9,811,734	808,153	10,619,887

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2016.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows For the second quarter ended 31 March 2017

(The figures have not been audited.)

	6 months ended 31 March	
	2017	2016
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	867,972	1,153,974
Adjustment for non-cash flow:-		
Non-cash items	139,429	(350,657)
Non-operating items	37,880	28,867
Operating profit before working capital changes	1,045,281	832,184
Working capital changes:-		
Net change in current assets	(581,553)	173,174
Net change in current liabilities	107,394	(265,619)
Cash generated from operations	571,122	739,739
Interest paid	(89,408)	(76,015)
Tax paid	(118,249)	(116,680)
Retirement benefits paid	(17,922)	(13,433)
Net cash generated from operating activities	345,543	533,611
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(279,535)	(395,546)
Payments of prepaid lease	(1,764)	(19,888)
Plantation development expenditure	(70,690)	(80,971)
Property development expenditure	(10,731)	(895,128)
Subscription of shares in an associate	-	(324,800)
Subscription of shares in a joint venture	-	(54,440)
Purchase of available-for-sale investments	(264,116)	(35,466)
Purchase of intangible assets	(36)	(291)
Proceeds from disposal of property, plant and equipment	11,510	1,673
Compensation from government on land acquired	-	41,832
Proceeds from disposal of land	-	825,135
Proceeds from disposal of available-for-sale investments	101,903	5,103
Repayment of loan from a joint venture	-	32,919
Decrease/(Increase) in short term funds	518,833	(43,457)
Dividends received from associates	8,294	6,051
Dividends received from investments	22,880	32,082
Interest received	22,398	19,702
Net cash generated from/(used in) investing activities	58,946	(885,490)
Cash Flows from Financing Activities		
Term loans received	107,632	9,786
Repayment of term loans	(90,564)	(717)
Repayment of Islamic medium term notes	(300,000)	-
Drawdown/(Repayment) of short term borrowings	775,577	(111,502)
Dividends paid to shareholders of the Company	(372,738)	(319,490)
Dividends paid to non-controlling interests	(19,500)	(20,290)
Issuance of shares to non-controlling interests	10,292	324,800
Decrease/(Increase) in other receivable	6,222	(8,970)
Net cash generated from/(used in) financing activities	116,921	(126,383)
Net increase/(decrease) in cash and cash equivalents	521,410	(478,262)
Cash and cash equivalents at 1 October	929,650	2,055,990
	1,451,060	1,577,728
Currency translation differences on opening balances	27,256	(89,846)
Cash and cash equivalents at 31 December	1,478,316	1,487,882
Cash and cash equivalents consist of:-		
Cash and bank balances	567,582	363,481
Deposits with licensed bank	985,615	631,596
Short term funds	7,795	534,209
Bank overdrafts	(82,676)	(41,404)
	1,478,316	1,487,882

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2016.



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 2016.

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 2016 except for the adoption of the following FRS and amendments to FRSs:-

FRS and amendments to FRSs effective for annual periods beginning on or after 1 January 2016

- FRS 14 *Regulatory Deferral Accounts*
- Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 7 *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 10 *Consolidated Financial Statements*, FRS 12 *Disclosure of Interests in Other Entities* and FRS 128 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to FRS 101 *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to FRS 116 *Property, Plant and Equipment* and FRS 138 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 119 *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 127 *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to FRS 134 *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

The application of these FRS and amendments to FRSs has no significant effect to the financial statements of the Group.

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.



KUALA LUMPUR KEPONG BERHAD

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Notes to Interim Financial Report (Continued)

A6. Dividends Paid

	6 months ended	
	31 March	
	2017	2016
	RM'000	RM'000
Dividend proposed in Year 2016, paid in Year 2017:-		
Final single tier dividend 35 sen (2016: 30 sen) per share	<u>372,738</u>	<u>319,490</u>

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,064,965,692 (2016: 1,064,965,692).

