



# **KUALA LUMPUR KEPONG BERHAD**

(15043-V)

(Incorporated in Malaysia)

**Interim Financial Report  
For the third quarter ended 30 June 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 third quarter ended 30 June 2017.

### Condensed Consolidated Statement of Profit or Loss For the third quarter ended 30 June 2017

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	4,873,184	3,922,489	15,840,254	11,962,849
Operating expenses	(4,626,534)	(3,588,702)	(14,774,638)	(11,189,110)
Other operating income	1,525	17,592	136,741	804,543
Finance costs	(44,521)	(40,772)	(129,364)	(115,929)
Share of results of associates	1,109	1,410	8,485	(2,125)
Share of results of joint ventures	(3,332)	2,325	(12,075)	8,088
Profit before taxation	201,431	314,342	1,069,403	1,468,316
Taxation	(79,599)	(50,636)	(268,376)	(186,985)
Net profit for the period	<u>121,832</u>	<u>263,706</u>	<u>801,027</u>	<u>1,281,331</u>
Attributable to:-				
Equity holders of the Company	112,761	253,392	763,006	1,217,134
Non-controlling interests	9,071	10,314	38,021	64,197
	<u>121,832</u>	<u>263,706</u>	<u>801,027</u>	<u>1,281,331</u>
	Sen	Sen	Sen	Sen
Earnings per share - basic	<u>10.6</u>	<u>23.8</u>	<u>71.6</u>	<u>114.3</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 third quarter ended 30 June 2017**

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>121,832</u>	<u>263,706</u>	<u>801,027</u>	<u>1,281,331</u>
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Currency translation differences	(98,038)	119,961	193,549	(281,686)
Net change in fair value of available-for-sale investments	41,919	(213,548)	480,886	(321,043)
Realisation on fair value of available-for-sale investments	<u>(4,028)</u>	<u>-</u>	<u>(2,987)</u>	<u>(1,726)</u>
	<u>(60,147)</u>	<u>(93,587)</u>	<u>671,448</u>	<u>(604,455)</u>
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	<u>6</u>	<u>-</u>	<u>(1,047)</u>	<u>-</u>
Total other comprehensive (loss)/income for the period	<u>(60,141)</u>	<u>(93,587)</u>	<u>670,401</u>	<u>(604,455)</u>
Total comprehensive income for the period	<u>61,691</u>	<u>170,119</u>	<u>1,471,428</u>	<u>676,876</u>
Attributable to:-				
Equity holders of the Company	57,495	157,133	1,431,214	621,950
Non-controlling interests	<u>4,196</u>	<u>12,986</u>	<u>40,214</u>	<u>54,926</u>
	<u>61,691</u>	<u>170,119</u>	<u>1,471,428</u>	<u>676,876</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 30 June 2017**

(The figures have not been audited.)

	30 June 2017 RM'000	30 September 2016 RM'000
<b>Assets</b>		
Property, plant and equipment	5,237,966	5,066,699
Prepaid lease payments	307,282	307,068
Biological assets	2,630,898	2,548,178
Land held for property development	1,142,249	1,130,312
Goodwill on consolidation	330,225	321,661
Intangible assets	14,251	15,076
Investment in associates	138,874	138,803
Investment in joint ventures	167,081	173,384
Available-for-sale investments	2,242,021	1,607,570
Other receivable	213,841	205,195
Deferred tax assets	459,001	454,230
<b>Total non-current assets</b>	<b>12,883,689</b>	<b>11,968,176</b>
Inventories	1,957,873	1,898,109
Biological assets	29,275	43,697
Trade and other receivables	2,522,248	2,165,616
Tax recoverable	40,326	57,987
Property development costs	84,759	83,463
Derivative financial assets	74,255	119,454
Short term funds	672,524	1,029,711
Cash and cash equivalents	1,455,413	970,360
<b>Total current assets</b>	<b>6,836,673</b>	<b>6,368,397</b>
<b>Total assets</b>	<b>19,720,362</b>	<b>18,336,573</b>
<b>Equity</b>		
Share capital	1,145,464	1,067,505
Reserves	10,211,283	9,390,511
	11,356,747	10,458,016
Less: Cost of treasury shares	(13,447)	(13,447)
<b>Total equity attributable to equity holders of the Company</b>	<b>11,343,300</b>	<b>10,444,569</b>
Non-controlling interests	857,145	843,457
<b>Total equity</b>	<b>12,200,445</b>	<b>11,288,026</b>
<b>Liabilities</b>		
Deferred tax liabilities	259,024	254,976
Deferred income	112,407	118,665
Provision for retirement benefits	530,157	495,894
Borrowings	3,082,698	2,967,808
<b>Total non-current liabilities</b>	<b>3,984,286</b>	<b>3,837,343</b>
Trade and other payables	1,446,357	1,342,174
Deferred income	7,514	6,328
Borrowings	1,762,816	1,572,222
Tax payable	93,446	71,694
Derivative financial liabilities	65,753	218,786
Dividend payable	159,745	-
<b>Total current liabilities</b>	<b>3,535,631</b>	<b>3,211,204</b>
<b>Total liabilities</b>	<b>7,519,917</b>	<b>7,048,547</b>
<b>Total equity and liabilities</b>	<b>19,720,362</b>	<b>18,336,573</b>
Net assets per share attributable to equity holders of the Company (RM)	10.65	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

