



# **KUALA LUMPUR KEPONG BERHAD**

(15043-V)

(Incorporated in Malaysia)

**Interim Financial Report  
For the second quarter ended 31 March 2018**



## 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 2018.

### Condensed Consolidated Statement of Profit or Loss For the second quarter ended 31 March 2018

(The figures have not been audited.)

	Individual Quarter			Cumulative Quarter		
	3 months ended		+ / (-)	6 months ended		+ / (-)
	31 March			31 March		
	2018	2017	%	2018	2017	%
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	4,685,251	5,470,921	(14.4)	9,877,792	10,967,070	(9.9)
Operating expenses	(4,429,673)	(5,022,524)	(11.8)	(9,241,577)	(10,148,104)	(8.9)
Other operating income	77,443	(8,517)	-	180,449	135,216	33.5
Finance costs	(44,559)	(42,950)	3.7	(87,118)	(84,843)	2.7
Share of results of associates	2,448	4,426	(44.7)	4,628	7,376	(37.3)
Share of results of joint ventures	(1,968)	(5,795)	(66.0)	(3,728)	(8,743)	(57.4)
Profit before taxation	288,942	395,561	(27.0)	730,446	867,972	(15.8)
Taxation	(80,557)	(92,454)	(12.9)	(179,507)	(188,777)	(4.9)
Net profit for the period	<u>208,385</u>	<u>303,107</u>	<u>(31.3)</u>	<u>550,939</u>	<u>679,195</u>	<u>(18.9)</u>
Attributable to:-						
Equity holders of the Company	189,273	289,569	(34.6)	509,900	650,245	(21.6)
Non-controlling interests	19,112	13,538	41.2	41,039	28,950	41.8
	<u>208,385</u>	<u>303,107</u>	<u>(31.3)</u>	<u>550,939</u>	<u>679,195</u>	<u>(18.9)</u>
	Sen	Sen		Sen	Sen	
Earnings per share - basic	<u>17.8</u>	<u>27.2</u>		<u>47.9</u>	<u>61.1</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 second quarter ended 31 March 2018**

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	208,385	303,107	550,939	679,195
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss				
Currency translation differences	(262,250)	(4,293)	(535,462)	291,587
Net change in fair value of available-for-sale investments	(71,453)	376,424	(111,892)	438,967
Realisation on fair value of available-for-sale investments	-	-	(2,278)	1,041
	<u>(333,703)</u>	<u>372,131</u>	<u>(649,632)</u>	<u>731,595</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 (loss)/income for the period	<u>(333,703)</u>	<u>372,120</u>	<u>(649,632)</u>	<u>730,542</u>
Total comprehensive (loss)/income for the period	<u>(125,318)</u>	<u>675,227</u>	<u>(98,693)</u>	<u>1,409,737</u>
Attributable to:-				
Equity holders of the Company	(136,927)	662,310	(124,715)	1,373,719
Non-controlling interests	11,609	12,917	26,022	36,018
	<u>(125,318)</u>	<u>675,227</u>	<u>(98,693)</u>	<u>1,409,737</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 2017.*



# KUALA LUMPUR KEPONG BERHAD

(15043-V)  
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## Condensed Consolidated Statement of Financial Position As at 31 March 2018

(The figures have not been audited.)