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	Manufacturing	Property	Investment	Elimination	Consolidated
	RM'000	RM'000	Development	Holding/ Others		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended						
31 March 2017						
Revenue						
External revenue	5,753,855	4,969,426	83,082	160,707	-	10,967,070
Inter-segment revenue	926,210	-	-	42,543	(968,753)	-
Total revenue	<u>6,680,065</u>	<u>4,969,426</u>	<u>83,082</u>	<u>203,250</u>	<u>(968,753)</u>	<u>10,967,070</u>
Results						
Operating results	785,892	106,089	16,315	41,423	-	949,719
Interest income	306	2,992	81	48,389	(18,451)	33,317
Finance costs	(5,654)	(33,305)	-	(64,335)	18,451	(84,843)
Share of results of associates	5,584	1,089	703	-	-	7,376
Share of results of joint ventures	(7,825)	-	-	(918)	-	(8,743)
Segment results	<u>778,303</u>	<u>76,865</u>	<u>17,099</u>	<u>24,559</u>	<u>-</u>	<u>896,826</u>
Corporate expense						<u>(28,854)</u>
Profit before taxation						<u>867,972</u>
6 months ended						
31 March 2016						
Revenue						
External revenue	4,279,546	3,620,889	25,914	114,011	-	8,040,360
Inter-segment revenue	418,694	-	-	98,975	(517,669)	-
Total revenue	<u>4,698,240</u>	<u>3,620,889</u>	<u>25,914</u>	<u>212,986</u>	<u>(517,669)</u>	<u>8,040,360</u>
Results						
Operating results	393,751	243,207	2,414	34,968	-	674,340
Interest income	368	2,411	6	44,428	(18,748)	28,465
Finance costs	(3,053)	(19,770)	-	(71,082)	18,748	(75,157)
Share of results of associates	1,710	242	1,834	(7,321)	-	(3,535)
Share of results of a joint venture	5,763	-	-	-	-	5,763
Segment results	<u>398,539</u>	<u>226,090</u>	<u>4,254</u>	<u>993</u>	<u>-</u>	<u>629,876</u>
Corporate income						<u>524,098</u>
Profit before taxation						<u>1,153,974</u>



KUALA LUMPUR KEPONG BERHAD

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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 31 March 2017					
Operating assets	6,620,226	7,254,836	1,364,876	4,001,949	19,241,887
Associates	59,024	7,098	71,155	-	137,277
Joint ventures	165,943	-	-	9,675	175,618
Segment assets	<u>6,845,193</u>	<u>7,261,934</u>	<u>1,436,031</u>	<u>4,011,624</u>	<u>19,554,782</u>
Tax assets					512,067
Total assets					<u>20,066,849</u>
As at 30 September 2016					
Operating assets	6,171,205	6,506,518	1,321,245	3,513,201	17,512,169
Associates	62,602	5,749	70,452	-	138,803
Joint ventures	163,472	-	-	9,912	173,384
Segment assets	<u>6,397,279</u>	<u>6,512,267</u>	<u>1,391,697</u>	<u>3,523,113</u>	<u>17,824,356</u>
Tax assets					512,217
Total assets					<u>18,336,573</u>

(c) Segment liabilities

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 March 2017					
Segment liabilities	<u>1,472,039</u>	<u>3,045,632</u>	<u>75,605</u>	<u>2,778,677</u>	<u>7,371,953</u>
Tax liabilities					379,079
Total liabilities					<u>7,751,032</u>
As at 30 September 2016					
Segment liabilities	<u>1,306,873</u>	<u>2,462,692</u>	<u>43,487</u>	<u>2,908,825</u>	<u>6,721,877</u>
Tax liabilities					326,670
Total liabilities					<u>7,048,547</u>

A8. Event Subsequent to Reporting Date

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

A9. Changes in the Composition of the Group

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.



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Notes to Interim Financial Report

(Continued)

A11. Capital Commitments

	31 March 2017	30 September 2016
	<u>RM'000</u>	<u>RM'000</u>
Capital expenditure		
Approved and contracted	194,407	251,874
Approved but not contracted	<u>378,739</u>	<u>626,106</u>
	<u>573,146</u>	<u>877,980</u>
Acquisition of shares in a subsidiary		
Approved and contracted	<u>1,400</u>	<u>1,336</u>

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.

	6 months ended 31 March	
	2017	2016
	<u>RM'000</u>	<u>RM'000</u>
(i) Transactions with associates and joint ventures		
Sale of goods	1,523	2,921
Purchase of goods	762,026	389,383
Service charges paid	973	2,702
Research and development services	<u>7,633</u>	<u>7,021</u>
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
Sale of goods		
PT Satu Sembilan Delapan	3,666	22,072
Siam Taiko Marketing Co Ltd	1,678	1,624
Taiko Marketing Sdn Bhd	3,434	2,586
Taiko Marketing (Singapore) Pte Ltd	<u>2,360</u>	<u>2,048</u>
Storage tanks rental received		
Taiko Marketing Sdn Bhd	<u>1,830</u>	<u>1,504</u>
Barge rental received		
PT Satu Sembilan Delapan	<u>-</u>	<u>350</u>
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	2,420	2,299
Bukit Katho Estate Sdn Bhd	2,454	1,342
Kampar Rubber & Tin Co Sdn Bhd	4,109	3,597
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	568	1,145
Malay Rubber Plantations (M) Sdn Bhd	3,965	2,001
PT Agro Makmur Abadi	46,099	26,745
PT Bumi Karyatama Raharja	-	1,121
PT Safari Riau	23,796	11,366
PT Satu Sembilan Delapan	6,874	43,506
Taiko Clay Marketing Sdn Bhd	1,229	751
Taiko Drum Industries Sdn Bhd	1,709	1,552
Taiko Fertiliser Marketing Sdn Bhd	-	16
Taiko Marketing Sdn Bhd	<u>14,835</u>	<u>14,186</u>
Rental of office paid		
Batu Kawan Holdings Sdn Bhd	<u>2,152</u>	<u>2,092</u>
Supply of contract labour and engineering works		
K7 Engineering Sdn Bhd	<u>1,452</u>	<u>2,238</u>



