



# **KUALA LUMPUR KEPONG BERHAD**

(15043-V)

(Incorporated in Malaysia)

**Interim Financial Report  
For the first quarter ended 31 December 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 first quarter ended 31 December 2017.

## Condensed Consolidated Statement of Profit or Loss For the first quarter ended 31 December 2017

(The figures have not been audited.)

	Individual Quarter			Cumulative Quarter		
	3 months ended		+ / (-)	3 months ended		+ / (-)
	31 December			31 December		
	2017	2016		2017	2016	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	5,192,541	5,496,149	(5.5)	5,192,541	5,496,149	(5.5)
Operating expenses	(4,811,904)	(5,125,580)	(6.1)	(4,811,904)	(5,125,580)	(6.1)
Other operating income	103,006	143,733	(28.3)	103,006	143,733	(28.3)
Finance costs	(42,559)	(41,893)	1.6	(42,559)	(41,893)	1.6
Share of results of associates	2,180	2,950	(26.1)	2,180	2,950	(26.1)
Share of results of joint ventures	(1,760)	(2,948)	(40.3)	(1,760)	(2,948)	(40.3)
Profit before taxation	441,504	472,411	(6.5)	441,504	472,411	(6.5)
Taxation	(98,950)	(96,323)	2.7	(98,950)	(96,323)	2.7
Net profit for the period	<u>342,554</u>	<u>376,088</u>	(8.9)	<u>342,554</u>	<u>376,088</u>	(8.9)
Attributable to:-						
Equity holders of the Company	320,627	360,676	(11.1)	320,627	360,676	(11.1)
Non-controlling interests	21,927	15,412	42.3	21,927	15,412	42.3
	<u>342,554</u>	<u>376,088</u>	(8.9)	<u>342,554</u>	<u>376,088</u>	(8.9)
	Sen	Sen		Sen	Sen	
Earnings per share - basic	<u>30.1</u>	<u>33.9</u>		<u>30.1</u>	<u>33.9</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 2017.

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Other Comprehensive Income  
For the first quarter ended 31 December 2017**

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	342,554	376,088	342,554	376,088
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Currency translation differences	(273,212)	295,880	(273,212)	295,880
Net change in fair value of available-for-sale investments	(40,439)	62,543	(40,439)	62,543
Realisation on fair value of available-for-sale investments	(2,278)	1,041	(2,278)	1,041
	(315,929)	359,464	(315,929)	359,464
Other comprehensive loss that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	-	(1,042)	-	(1,042)
Total other comprehensive (loss)/income for the period	(315,929)	358,422	(315,929)	358,422
Total comprehensive income for the period	26,625	734,510	26,625	734,510
Attributable to:-				
Equity holders of the Company	12,212	711,409	12,212	711,409
Non-controlling interests	14,413	23,101	14,413	23,101
	26,625	734,510	26,625	734,510

*The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.*

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Financial Position****As at 31 December 2017**

(The figures have not been audited.)

	31 December 2017	30 September 2017
	RM'000	RM'000
<b>Assets</b>		
Property, plant and equipment	5,085,370	5,220,852
Prepaid lease payments	300,729	309,611
Biological assets	2,555,846	2,624,038
Land held for property development	1,092,558	1,091,471
Goodwill on consolidation	315,670	324,686
Intangible assets	14,630	15,325
Investments in associates	149,398	144,538
Investments in joint ventures	150,496	158,902
Available-for-sale investments	2,196,477	2,270,239
Other receivable	200,921	210,272
Deferred tax assets	425,124	439,794
Total non-current assets	<u>12,487,219</u>	<u>12,809,728</u>
Inventories	2,280,226	1,796,929
Biological assets	5,055	37,806
Trade and other receivables	2,486,080	2,514,389
Tax recoverable	47,931	38,642
Property development costs	167,034	154,696
Derivative financial assets	95,860	110,748
Short term funds	574,662	578,489
Cash and cash equivalents	1,600,830	1,462,687
Total current assets	<u>7,257,678</u>	<u>6,694,386</u>
<b>Total assets</b>	<b><u>19,744,897</u></b>	<b><u>19,504,114</u></b>
<b>Equity</b>		
Share capital	1,191,964	1,184,764
Reserves	10,402,170	10,397,158
	<u>11,594,134</u>	<u>11,581,922</u>
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	11,580,687	11,568,475
Non-controlling interests	884,905	871,567
<b>Total equity</b>	<b><u>12,465,592</u></b>	<b><u>12,440,042</u></b>
<b>Liabilities</b>		
Deferred tax liabilities	262,636	259,056
Deferred income	115,701	117,365
Provision for retirement benefits	469,040	479,132
Borrowings	3,063,425	3,067,168
Total non-current liabilities	<u>3,910,802</u>	<u>3,922,721</u>
Trade and other payables	1,466,291	1,562,823
Deferred income	7,439	7,808
Borrowings	1,762,942	1,375,596
Tax payable	87,741	90,511
Derivative financial liabilities	44,090	104,613
Total current liabilities	<u>3,368,503</u>	<u>3,141,351</u>
<b>Total liabilities</b>	<b><u>7,279,305</u></b>	<b><u>7,064,072</u></b>
<b>Total equity and liabilities</b>	<b><u>19,744,897</u></b>	<b><u>19,504,114</u></b>
Net assets per share attributable to equity holders of the Company (RM)	10.87	10.86