	31 March 2018	30 September 2017
	RM'000	RM'000
<b>Assets</b>		
Property, plant and equipment	5,189,255	5,220,852
Investment property	12,947	-
Prepaid lease payments	291,183	309,611
Biological assets	2,471,350	2,624,038
Land held for property development	1,093,936	1,091,471
Goodwill on consolidation	309,826	324,686
Intangible assets	22,697	15,325
Investments in associates	154,592	144,538
Investments in joint ventures	141,416	158,902
Available-for-sale investments	2,132,748	2,270,239
Other receivable	189,485	210,272
Deferred tax assets	402,130	439,794
Total non-current assets	<u>12,411,565</u>	<u>12,809,728</u>
Inventories	2,393,940	1,796,929
Biological assets	8,186	37,806
Trade and other receivables	2,354,907	2,514,389
Tax recoverable	38,943	38,642
Property development costs	163,927	154,696
Derivative financial assets	86,824	110,748
Short term funds	778,239	578,489
Cash and cash equivalents	1,111,631	1,462,687
Total current assets	<u>6,936,597</u>	<u>6,694,386</u>
<b>Total assets</b>	<b><u>19,348,162</u></b>	<b><u>19,504,114</u></b>
<b>Equity</b>		
Share capital	1,193,784	1,184,764
Reserves	9,890,685	10,397,158
	<u>11,084,469</u>	<u>11,581,922</u>
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	<u>11,071,022</u>	<u>11,568,475</u>
Non-controlling interests	879,005	871,567
<b>Total equity</b>	<b><u>11,950,027</u></b>	<b><u>12,440,042</u></b>
<b>Liabilities</b>		
Deferred tax liabilities	280,132	259,056
Deferred income	117,432	117,365
Provision for retirement benefits	460,187	479,132
Borrowings	3,189,447	3,067,168
Total non-current liabilities	<u>4,047,198</u>	<u>3,922,721</u>
Trade and other payables	1,345,495	1,562,823
Deferred income	7,552	7,808
Borrowings	1,905,698	1,375,596
Tax payable	73,464	90,511
Derivative financial liabilities	18,728	104,613
Total current liabilities	<u>3,350,937</u>	<u>3,141,351</u>
<b>Total liabilities</b>	<b><u>7,398,135</u></b>	<b><u>7,064,072</u></b>
<b>Total equity and liabilities</b>	<b><u>19,348,162</u></b>	<b><u>19,504,114</u></b>
Net assets per share attributable to equity holders of the Company (RM)	10.40	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)  
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### Condensed Consolidated Statement of Changes in Equity For the second quarter ended 31 March 2018

(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	-	-	-	-	(111,892)	-	-	(111,892)	-	(111,892)
Realisation on fair value of available-for sale investments	-	-	-	-	(2,278)	-	-	(2,278)	-	(2,278)
Transfer from retained earnings to reserves	-	782	-	-	-	(782)	-	-	-	-
Currency translation differences	-	(616)	-	(519,829)	-	-	-	(520,445)	(15,017)	(535,462)
Total other comprehensive income/(loss) for the period	-	166	-	(519,829)	(114,170)	(782)	-	(634,615)	(15,017)	(649,632)
Profit for the period	-	-	-	-	-	509,900	-	509,900	41,039	550,939
Total comprehensive income/(loss) for the period	-	166	-	(519,829)	(114,170)	509,118	-	(124,715)	26,022	(98,693)
Redemption of redeemable preference shares	9,020	-	-	-	-	(9,020)	-	-	-	-
Dividend paid	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(18,584)	(18,584)
Total transactions with owners of the Company	9,020	-	-	-	-	(381,758)	-	(372,738)	(18,584)	(391,322)
At 31 March 2018	1,193,784	1,028,391	78,725	38,439	1,102,491	7,642,639	(13,447)	11,071,022	879,005	11,950,027



## KUALA LUMPUR KEPONG BERHAD

(15043-V)  
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### Condensed Consolidated Statement of Changes in Equity For the second quarter ended 31 March 2018

(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	-	-	-	-	-	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

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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(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows  
For the second quarter ended 31 March 2018**

(The figures have not been audited.)