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### Condensed Consolidated Statement of Changes in Equity For the third quarter ended 30 June 2017

(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 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	-	-	-	-	-	480,886	-	-	480,886	-	480,886
Realisation on fair value of available-for sale investments	-	-	-	-	-	(2,987)	-	-	(2,987)	-	(2,987)
Transfer from retained earnings to reserves	-	4,829	-	-	-	-	(4,829)	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	-	-	(976)	-	(976)	(71)	(1,047)
Currency translation differences	-	201	-	2	191,082	-	-	-	191,285	2,264	193,549
Total other comprehensive income/(loss) for the period	-	5,030	-	2	191,082	477,899	(5,805)	-	668,208	2,193	670,401
Profit for the period	-	-	-	-	-	-	763,006	-	763,006	38,021	801,027
Total comprehensive income for the period	-	5,030	-	2	191,082	477,899	757,201	-	1,431,214	40,214	1,471,428
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	10,292	10,292
Redemption of redeemable preference shares	15,950	-	-	-	-	-	(15,950)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
Dividends payable	-	-	-	-	-	-	(159,745)	-	(159,745)	-	(159,745)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(36,818)	(36,818)
Total transactions with owners of the Company	15,950	-	-	-	-	-	(548,433)	-	(532,483)	(26,526)	(559,009)
Reclassification of capital redemption reserve to share capital pursuant to Section 618(2) of the Companies Act 2016	62,009	-	-	(62,009)	-	-	-	-	-	-	-
At 30 June 2017	1,145,464	1,027,558	78,725	-	633,712	1,180,340	7,290,948	(13,447)	11,343,300	857,145	12,200,445



## KUALA LUMPUR KEPONG BERHAD

(15043-V)  
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### Condensed Consolidated Statement of Changes in Equity For the third quarter ended 30 June 2017

(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
	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	-	-	-	-	-	(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)
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

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

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## Condensed Consolidated Statement of Cash Flows For the third quarter ended 30 June 2017

(The figures have not been audited.)