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.



## KUALA LUMPUR KEPONG BERHAD

(15043-V)  
(Incorporated in Malaysia)

### Condensed Consolidated Statement of Changes in Equity For the first quarter ended 31 December 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	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 2017	1,184,764	1,028,225	78,725	558,268	1,216,661	7,515,279	(13,447)	11,568,475	871,567	12,440,042
Net change in fair value of available-for-sale investments	-	-	-	-	(40,439)	-	-	(40,439)	-	(40,439)
Realisation on fair value of available-for sale investments	-	-	-	-	(2,278)	-	-	(2,278)	-	(2,278)
Transfer from retained earnings to reserves	-	234	-	-	-	(234)	-	-	-	-
Currency translation differences	-	(308)	-	(265,390)	-	-	-	(265,698)	(7,514)	(273,212)
Total other comprehensive loss for the period	-	(74)	-	(265,390)	(42,717)	(234)	-	(308,415)	(7,514)	(315,929)
Profit for the period	-	-	-	-	-	320,627	-	320,627	21,927	342,554
Total comprehensive (loss)/income for the period	-	(74)	-	(265,390)	(42,717)	320,393	-	12,212	14,413	26,625
Redemption of redeemable preference shares	7,200	-	-	-	-	(7,200)	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,075)	(1,075)
Total transactions with owners of the Company	7,200	-	-	-	-	(7,200)	-	-	(1,075)	(1,075)
At 31 December 2017	1,191,964	1,028,151	78,725	292,878	1,173,944	7,828,472	(13,447)	11,580,687	884,905	12,465,592



## KUALA LUMPUR KEPONG BERHAD

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### Condensed Consolidated Statement of Changes in Equity For the first quarter ended 31 December 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
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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	-	-	-	-	-	62,543	-	-	62,543	-	62,543
Realisation on fair value of available-for sale investments	-	-	-	-	-	1,041	-	-	1,041	-	1,041
Transfer from retained earnings to reserves	-	4,168	-	-	-	-	(4,168)	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	-	-	(971)	-	(971)	(71)	(1,042)
Currency translation differences	-	394	-	3	287,723	-	-	-	288,120	7,760	295,880
Total other comprehensive income/(loss) for the period	-	4,562	-	3	287,723	63,584	(5,139)	-	350,733	7,689	358,422
Profit for the period	-	-	-	-	-	-	360,676	-	360,676	15,412	376,088
Total comprehensive income for the period	-	4,562	-	3	287,723	63,584	355,537	-	711,409	23,101	734,510
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	10,292	10,292
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(941)	(941)
Total transactions with owners of the Company	-	-	-	-	-	-	-	-	-	9,351	9,351
At 31 December 2016	1,067,505	1,027,090	78,725	62,010	730,353	766,025	7,437,717	(13,447)	11,155,978	875,909	12,031,887

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.

**KUALA LUMPUR KEPONG BERHAD**

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**Condensed Consolidated Statement of Cash Flows  
For the first quarter ended 31 December 2017**

(The figures have not been audited.)