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

Notes to Interim Financial Report

(Continued)

	6 months ended 31 March	
	2017 RM'000	2016 RM'000
(iii) Transactions between subsidiaries and non-controlling interests		
Sale of goods		
Mitsubishi Corporation	39,376	123,398
Mitsui & Co Ltd	197,400	143,654
Tejana Trading & Management Services Sdn Bhd	<u>5,852</u>	<u>1,007</u>
Purchases of goods		
PT Eka Dura Indonesia	-	23,836
PT Letawa	-	31,541
PT Tanjung Bina Lestari	103,444	-
PT Tanjung Sarana Lestari	<u>822,290</u>	<u>629,951</u>

B Explanatory Notes as required by the BMSB Revised Listing Requirements

B1. Analysis of Performance

2nd Quarter FY2017 vs 2nd Quarter FY2016

The Group's profit before taxation for the quarter under review rose 62.9% to RM395.6 million (2QFY2016: profit RM242.9 million) on the back of a 47.8% improvement in revenue to RM5.471 billion (2QFY2016: RM3.703 billion). Comments on the business sectors are as follows:-

- (i) Plantations profit improved substantially to RM358.9 million (2QFY2016: profit RM125.6 million) underpinned by strong CPO and PK selling prices and the increase in FFB production. The net unrealised foreign exchange translation loss on loans advanced and bank borrowings to Indonesian companies had reduced to RM3.8 million (2QFY2016: net loss RM35.8 million). However, the processing and trading operations incurred a loss of RM9.1 million (2QFY2016: profit RM20.2 million).

The average selling prices of CPO and PK realised were:-

	<u>2QFY2017</u>	<u>2QFY2016</u>	<u>% Change</u>
Crude Palm Oil (RM/mt ex-mill)	2,999	2,205	36.0
Palm Kernel (RM/mt ex-mill)	3,111	1,770	75.8

- (ii) Manufacturing sector's profit fell 48.0% to RM52.1 million (2QFY2016: profit RM100.2 million) despite the recognition of a higher unrealised gain of RM33.2 million (2QFY2016: unrealised gain RM13.7 million) from the fair value changes on outstanding derivative contracts. Revenue climbed 43.9% to RM2.639 billion (2QFY2016: RM1.834 billion) mainly through better selling prices. However, the cost of raw materials had risen higher and this had trimmed margins.

The oleochemical division's profit had reduced 50.0% to RM47.1 million (2QFY2016: profit RM94.3 million) and the profit from other manufacturing units was 15.6% lower at RM5.0 million (2QFY2016: profit RM5.9 million).

- (iii) Properties sector posted a lower profit of RM1.2 million (2QFY2016: profit RM5.0 million) despite an increase of 46.2% in revenue to RM22.9 million (2QFY2016: RM15.6 million).

Todate 2nd Quarter FY2017 vs Todate 2nd Quarter FY2016

The Group for the current half year recorded a profit of RM868.0 million which was 24.8% below the preceding year's same period profit of RM1.154 billion. Last year's result had accounted for a surplus of RM485.6 million arising from the sale of plantation land to an associate. Revenue was 36.4% higher at RM10.967 billion (Todate 2QFY2016: RM8.040 billion). The performance of the business sectors are summarised below:-

- (i) Plantations profit had almost doubled to RM778.3 million (Todate 2QFY2016: profit RM398.5 million) despite lower contribution from the processing and trading operations. The strong performance from this sector was attributed to:-



Notes to Interim Financial Report

(Continued)