	9 months ended 30 June	
	2017	2016
	RM'000	RM'000
<b>Cash Flows from Operating Activities</b>		
Profit before taxation	1,069,403	1,468,316
Adjustment for non-cash flow:-		
Non-cash items	298,216	(239,402)
Non-operating items	26,399	26,361
Operating profit before working capital changes	1,394,018	1,255,275
Working capital changes:-		
Net change in current assets	(303,701)	119,629
Net change in current liabilities	65,663	(106,624)
Cash generated from operations	1,155,980	1,268,280
Interest paid	(115,897)	(90,527)
Tax paid	(222,578)	(178,249)
Retirement benefits paid	(25,506)	(19,201)
Net cash generated from operating activities	<u>791,999</u>	<u>980,303</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(397,641)	(548,911)
Payments of prepaid lease	(1,816)	(22,959)
Plantation development expenditure	(96,884)	(126,040)
Property development expenditure	(14,244)	(901,227)
Subscription of shares in an associate	-	(324,800)
Subscription of shares in a joint venture	-	(54,440)
Purchase of available-for-sale investments	(274,466)	(39,043)
Purchase of intangible assets	(37)	(291)
Proceeds from disposal of property, plant and equipment	12,394	4,351
Compensation from government on land acquired	7,011	41,727
Proceeds from disposal of land	-	825,135
Proceeds from disposal of available-for-sale investments	130,883	5,235
Repayment of loan from a joint venture	-	32,919
Decrease/(Increase) in short term funds	363,564	(675,642)
Dividends received from associates	8,294	6,051
Dividends received from investments	32,651	39,188
Interest received	34,891	29,202
Net cash used in investing activities	<u>(195,400)</u>	<u>(1,709,545)</u>
<b>Cash Flows from Financing Activities</b>		
Term loans received	105,723	20,142
Issuance of Islamic medium term notes	-	500,000
Repayment of term loans	(90,816)	(1,757)
Repayment of Islamic medium term notes	(300,000)	-
Drawdown/(Repayment) of short term borrowings	474,344	(339,713)
Dividends paid to shareholders of the Company	(372,738)	(319,490)
Dividends paid to non-controlling interests	(36,818)	(20,290)
Issuance of shares to non-controlling interests	10,292	324,800
Decrease/(Increase) in other receivable	4,691	(11,249)
Net cash (used in)/generated from financing activities	<u>(205,322)</u>	<u>152,443</u>
Net increase/(decrease) in cash and cash equivalents	391,277	(576,799)
Cash and cash equivalents at 1 October	929,650	2,055,990
	1,320,927	1,479,191
Currency translation differences on opening balances	12,024	(59,641)
Cash and cash equivalents at 30 June	<u>1,332,951</u>	<u>1,419,550</u>
Cash and cash equivalents consist of:-		
Cash and bank balances	398,598	243,988
Deposits with licensed bank	1,056,815	691,285
Short term funds	-	502,929
Bank overdrafts	(122,462)	(18,652)
	<u>1,332,951</u>	<u>1,419,550</u>

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



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## **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.





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## Notes to Interim Financial Report (Continued)

### A6. Dividends Paid

	9 months ended 30 June	
	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 RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
<b>9 months ended 30 June 2017</b>						
Revenue						
External revenue	8,151,620	7,367,029	97,096	224,509	-	15,840,254
Inter-segment revenue	1,217,298	-	-	55,036	(1,272,334)	-
Total revenue	<u>9,368,918</u>	<u>7,367,029</u>	<u>97,096</u>	<u>279,545</u>	<u>(1,272,334)</u>	<u>15,840,254</u>
Results						
Operating results	1,018,724	101,024	17,897	66,123	-	1,203,768
Interest income	475	4,752	244	79,620	(30,638)	54,453
Finance costs	(10,010)	(51,443)	-	(98,549)	30,638	(129,364)
Share of results of associates	6,416	650	1,419	-	-	8,485
Share of results of joint ventures	(10,704)	-	-	(1,371)	-	(12,075)
Segment results	<u>1,004,901</u>	<u>54,983</u>	<u>19,560</u>	<u>45,823</u>	<u>-</u>	<u>1,125,267</u>
Corporate expense						(55,864)
Profit before taxation						<u>1,069,403</u>
<b>9 months ended 30 June 2016</b>						
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						510,037
Profit before taxation						<u>1,468,316</u>



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## Notes to Interim Financial Report (Continued)

### (b) Segment assets

	<u>Plantations</u>	<u>Manufacturing</u>	<u>Property</u>	<u>Investment</u>	<u>Consolidated</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>Development</u>	<u>Holding/</u>	<u>RM'000</u>
			<u>RM'000</u>	<u>Others</u>	
				<u>RM'000</u>	
<b>As at 30 June 2017</b>					
Operating assets	6,432,422	7,062,891	1,360,189	4,059,578	18,915,080
Associates	60,397	6,605	71,872	-	138,874
Joint ventures	158,145	-	-	8,936	167,081
Segment assets	<u>6,650,964</u>	<u>7,069,496</u>	<u>1,432,061</u>	<u>4,068,514</u>	<u>19,221,035</u>
Tax assets					<u>499,327</u>
Total assets					<u>19,720,362</u>
<b>As at 30 September 2016</b>					
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					<u>512,217</u>
Total assets					<u>18,336,573</u>