	3 months ended 31 December	
	2017	2016
	RM'000	RM'000
<b>Cash Flows from Operating Activities</b>		
Profit before taxation	441,504	472,411
Adjustment for non-cash flow:-		
Non-cash items	107,922	148,308
Non-operating items	21,053	20,435
Operating profit before working capital changes	570,479	641,154
Working capital changes:-		
Net change in current assets	(557,794)	(995,094)
Net change in current liabilities	(82,464)	294,567
Cash used in operations	(69,779)	(59,373)
Interest paid	(24,938)	(29,801)
Tax paid	(107,287)	(55,926)
Retirement benefits paid	(6,630)	(8,607)
Net cash used in operating activities	<u>(208,634)</u>	<u>(153,707)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(70,984)	(168,993)
Payments of prepaid lease	-	(1,768)
Plantation development expenditure	(24,781)	(38,750)
Property development expenditure	(1,087)	(4,551)
Purchase of available-for-sale investments	(26)	(1,802)
Purchase of intangible assets	-	(36)
Proceeds from disposal of property, plant and equipment	541	5,967
Compensation from government on land acquired	13,713	-
Proceeds from disposal of available-for-sale investments	7,591	103,482
(Increase)/Decrease in short term funds	(4,335)	514,747
Dividends received from associates	-	1,544
Dividends received from investments	15,860	20,275
Interest received	14,563	10,481
Net cash (used in)/generated from investing activities	<u>(48,945)</u>	<u>440,596</u>
<b>Cash Flows from Financing Activities</b>		
Term loans received	17,010	-
Repayment of term loans	(3,043)	(1,992)
Repayment of Islamic medium term notes	-	(300,000)
Drawdown of short term borrowings	421,012	696,343
Dividends paid to non-controlling interests	(1,075)	(941)
Issuance of shares to non-controlling interests	-	10,292
Decrease in other receivable	2,800	4,479
Net cash generated from financing activities	<u>436,704</u>	<u>408,181</u>
Net increase in cash and cash equivalents	179,125	695,070
Cash and cash equivalents at 1 October	1,338,563	929,650
	1,517,688	1,624,720
Currency translation differences on opening balances	(32,782)	29,184
Cash and cash equivalents at 31 December	<u>1,484,906</u>	<u>1,653,904</u>
Cash and cash equivalents consist of:-		
Cash and bank balances	430,655	577,446
Deposits with licensed banks	1,170,175	639,193
Short term funds	-	483,442
Bank overdrafts	(115,924)	(46,177)
	<u>1,484,906</u>	<u>1,653,904</u>

*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.*



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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 2017.

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 2017 except for the adoption of the following FRS and amendments to FRSs:-

#### ***Amendments to FRSs effective for annual periods beginning on or after 1 January 2017***

- Amendments to FRS 12 *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The application of these 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.

#### **A6. Dividends Paid**

There were no dividends paid during the financial quarter ended 31 December 2017 (31 December 2016: Nil).





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## 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	Manufacturing	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>3 months ended</b>						
<b>31 December 2017</b>						
Revenue						
External revenue	2,544,480	2,520,332	17,882	109,847	-	5,192,541
Inter-segment revenue	270,628	-	-	13,660	(284,288)	-
Total revenue	<u>2,815,108</u>	<u>2,520,332</u>	<u>17,882</u>	<u>123,507</u>	<u>(284,288)</u>	<u>5,192,541</u>
Results						
Operating results	270,822	154,558	952	30,565	-	456,897
Interest income	174	1,829	165	27,974	(8,737)	21,405
Finance costs	(4,435)	(14,963)	-	(31,898)	8,737	(42,559)
Share of results of associates	1,172	393	615	-	-	2,180
Share of results of joint ventures	(1,324)	-	-	(436)	-	(1,760)
Segment results	<u>266,409</u>	<u>141,817</u>	<u>1,732</u>	<u>26,205</u>	<u>-</u>	<u>436,163</u>
Corporate income						<u>5,341</u>
Profit before taxation						<u>441,504</u>
<b>3 months ended</b>						
<b>31 December 2016</b>						
Revenue						
External revenue	2,978,532	2,330,619	60,203	126,795	-	5,496,149
Inter-segment revenue	468,439	-	-	12,295	(480,734)	-
Total revenue	<u>3,446,971</u>	<u>2,330,619</u>	<u>60,203</u>	<u>139,090</u>	<u>(480,734)</u>	<u>5,496,149</u>
Results						
Operating results	422,261	38,928	15,573	43,860	-	520,622
Interest income	132	1,338	-	23,249	(11,010)	13,709
Finance costs	(2,715)	(15,962)	-	(34,226)	11,010	(41,893)
Share of results of associates	2,196	435	319	-	-	2,950
Share of results of joint ventures	(2,496)	-	-	(452)	-	(2,948)
Segment results	<u>419,378</u>	<u>24,739</u>	<u>15,892</u>	<u>32,431</u>	<u>-</u>	<u>492,440</u>
Corporate expense						<u>(20,029)</u>
Profit before taxation						<u>472,411</u>