- Better CPO and PK selling prices realised as shown below:-

	Todate <u>2QFY2017</u>	Todate <u>2QFY2016</u>	<u>% Change</u>
Crude Palm Oil (RM/mt ex-mill)	2,851	2,075	37.4
Palm Kernel (RM/mt ex-mill)	2,871	1,578	81.9

- Increase in FFB production.
- Net unrealised foreign exchange gain of RM40.5 million (Todate 2QFY2016: net loss RM13.5 million) arising from the translation of loans advanced and bank borrowings to Indonesian companies.
- (ii) Manufacturing sector's profit dropped 66.0% to RM76.9 million (Todate 2QFY2016: profit RM226.1 million). Revenue rose 37.2% to RM4.969 billion (Todate 2QFY2016: RM3.621 billion) largely due to the increase in selling prices which is in tandem with higher raw material prices. The high cost of raw material such as CPKO had eroded margins. In addition, the decrease in unrealised gain to RM4.1 million (Todate 2QFY2016: unrealised gain RM23.6 million) arising from changes in fair value on outstanding derivatives contracts had affected this sector's result.

The oleochemical division reported a 69.0% decline in profit to RM65.5 million (Todate 2QFY2016: profit RM211.3 million) and the profit from the other manufacturing units was lower by 23.1% at RM11.4 million (Todate 2QFY2016: profit RM14.8 million).
- (iii) Properties sector posted a sharp increase in profit to RM17.1 million (Todate 2QFY2016: profit RM4.3 million) with revenue improving to RM83.1 million (Todate 2QFY2016: RM25.9 million).
- (iv) Farming sector's profit was much higher at RM29.6 million (Todate 2QFY2016: profit RM7.0 million) as a result of the increase in crop production owing to larger cropped area and higher yields.

B2. Variation of Results to Preceding Quarter

2nd Quarter FY2017 vs 1st Quarter FY2017

The Group's pre-tax profit for the 2nd quarter fell 16.3% to RM395.6 million (1QFY2017: profit RM472.4 million) with revenue marginally lower at RM5.471 billion.

Plantations profit was 14.4% lower at RM358.9 million (1QFY2017: profit RM419.4 million) which was due to:-

- Drop in FFB production.
- Increase in production cost of CPO.
- Negative contribution from processing and trading operations.
- Net unrealised foreign exchange loss of RM3.8 million (1QFY2017: net unrealised gain RM44.4 million) from the translation of loans advanced and bank borrowings to Indonesian companies.

However, CPO and PK selling prices had improved and are shown below:-

	<u>2QFY2017</u>	<u>1QFY2017</u>	<u>% Change</u>
Crude Palm Oil (RM/mt ex-mill)	2,999	2,720	10.3
Palm Kernel (RM/mt ex-mill)	3,111	2,648	17.5

Manufacturing sector's profit improved more than two-fold to RM52.1 million (1QFY2017: profit RM24.7 million) after accounting for an unrealised gain of RM33.2 million (1QFY2017: unrealised loss RM29.0 million) from the fair value changes on outstanding derivative contracts. Revenue was 13.2% higher at RM2.639 billion (1QFY2017: RM2.331 billion) owing to the increase in selling prices, but margins were squeezed with increased raw material cost. Demand was weak despite the drop in raw material prices towards the end of 2nd quarter as buyers anticipate further decline.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report

(Continued)

The oleochemical division's profit was substantially higher at RM47.1 million (1QFY2017: profit RM18.4 million) whilst the other manufacturing units recorded a 21.7% declined in profit to RM5.0 million (1QFY2017: profit RM6.3 million).

Properties sector registered a much lower profit of RM1.2 million (1QFY2017: RM15.9 million) on the back of a reduced revenue of RM22.9 million (1QFY2017: RM60.2 million).

B3. Current Year Prospects

The current price of CPO had eased off from its recent highs. The expectation of the rise in production may further affect the CPO price as evidenced in the discounted prices for forward months. Nevertheless, with the results for the half year already achieved together with some committed forward sales, we expect a better performance from the plantations sector.

The oleochemical division's business performance is anticipated to recover in the 2nd half year with favourable raw material prices but market remains challenging.

The Group expects its profit for the financial year 2017 to be satisfactory.