### (c) Segment liabilities

	<u>Plantations</u>	<u>Manufacturing</u>	<u>Property</u>	<u>Investment</u>	<u>Consolidated</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>Development</u>	<u>Holding/</u>	<u>RM'000</u>
			<u>RM'000</u>	<u>Others</u>	
				<u>RM'000</u>	
<b>As at 30 June 2017</b>					
Segment liabilities	<u>1,429,371</u>	<u>2,902,252</u>	<u>67,884</u>	<u>2,608,195</u>	<u>7,007,702</u>
Tax liabilities					<u>512,215</u>
Total liabilities					<u>7,519,917</u>
<b>As at 30 September 2016</b>					
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					<u>326,670</u>
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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### A11. Capital Commitments

	30 June 2017	30 September 2016
	RM'000	RM'000
Capital expenditure		
Approved and contracted	178,563	251,874
Approved but not contracted	<u>267,165</u>	<u>626,106</u>
	<u>445,728</u>	<u>877,980</u>
Acquisition of shares in a subsidiary		
Approved and contracted	<u>1,358</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.

	9 months ended 30 June	
	2017	2016
	RM'000	RM'000
(i) Transactions with associates and joint ventures		
Sale of goods	2,437	4,075
Purchase of goods	959,485	383,150
Service charges paid	1,939	3,536
Research and development services	<u>10,433</u>	<u>9,902</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	5,040	21,860
Siam Taiko Marketing Co Ltd	2,752	2,520
Taiko Marketing Sdn Bhd	5,468	4,194
Taiko Marketing (Singapore) Pte Ltd	<u>2,309</u>	<u>3,695</u>
Storage tanks rental received		
Taiko Marketing Sdn Bhd	<u>2,758</u>	<u>2,227</u>
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	3,446	3,560
Bukit Katho Estate Sdn Bhd	3,562	2,175
Kampar Rubber & Tin Co Sdn Bhd	5,754	5,551
Kekal Deras Sdn Bhd	1,493	942
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	568	2,245
Malay Rubber Plantations (M) Sdn Bhd	6,268	3,530
PT Agro Makmur Abadi	67,469	38,665
PT Bumi Karyatama Raharja	-	1,399
PT Safari Riau	30,999	17,786
PT Satu Sembilan Delapan	10,866	52,124
Taiko Clay Marketing Sdn Bhd	1,822	1,245
Taiko Drum Industries Sdn Bhd	1,847	2,472
Taiko Fertiliser Marketing Sdn Bhd	-	16
Taiko Marketing Sdn Bhd	<u>22,051</u>	<u>19,604</u>
Rental of office paid		
Batu Kawan Holdings Sdn Bhd	<u>3,247</u>	<u>3,163</u>
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	<u>1,390</u>	<u>999</u>
Supply of contract labour and engineering works		
K7 Engineering Sdn Bhd	<u>1,970</u>	<u>2,724</u>



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	9 months ended	
	30 June	
	2017	2016
	RM'000	RM'000
(iii) Transactions between subsidiaries and non-controlling interests		
Sale of goods		
Mitsubishi Corporation	52,745	121,129
Mitsui & Co Ltd	328,834	219,444
Tejana Trading & Management Services Sdn Bhd	9,333	2,336
Purchases of goods		
PT Eka Dura Indonesia	-	23,398
PT Letawa	-	44,273
PT Tanjung Bina Lestari	188,822	-
PT Tanjung Sarana Lestari	1,251,870	932,219

### B Explanatory Notes as required by the BMSB Revised Listing Requirements

#### B1. Analysis of Performance

##### 3<sup>rd</sup> Quarter FY2017 vs 3<sup>rd</sup> Quarter FY2016

The Group's pre-tax profit for the 3<sup>rd</sup> quarter fell 35.9% to RM201.4 million (3QFY2016: profit RM314.3 million). Revenue, however, improved 24.2% to RM4.873 billion (3QFY2016: RM3.922 billion). Comments on the business sectors are as follows:-

- (i) Plantations profit increased 8.3% to RM226.6 million (3QFY2016: profit RM209.3 million). Despite accounting for the net unrealised foreign exchange translation loss of RM25.7 million (3QFY2016: net gain RM25.0 million) on loans advanced and bank borrowings to Indonesian companies, plantations profit was supported by:-

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

	3QY2017	3QFY2016	% Change
Crude Palm Oil (RM/mt ex-mill)	2,674	2,496	7.1
Palm Kernel (RM/mt ex-mill)	2,211	2,136	3.5

- Increase in fresh fruit bunches (FFB) production by 19.4% to 920,871 mt.