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(15043-V)  
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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>
	RM'000	RM'000	Development	Holding/ Others	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 31 December 2017</b>					
Operating assets	6,340,085	7,086,797	1,396,541	4,148,525	18,971,948
Associates	69,975	7,329	72,094	-	149,398
Joint ventures	142,916	-	-	7,580	150,496
Segment assets	<u>6,552,976</u>	<u>7,094,126</u>	<u>1,468,635</u>	<u>4,156,105</u>	<u>19,271,842</u>
Tax assets					473,055
Total assets					<u>19,744,897</u>
<b>As at 30 September 2017</b>					
Operating assets	6,493,109	6,759,093	1,385,280	4,084,756	18,722,238
Associates	65,845	7,214	71,479	-	144,538
Joint ventures	150,556	-	-	8,346	158,902
Segment assets	<u>6,709,510</u>	<u>6,766,307</u>	<u>1,456,759</u>	<u>4,093,102</u>	<u>19,025,678</u>
Tax assets					478,436
Total assets					<u>19,504,114</u>

### (c) Segment liabilities

	<u>Plantations</u>	<u>Manufacturing</u>	<u>Property</u>	<u>Investment</u>	<u>Consolidated</u>
	RM'000	RM'000	Development	Holding/ Others	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 31 December 2017</b>					
Segment liabilities	<u>1,503,279</u>	<u>2,751,864</u>	<u>59,324</u>	<u>2,614,461</u>	<u>6,928,928</u>
Tax liabilities					350,377
Total liabilities					<u>7,279,305</u>
<b>As at 30 September 2017</b>					
Segment liabilities	<u>1,515,797</u>	<u>2,522,196</u>	<u>67,139</u>	<u>2,609,373</u>	<u>6,714,505</u>
Tax liabilities					349,567
Total liabilities					<u>7,064,072</u>

### A8. Event Subsequent to Reporting Date

On 19 January 2018, Kolb Distribution AG, a wholly-owned subsidiary of the Company has incorporated a new wholly-owned company called KLK Chemicals Holding Netherlands B.V. in the Netherlands, which has a total issued capital of Euro25 million comprising 25,000 shares of Euro1,000 each and is currently non-operational.

The intended principal activity of KLK Chemicals Holding Netherlands B.V. is investment holdings.

### 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 material changes in the contingent liabilities or contingent assets since the last annual reporting date.



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
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## Notes to Interim Financial Report (Continued)

### A11. Capital Commitments

	31 December 2017	30 September 2017
	RM'000	RM'000
Capital expenditure		
Approved and contracted	127,239	120,589
Approved but not contracted	422,316	539,995
	<u>549,555</u>	<u>660,584</u>
Acquisition of shares in a subsidiary		
Approved and contracted	<u>1,258</u>	<u>1,322</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.