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. Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	40,267	23,693	82,614	62,072
Overseas taxation	53,789	29,867	101,308	57,645
	94,056	53,560	183,922	119,717
Deferred tax				
Origination and reversal of temporary differences	(2,024)	773	3,285	15,375
Relating to changes in tax rate	-	548	-	548
Under/(Over) provision in respect of previous years	545	(380)	247	(417)
	(1,479)	941	3,532	15,506
	92,577	54,501	187,454	135,223
(Over)/Under provision in respect of previous years				
Malaysian taxation	(10)	139	2,254	140
Overseas taxation	(113)	872	(931)	986
	(123)	1,011	1,323	1,126
Total	92,454	55,512	188,777	136,349

The effective tax rate for the 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:-

	31 March 2017		30 September 2016	
	RM'000	Amount in Foreign Currency '000	RM'000	Amount in Foreign Currency '000
(a) Repayable within 12 months:-				
(i) Term Loans				
- Secured	10,113	Euro2,144	7,899	Euro1,697
- Unsecured	-		82,459	USD20,000
	<u>10,113</u>		<u>90,358</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	-		300,000	
(iii) Bank Overdraft				
- Unsecured	82,142	Euro17,413	40,710	Euro8,747
	534	CHF121	-	
	<u>82,676</u>		<u>40,710</u>	
(iv) Short Term Borrowings				
- Unsecured	494,504	USD111,702	313,248	USD75,682
	240,587	Euro51,000	107,040	Euro23,000
	166,755	GBP30,000	-	
	32,160	Rmb50,000	-	
	<u>1,003,420</u>		<u>720,866</u>	
	<u>1,937,426</u>		<u>1,141,154</u>	
Total repayable within 12 months	<u>2,030,215</u>		<u>1,572,222</u>	
(b) Repayable after 12 months:-				
(i) Term Loans				
- Secured	24,161	Euro5,122	11,424	Euro2,455
- Unsecured	235,850	Euro50,000	232,695	Euro50,000
	221,328	USD50,000	123,689	USD30,000
	<u>457,178</u>		<u>356,384</u>	
	481,339		367,808	
(ii) Islamic Medium Term Notes				
- Unsecured	2,600,000		2,600,000	
Total repayable after 12 months	<u>3,081,339</u>		<u>2,967,808</u>	

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.

As at 31 March 2017, the values and maturity analysis of the outstanding derivatives are as follows:-



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

<u>Derivatives</u>	Contract/Notional	Fair value
	Value Net long/(short)	Net gains/(losses)
	RM'000	RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(1,327,233)	3,589
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(51,779)	628
- 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 31 March 2017, 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 (2016: 15 sen) per share has been authorised by the Directors in respect of the financial year ending 30 September 2017 and will be paid to the shareholders on 8 August 2017. The entitlement date for the dividend shall be 17 July 2017.

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

- Securities deposited into their securities account before 12.30 p.m. on 13 July 2017 in respect of securities which are exempted from mandatory deposit;
 - Securities transferred into their securities account before 4.00 p.m. on 17 July 2017 in respect of transfers; and
 - Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.
- (b) The total dividend for the current financial year to-date is single tier dividend of 15 sen (2016: 15 sen) per share.



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

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 31 March		6 months ended 31 March	
	2017	2016	2017	2016
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	289,569	168,532	650,245	963,742
(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)	27.2	15.8	61.1	90.5

B13. Audit Report

The audit report for the financial year ended 30 September 2016 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 31 March		6 months ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income	(19,608)	(14,146)	(33,317)	(28,465)
Other income including dividend income	(17,141)	(21,542)	(39,813)	(41,601)
Interest expense	42,950	38,700	84,843	75,157
Depreciation and amortisation	124,436	115,210	247,334	227,843
(Reversal of write-off)/Provision for and write-off of receivables	(248)	207	4,526	(28)
Provision for and write-off of inventories	5,880	4,546	10,156	11,916
Deficit/(Surplus) on disposal of quoted or unquoted investments	1	(316)	1,914	(1,788)
Surplus on disposal of land	(443)	(4,185)	(4,611)	(491,576)
Surplus on government acquisition of land	-	(18,555)	-	(40,999)
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange loss	31,285	42,191	4,665	94,941
(Gain)/Loss on derivatives	(49,255)	6,335	4,013	(111,961)
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**

	31 March 2017	30 September 2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- realised	8,099,292	7,679,586
- unrealised	740,498	637,076
	<u>8,839,790</u>	<u>8,316,662</u>
Total share of retained profits from associates		
- realised	74,760	68,658
- unrealised	961	238
	<u>75,721</u>	<u>68,896</u>
Total share of (accumulated losses)/retained profits from joint ventures		
- realised	(47,922)	(28,105)
- unrealised	13,545	10,214
	<u>(34,377)</u>	<u>(17,891)</u>
	8,881,134	8,367,667
Consolidation adjustments	(1,529,539)	(1,285,487)
Total group retained profits as per consolidated accounts	<u>7,351,595</u>	<u>7,082,180</u>

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

22 May 2017