- (ii) Manufacturing sector recorded a loss of RM21.9 million (3QFY2016: profit RM103.3 million) but revenue was 23.1% higher at RM2.398 billion (3QFY2016: RM1.947 billion) on better selling prices.

Financial performance of the oleochemical business was significantly impacted by the high volatility of the price of its raw material, crude palm kernel oil (CPKO), during the current quarter which had created mismatch in the selling price of oleo products against its raw materials purchase price. Customers additionally, are exercising higher prudent buying strategy in light of market conditions. This had resulted in the write-down of RM60.3 million in stocks with most of the oleo products had lower or negative contributions.

The oleochemical division suffered a loss of RM26.1 million (3QFY2016: profit RM99.5 million) whilst the profit from the other manufacturing units was 8.6% higher at RM4.2 million (3QFY2016: profit RM3.8 million).

- (iii) Properties sector's profit had decreased 52.0% to RM2.5 million (3QFY2016: profit RM5.1 million) in line with the 42.1% reduction in revenue to RM14.0 million (3QFY2016: RM24.2 million) from lower sales of its Bandar Seri Coalfields project.
- (iv) This quarter's results had provided for the full impairment on a non-core and non-performing investment in China amounting to RM31.9 million.



**Notes to Interim Financial Report**

(Continued)

**Todate 3<sup>rd</sup> Quarter FY2017 vs Todate 3<sup>rd</sup> Quarter FY2016**

For the period under review, the Group reported a 27.2% reduction in profit to RM1.069 billion (Todate 3QFY2016: profit RM1.468 billion). The preceding year's result had recognised a surplus of RM485.6 million derived from the sale of plantation land to an associate. Revenue was higher by 32.4% at RM15.840 billion (Todate 3QFY2016: RM11.963 billion). The performance of the business sectors are summarised below:-

- (i) Plantations profit surged 65.3% to RM1.005 billion (Todate 3QFY2016: profit RM607.8 million) which was underpinned by the following:-

- Selling prices of CPO and PK had improved significantly.
- FFB production climbed 10.6% to 2.874 million mt.

However, contributions from processing and trading operations were lower.

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

	Todate 3QFY2017	Todate 3QFY2016	% Change
Crude Palm Oil (RM/mt ex-mill)	2,793	2,199	27.0
Palm Kernel (RM/mt ex-mill)	2,664	1,734	53.6

- (ii) Manufacturing sector's profit shrunk 83.3% to RM55.0 million (Todate 3QFY2016: RM329.4 million) despite the 32.3% improvement in revenue to RM7.367 billion (Todate 3QFY2016: RM5.568 billion) which was due to higher selling prices. The higher cost and volatility of raw materials, particularly CPKO, in the 1<sup>st</sup> and 2<sup>nd</sup> quarters had significantly trimmed gross margins. The price of CPKO had since stabilized but it had resulted in stocks write-down of RM60.3 million in the 3<sup>rd</sup> quarter.

The oleochemical division posted a sharp drop of 87.3% in profit to RM39.4 million (Todate 3QFY2016: profit RM310.7 million) and the other manufacturing units' profit fell 16.5% to RM15.6 million (Todate 3QFY2016: profit RM18.7 million).

- (iii) Properties sector registered a much higher profit of RM19.6 million (Todate 3QFY2016: profit RM9.4 million) with the improvement in revenue to RM97.1 million (Todate 3QFY2016: RM50.1 million) on higher units sold on its Bandar Seri Coalfields development.
- (iv) Farming sector achieved a profit of RM18.3 million (Todate 3QFY2016: loss RM1.8 million) which was due to higher crop production as a result of larger cropped area and better yields.
- (v) The Group's results had provided for the full impairment on a non-core and non-performing investment in China amounting to RM31.9 million.

**B2. Variation of Results to Preceding Quarter**

**3<sup>rd</sup> Quarter FY2017 vs 2<sup>nd</sup> Quarter FY2017**

The Group's profit before tax for the current quarter declined 49.1% to RM201.4 million (2QFY2017: profit RM395.6 million) and revenue was 10.9% lower at RM4.873 billion (2QFY2017: RM5.471 billion).