	3 months ended 31 December	
	2017	2016
	RM'000	RM'000
(i) Transactions with associates and joint ventures		
Sale of goods	118,514	-
Purchase of goods	449,285	412,295
Service charges paid	695	408
Research and development services paid	<u>3,935</u>	<u>4,264</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	2,936	2,580
Taiko Marketing Sdn Bhd	1,349	1,576
Taiko Marketing (Singapore) Pte Ltd	<u>486</u>	<u>1,239</u>
Storage tanks rental received		
Taiko Marketing Sdn Bhd	<u>1,026</u>	<u>896</u>
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	1,420	1,348
Bukit Katho Estate Sdn Bhd	1,516	1,234
Kampar Rubber & Tin Co Sdn Bhd	2,048	2,054
Malay Rubber Plantations (M) Sdn Bhd	2,162	1,607
PT Agro Makmur Abadi	16,215	21,729
PT Safari Riau	10,914	14,578
PT Satu Sembilan Delapan	2,754	3,313
Taiko Marketing Sdn Bhd	<u>12,458</u>	<u>6,128</u>
Rental of office paid		
Batu Kawan Holdings Sdn Bhd	<u>1,104</u>	<u>1,068</u>
Supply of contract labour and engineering works		
K7 Engineering Sdn Bhd	<u>179</u>	<u>473</u>
(iii) Transactions between subsidiaries and non-controlling interests		
Sale of goods		
Mitsubishi Corporation	17,700	20,074
Mitsui & Co Ltd	87,062	110,711
Tejana Trading & Management Services Sdn Bhd	<u>1,103</u>	<u>2,806</u>
Purchases of goods		
Mitsubishi Gas Chemical Singapore Pte Ltd	1,546	-
PT Letawa	2,759	-
PT Tanjung Bina Lestari	28,163	-
PT Tanjung Sarana Lestari	221,891	506,297
Tejana Trading & Management Services Sdn Bhd	<u>1,362</u>	<u>-</u>



**Notes to Interim Financial Report**

(Continued)

**A13. Proposed Acquisition of a Subsidiary**

The Company via its wholly-owned subsidiary, Kolb Distribution AG ("Kolb") proposed to acquire from Elementis B.V. ("the Seller") its entire interest in Elementis Specialties Netherlands B.V. ("ESN") together with its surfactant chemicals assets and business in Delden, the Netherlands ("Proposed Acquisition").

On 11 December 2017, Kolb, the Seller and ESN executed a Signing Protocol ("Protocol") whereby they have agreed to obtain the prior advice of the Dutch Works Council and approval of relevant competition authorities with respect to the Proposed Acquisition within 4 months from the date of the Protocol or by any later date.

The purchase consideration is based on an enterprise value of Euro39 million on a cash-free debt-free basis and with a normal level of working capital and will be funded by a combination of the Company's existing cash reserves and bank borrowings.

The Proposed Acquisition is expected to be completed in the first half of calendar year 2018 subject to the fulfillment of all conditions precedent stated in the Protocol and Sales and Purchase Agreement. Following completion of the Proposed Acquisition, ESN will be a subsidiary of the Company.

The Delden site will expand the existing Kolb business portfolio in terms of product range and market coverage. The use of the Delden site as another hub for the Group's market penetration strategy will further accelerate growth in the Group's downstream chemical specialties business in Europe.

The Proposed acquisition will not have any material effect on the Company's share capital, the shareholdings of the Company's substantial shareholders, the net assets and the gearing of the Group nor the earnings of the Group for financial year ending 30 September 2018.

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

**B1. Analysis of Performance**

*1<sup>st</sup> Quarter FY2018 vs 1<sup>st</sup> Quarter FY2017*

	Quarter Ended		+ / (-) %
	31/12/2017	31/12/2016	
	RM'000	RM'000	
Revenue	<u>5,192,541</u>	<u>5,496,149</u>	(5.5)
Segment results:			
Plantations	266,409	419,378	(36.5)
Manufacturing	141,817	24,739	473.3
Property development	1,732	15,892	(89.1)
Investment holding/Others	<u>26,205</u>	<u>32,431</u>	(19.2)
	436,163	492,440	(11.4)
Corporate income/(expense)	<u>5,341</u>	<u>(20,029)</u>	-
Profit before taxation	<u>441,504</u>	<u>472,411</u>	(6.5)

The Group's pre-tax profit for the 1<sup>st</sup> quarter was 6.5% lower at RM441.5 million (1QFY2017: profit RM472.4 million) on the back of a 5.5% reduction in revenue to RM5.193 billion. Comments on the business sectors are as follows:-

Plantations

Plantations profit fell 36.5% to RM266.4 million (1QFY2017: profit RM419.4 million) which was caused by:-

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

	<u>1QY2018</u>	<u>1QFY2017</u>	<u>% Change</u>
Crude Palm Oil (RM/mt ex-mill)	2,581	2,720	(5.1)
Palm Kernel (RM/mt ex-mill)	2,488	2,648	(6.0)



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- Lower sales volume of CPO.
- Net unrealised foreign exchange translation loss of RM29.7 million (1QFY2017: net gain RM44.4 million) on loans advanced and bank borrowings to Indonesian subsidiaries.

### Manufacturing

Manufacturing segment reported a substantial rise in profit to RM141.8 million (1QFY2017: profit RM24.7 million), aided by the unrealised gain of RM25.9 million (1QFY2017: unrealised loss RM29.0 million) arising from the fair value changes on outstanding derivative contracts. Revenue climbed 8.1% to RM2.520 billion (1QFY2017: RM2.331 billion) and profit margins had improved with the stabilised raw material cost of crude palm kernel oil ("CPKO"). China Operations had benefitted from the economy of scale on the new plant.

The oleochemical division's profit was significantly higher at RM141.1 million (1QFY2017: profit RM18.4 million) whilst the profit from the other manufacturing units had decreased to RM709,000 (1QFY2017: profit RM6.3 million).

### Property Development

Properties segment's profit declined sharply to RM1.7 million (1QFY2017: profit RM15.9 million) in line with 70.3% drop in revenue to RM17.9 million (1QFY2017: RM60.2 million).

### Investment Holding/Others

Farming sector, included under Others segment, posted a 13.5% reduction in profit to RM31.9 million (1QFY2017: profit RM36.9 million) despite the increase in selling price of wheat. The lower profit was attributed to the decrease in crop production as a result of the decline in yield.

### Corporate Income

This quarter's result had included a RM13.6 million surplus arising from government acquisition of land.

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

### **1<sup>st</sup> Quarter FY2018 vs 4<sup>th</sup> Quarter FY2017**

	Current Quarter Ended 31/12/2017 RM'000	Immediate Preceding Quarter Ended 30/09/2017 RM'000	+ / (-) %
Revenue	<u>5,192,541</u>	<u>5,163,782</u>	0.6
Segment results:			
Plantations	266,409	286,144	(6.9)
Manufacturing	141,817	79,057	79.4
Property development	1,732	20,936	(91.7)
Investment holding/Others	<u>26,205</u>	<u>(399)</u>	-
	436,163	385,738	13.1
Corporate income/(expense)	<u>5,341</u>	<u>(4,936)</u>	-
Profit before taxation	<u>441,504</u>	<u>380,802</u>	15.9

For the quarter under review, the Group's profit before taxation climbed 15.9% to RM441.5 million (4QFY2017: profit RM380.8 million) whilst revenue was marginally higher at RM5.193 billion (4QFY2017: RM5.164 billion).

### Plantations

Plantations profit had decreased 6.9% to RM266.4 million (4QFY2017: profit RM286.1 million) which was affected by:-

- Increase in cost of CPO production.
- Higher net unrealised foreign exchange translation loss of RM29.7 million (4QFY2017: net loss RM18.9 million) on loans advanced and bank borrowings to Indonesian subsidiaries.



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**Notes to Interim Financial Report**  
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However, the decline in profit was mitigated by the favourable PK selling price (ex-mill) realised at RM2,488/mt (4QFY2017: RM2,162/mt) and the 2.5% improvement in the production of fresh fruit bunches to 1.025 million mt.

Manufacturing

Manufacturing profit surged 79.4% to RM141.8 million (4QFY2017: profit RM79.1 million after netting off an impairment of RM30.9 million on an under-performing specialized oleochemical plant). Although revenue had decreased slightly to RM2.520 billion (4QFY2017: RM2.557 billion), the better result was achieved through improved margins recorded by China and Europe operations and the increase in the unrealised gain to RM25.9 million (4QFY2017: unrealised gain RM6.3 million) from the changes in fair value on outstanding derivative contracts.

The oleochemical division posted a sharp rise of 85.3% to RM141.1 million (4QFY2017: profit RM76.2 million) but the other manufacturing units' profit was lower at RM709,000 (4QFY2017: profit RM2.9 million).