Plantations profit fell 36.9% to RM226.6 million (2QFY2017: profit RM358.9 million) which was caused by:-

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

	3QFY2017	2QFY2017	% Change
Crude Palm Oil (RM/mt ex-mill)	2,674	2,999	(10.8)
Palm Kernel (RM/mt ex-mill)	2,211	3,111	(28.9)

- Higher net unrealised foreign exchange loss of RM25.7 million (2QFY2017: net loss RM3.8 million) arising from the translation of loans advanced and bank borrowings to Indonesian companies.

However, the positive contributions from processing and trading operations had mitigated the reduction in profit.



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Manufacturing sector suffered a loss of RM21.9 million (2QFY2017: profit RM52.1 million) after the recognition of a lower unrealised gain of RM454,000 (2QFY2017: unrealised gain RM33.2 million) from the changes in fair value on outstanding derivative contracts. Revenue had fallen 9.1% to RM2.398 billion (2QFY2017: RM2.639 billion) largely due to declining selling prices. The write-down of stocks owing to the sharp decline in CPKO price coupled with the slower sales as customers held back orders in anticipation of further drop in price had affected the performance of this sector.

The oleochemical division incurred a loss of RM26.1 million (2QFY2017: profit RM47.1 million) and the profit from the other manufacturing units had reduced to RM4.2 million (2QFY2017: profit RM5.0 million).

Properties sector's profit had improved to RM2.5 million (2QFY2017: profit RM1.2 million) although revenue was lower at RM14.0 million (2QFY2017: profit RM22.9 million).

The current quarter results had accounted for the following:-

- Dividend income of RM28.7 million from an overseas investment, Synthomer plc.
- Full impairment of RM31.9 million on a non-core and non-performing investment in China.

**B3. Current Year Prospects**

In view of the prevailing CPO price and the forecast of higher FFB production (continuing recovery post-EI Nino) in the coming months, together with the actual 9 months financials, we expect a higher plantations profit for the current financial year.

The oleochemical division however, will report a lower profit for the current financial year in view of the write-down in the value of stocks and the challenging, competitive market environment.

Overall, the Group expects a satisfactory profit for financial year 2017.

**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		9 months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	45,888	35,995	128,502	98,067
Overseas taxation	32,884	13,358	134,192	71,003
	78,772	49,353	262,694	169,070
Deferred tax				
Origination and reversal of temporary differences	6,666	8,663	9,951	24,038
Relating to changes in tax rate	-	(6)	-	542
Over provision in respect of previous years	(3,294)	(10,754)	(3,047)	(11,171)
	3,372	(2,097)	6,904	13,409
	82,144	47,256	269,598	182,479
(Over)/Under provision in respect of previous years				
Malaysian taxation	(4,428)	320	(2,174)	460
Overseas taxation	1,883	3,060	952	4,046
	(2,545)	3,380	(1,222)	4,506
Total	79,599	50,636	268,376	186,985



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	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	<u>201,431</u>	<u>314,342</u>	<u>1,069,403</u>	<u>1,468,316</u>
Tax at Malaysian income tax rate of 24% (2016: 24%)	48,343	75,442	256,657	352,396
Effect of different tax rates in foreign foreign jurisdictions	805	(5,061)	8,684	(8,558)
Withholding tax on foreign dividend and interest income	15,158	5,263	27,608	13,665
Expenses not deductible for tax purposes	14,555	7,647	33,569	39,487
Tax exempt and non-taxable income	(18,713)	(16,985)	(69,086)	(193,234)
Tax incentives	(1,629)	(722)	(3,523)	(2,535)
Deferred tax assets not recognised during the period	16,793	(1,930)	20,273	2,171
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	7,985	(5,642)	(6,398)	(11,616)
Tax effect on associates' and joint ventures' results	534	(896)	862	(1,431)
Recognition of deferred tax assets not taken up previously	71	-	(266)	(29)
(Over)/Under provision of tax expense in respect of previous years	(2,545)	3,380	(1,222)	4,506
Over provision of deferred tax in respect of previous years	(3,294)	(10,754)	(3,047)	(11,171)
Effect of changes in tax rates on deferred tax	-	(6)	-	542
Others	<u>1,536</u>	<u>900</u>	<u>4,265</u>	<u>2,792</u>
Tax expense	<u>79,599</u>	<u>50,636</u>	<u>268,376</u>	<u>186,985</u>

### B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.





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## 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 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	10,293	Euro2,097	7,899	Euro1,697
- Unsecured	-		82,459	USD20,000
	<u>10,293</u>		<u>90,358</u>	
(ii) Islamic Medium Term Notes				
- Unsecured	-		300,000	
(iii) Bank Overdraft				
- Unsecured	<u>122,462</u>	Euro25,954	<u>40,710</u>	Euro8,747
(iv) Short Term Borrowings				
- Unsecured	552,003	USD128,552	313,248	USD75,682
	211,013	Euro43,000	107,040	Euro23,000
	77,275	Rmb122,000	-	
	<u>789,770</u>		<u>720,866</u>	
	<u>1,630,061</u>		<u>1,141,154</u>	
Total repayable within 12 months	<u>1,762,816</u>		<u>1,572,222</u>	
(b) Repayable after 12 months:-				
(i) Term Loans				
- Secured	22,683	Euro4,622	11,424	Euro2,455
- Unsecured	245,380	Euro50,000	232,695	Euro50,000
	<u>214,635</u>	USD50,000	<u>123,689</u>	USD30,000
	<u>460,015</u>		<u>356,384</u>	
	482,698		367,808	
(ii) Islamic Medium Term Notes				
- Unsecured	<u>2,600,000</u>		<u>2,600,000</u>	
Total repayable after 12 months	<u>3,082,698</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 30 June 2017, the values and maturity analysis of the outstanding derivatives are as follows:-



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<u>Derivatives</u>	Contract/Notional	Fair value
	Value	Net gains/(losses)
	<u>Net long/(short)</u>	<u>Net gains/(losses)</u>
	RM'000	RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(1,265,495)	9,169
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(243,047)	(667)
- 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 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 was paid on 8 August 2017.

(b) The total dividend for the current financial year to-date is single tier dividend of 15 sen (2016: 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.

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended		9 months ended	
	30 June		30 June	
	2017	2016	2017	2016
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	112,761	253,392	763,006	1,217,134
(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)	10.6	23.8	71.6	114.3

**B13. Audit Report**

The audit report for the financial year ended 30 September 2016 was not subject to any qualifications.



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### 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(21,136)	(13,986)	(54,453)	(42,451)
Other income including dividend income	(46,698)	(46,721)	(86,511)	(88,322)
Interest expense	44,521	40,772	129,364	115,929
Depreciation and amortisation	113,370	117,718	360,704	345,561
Provision for and write-off/(Reversal of write-off) of receivables	810	(67)	5,336	(95)
Provision for and write-off/(Reversal of write-off) of inventories	40,096	(792)	50,252	11,124
Surplus on disposal of quoted or unquoted investments	(5,417)	(2)	(3,503)	(1,790)
Surplus on disposal of land	(218)	(230)	(4,829)	(491,806)
(Surplus)/Deficit on government acquisition of land	(4,892)	105	(4,892)	(40,894)
Impairment of property, plant and equipment	-	8,143	-	8,143
Impairment of available-for-sale investments	31,932	-	31,932	-
Impairment of goodwill	-	952	-	952
Foreign exchange loss/(gain)	4,903	(51,129)	9,568	43,812
(Gain)/Loss on derivatives	(2,276)	14,323	1,737	(97,638)
Exceptional items	-	-	-	-

### B15. Breakdown of Realised and Unrealised Profits or Losses

	30 June	30 September
	2017	2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- realised	8,072,678	7,679,586
- unrealised	653,221	637,076
	<u>8,725,899</u>	<u>8,316,662</u>
Total share of retained profits from associates		
- realised	75,886	68,658
- unrealised	944	238
	<u>76,830</u>	<u>68,896</u>
Total share of (accumulated losses)/retained profits from joint ventures		
- realised	(52,167)	(28,105)
- unrealised	14,458	10,214
	<u>(37,709)</u>	<u>(17,891)</u>
	<u>8,765,020</u>	<u>8,367,667</u>
Consolidation adjustments	(1,474,072)	(1,285,487)
Total group retained profits as per consolidated accounts	<u><u>7,290,948</u></u>	<u><u>7,082,180</u></u>

By Order of the Board  
YAP MIOU KIEN  
SOON WING CHONG  
Company Secretaries

15 August 2017