Property Development

Properties segment registered a much lower profit of RM1.7 million (4QFY2017: profit RM20.9 million) due to lower development profits recognised from the Bandar Seri Coalfields project. Revenue had shrunk 59.7% to RM17.9 million (4QFY2017: RM44.4 million).

Investment Holding/Others

Farming sector contributed a profit of RM31.9 million (4QFY2017: loss RM8.3 million). The seasonal farming income is derived from the sale of crops harvested during the current quarter. The loss suffered in the 4<sup>th</sup> quarter of FY2017 consisted of overhead expenditure.

Corporate Income

The Group result had recognised a surplus of RM13.6 million arising from the acquisition of land by government.

**B3. Current Year Prospects**

The decline in CPO prices during this period under review was due to post El-Nino FFB production recovery resulting in high CPO inventories. Our plantations profit was correspondingly affected but this will be partly compensated by our Oleochemical operations which have benefitted from higher capacities utilisation and operational efficiencies as reflected in the current quarter's higher profit. However, the various positive steps taken by Malaysian authorities should limit any further CPO price erosion.

Overall, the Group anticipates a satisfactory result for this financial year.

**B4. Profit Forecast and Profit Guarantee**

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



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### B5. Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		3 months ended 31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	44,236	42,347	44,236	42,347
Overseas taxation	54,346	47,519	54,346	47,519
	<u>98,582</u>	<u>89,866</u>	<u>98,582</u>	<u>89,866</u>
Deferred tax				
Origination and reversal of temporary differences	(1,614)	5,309	(1,614)	5,309
Under/(Over) provision in respect of previous years	2,156	(298)	2,156	(298)
	<u>542</u>	<u>5,011</u>	<u>542</u>	<u>5,011</u>
	<u>99,124</u>	<u>94,877</u>	<u>99,124</u>	<u>94,877</u>
(Over)/Under provision in respect of previous years				
Malaysian taxation	(217)	2,264	(217)	2,264
Overseas taxation	43	(818)	43	(818)
	<u>(174)</u>	<u>1,446</u>	<u>(174)</u>	<u>1,446</u>
Total	<u>98,950</u>	<u>96,323</u>	<u>98,950</u>	<u>96,323</u>
Profit before taxation	<u>441,504</u>	<u>472,411</u>	<u>441,504</u>	<u>472,411</u>
Tax at Malaysian income tax rate of 24% (FY2017: 24%)	105,961	113,378	105,961	113,378
Effect of different tax rates	(2,708)	6,927	(2,708)	6,927
Withholding tax on foreign dividend and interest income	2,875	4,114	2,875	4,114
Expenses not deductible for tax purposes	23,523	18,392	23,523	18,392
Tax exempt and non-taxable income	(21,435)	(36,997)	(21,435)	(36,997)
Tax incentives	(975)	(1,871)	(975)	(1,871)
Deferred tax (liabilities)/assets not recognised during the period	(222)	2,689	(222)	2,689
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(9,154)	(12,242)	(9,154)	(12,242)
Tax effect on associates' and joint ventures' results	(101)	-	(101)	-
Recognition of deferred tax assets not taken up previously	(16)	(337)	(16)	(337)
Recognition of unabsorbed re-investment allowance	(1,479)	-	(1,479)	-
(Over)/Under provision of tax expense in respect of previous years	(174)	1,446	(174)	1,446
Under/(Over) provision of deferred tax in respect of previous years	2,156	(298)	2,156	(298)
Others	699	1,122	699	1,122
Tax expense	<u>98,950</u>	<u>96,323</u>	<u>98,950</u>	<u>96,323</u>





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## Notes to Interim Financial Report (Continued)

### B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

### B7. Group Borrowings

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

	As at 1st quarter ended 31 December 2017					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
<b>Secured</b>						
Term loans	Euro 8,735	42,453	Euro 2,734	13,285	Euro 11,469	55,738
<b>Unsecured</b>						
Bank overdrafts	-	-	Euro 23,853	115,924	Euro 23,853	115,924
Revolving credit	-	-	Euro 38,000	184,680	Euro 38,000	184,680
Trade financing	-	-	USD 121,922	493,786	USD 121,922	493,786
Term loans	USD 50,000	202,272	-	-	USD 50,000	202,272
	Euro 45,000	218,700	Euro 5,000	24,300	Euro 50,000	243,000
Export credit refinancing	-	-	-	245,075	-	245,075
Bankers' acceptance	-	-	-	685,892	-	685,892
Islamic medium term notes	-	2,600,000	-	-	-	2,600,000
<b>Total</b>		<b>3,063,425</b>		<b>1,762,942</b>		<b>4,826,367</b>

	As at 1st quarter ended 31 December 2016					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
<b>Secured</b>						
Term loans	Euro 1,660	7,836	Euro 2,070	9,771	Euro 3,730	17,607
<b>Unsecured</b>						
Bank overdrafts	-	-	Euro 9,783	46,177	Euro 9,783	46,177
Revolving credit	-	-	USD 34,306	153,951	USD 34,306	153,951
	-	-	Euro 45,000	212,418	Euro 45,000	212,418
	-	-	GBP 12,000	66,456	GBP 12,000	66,456
	-	-	Rmb 50,000	32,315	Rmb 50,000	32,315
Trade financing	-	-	USD 146,144	655,823	USD 146,144	655,823
Term loans	USD 30,000	134,266	USD 20,000	89,510	USD 50,000	223,776
	Euro 50,000	236,020	-	-	Euro 50,000	236,020
Export credit refinancing	-	-	-	312,550	-	312,550
Bankers' acceptance	-	-	-	434,034	-	434,034
Islamic medium term notes	-	2,600,000	-	-	-	2,600,000
<b>Total</b>		<b>2,978,122</b>		<b>2,013,005</b>		<b>4,991,127</b>

	As at 31 December	
Exchange Rates Applied	2017	2016
USD / RM	4.0500	4.4875
Euro / RM	4.8600	4.7204
GBP / RM	-	5.5380
Rmb / RM	-	0.6463

### 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.





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

Derivatives	Contract/Notional	
	Value	Fair value
	Net long/(short)	Net gains/(losses)
	RM'000	RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(1,437,336)	38,553
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(170,102)	13,217
- 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 December 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) The Directors do not recommend the payment of dividend for the first quarter ended 31 December 2017 (31 December 2016: Nil).

(b) The total dividend for the current financial year to-date is Nil (31 December 2016: Nil).

### 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		3 months ended	
	31 December		31 December	
	2017	2016	2017	2016
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	320,627	360,676	320,627	360,676
(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)	30.1	33.9	30.1	33.9

### B13. Audit Report

The audit report for the financial year ended 30 September 2017 was not subject to any qualifications.



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## Notes to Interim Financial Report (Continued)

### B14. Profit Before Taxation

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(21,405)	(13,709)	(21,405)	(13,709)
Other income including dividend income	(14,514)	(22,672)	(14,514)	(22,672)
Interest expense	42,559	41,893	42,559	41,893
Depreciation and amortisation	119,552	122,898	119,552	122,898
(Reversal of write-off)/Provision for and write-off of receivables	(56)	4,774	(56)	4,774
Provision for and write-off of inventories (Surplus)/Deficit on disposal of quoted or unquoted investments	14,789	4,276	14,789	4,276
Surplus on disposal of land	(2,566)	1,913	(2,566)	1,913
Surplus on government acquisition of land	(235)	(4,168)	(235)	(4,168)
	(13,624)	-	(13,624)	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange loss/(gain)	22,885	(26,620)	22,885	(26,620)
(Gain)/Loss on derivatives	(31,869)	53,268	(31,869)	53,268
Exceptional items	-	-	-	-

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

	31 December 2017	30 September 2017
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- realised	8,723,621	8,465,944
- unrealised	460,148	554,618
	9,183,769	9,020,562
Total share of retained profits from associates		
- realised	82,624	80,547
- unrealised	833	730
	83,457	81,277
Total share of (accumulated losses)/retained profits from joint ventures		
- realised	(59,978)	(58,873)
- unrealised	15,316	15,971
	(44,662)	(42,902)
	9,222,564	9,058,937
Consolidation adjustments	(1,394,092)	(1,543,658)
Total group retained profits as per consolidated accounts	7,828,472	7,515,279

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

12 February 2018