	6 months ended 31 March	
	2018	2017
	RM'000	RM'000
<b>Cash Flows from Operating Activities</b>		
Profit before taxation	730,446	867,972
Adjustment for non-cash flow:-		
Non-cash items	246,307	139,429
Non-operating items	43,465	37,880
Operating profit before working capital changes	1,020,218	1,045,281
Working capital changes:-		
Net change in current assets	(564,625)	(581,553)
Net change in current liabilities	(237,877)	107,394
Cash used in operations	217,716	571,122
Interest paid	(85,540)	(89,408)
Tax paid	(183,519)	(118,249)
Retirement benefits paid	(13,865)	(17,922)
Net cash (used in)/generated from operating activities	(65,208)	345,543
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(189,306)	(279,535)
Payments of prepaid lease	-	(1,764)
Plantation development expenditure	(43,206)	(70,690)
Property development expenditure	(2,465)	(10,731)
Purchase of shares in a subsidiary, net of cash acquired	(171,759)	-
Purchase of available-for-sale investments	(18,133)	(264,116)
Purchase of investment property	(2,262)	-
Purchase of intangible assets	-	(36)
Proceeds from disposal of property, plant and equipment	2,486	11,510
Compensation from government on land acquired	25,359	-
Proceeds from disposal of available-for-sale investments	7,591	101,903
(Increase)/Decrease in short term funds	(216,767)	518,833
Dividends received from associates	2,449	8,294
Dividends received from investments	16,455	22,880
Interest received	31,973	22,398
Net cash (used in)/generated from investing activities	(557,585)	58,946
<b>Cash Flows from Financing Activities</b>		
Term loans received	198,801	107,632
Repayment of term loans	(6,225)	(90,564)
Repayment of Islamic medium term notes	-	(300,000)
Drawdown of short term borrowings	536,596	775,577
Dividends paid to shareholders of the Company	(372,738)	(372,738)
Dividends paid to non-controlling interests	(18,584)	(19,500)
Issuance of shares to non-controlling interests	-	10,292
Decrease in other receivable	4,527	6,222
Net cash generated from financing activities	342,377	116,921
Net (decrease)/increase in cash and cash equivalents	(280,416)	521,410
Cash and cash equivalents at 1 October	1,338,563	929,650
	1,058,147	1,451,060
Currency translation differences on opening balances	(70,630)	27,256
Cash and cash equivalents at 31 March	987,517	1,478,316
Cash and cash equivalents consist of:-		
Cash and bank balances	494,485	567,582
Deposits with licensed banks	617,146	985,615
Short term funds	-	7,795
Bank overdrafts	(124,114)	(82,676)
	987,517	1,478,316

*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**

	6 months ended 31 March	
	2018	2017
	RM'000	RM'000
Dividend proposed in Year 2017, paid in Year 2018:-		
Final single tier dividend 35 sen (2017: 35 sen) per share	<u>372,738</u>	<u>372,738</u>

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,064,965,692 (2017: 1,064,965,692).





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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>6 months ended</b>						
<b>31 March 2018</b>						
Revenue						
External revenue	4,491,447	5,193,580	55,576	137,189	-	9,877,792
Inter-segment revenue	485,091	-	-	104,196	(589,287)	-
Total revenue	<u>4,976,538</u>	<u>5,193,580</u>	<u>55,576</u>	<u>241,385</u>	<u>(589,287)</u>	<u>9,877,792</u>
Results						
Operating results	455,210	280,506	6,846	21,259	-	763,821
Interest income	348	3,369	323	56,075	(17,216)	42,899
Finance costs	(8,822)	(31,819)	-	(63,693)	17,216	(87,118)
Share of results of associates	2,812	655	1,161	-	-	4,628
Share of results of joint ventures	(2,882)	-	-	(846)	-	(3,728)
Segment results	<u>446,666</u>	<u>252,711</u>	<u>8,330</u>	<u>12,795</u>	<u>-</u>	<u>720,502</u>
Corporate income						9,944
Profit before taxation						<u>730,446</u>
<b>6 months ended</b>						
<b>31 March 2017</b>						
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						(28,854)
Profit before taxation						<u>867,972</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
<b>As at 31 March 2018</b>					
Operating assets	6,193,150	7,357,387	1,412,551	3,647,993	18,611,081
Associates	74,372	7,580	72,640	-	154,592
Joint ventures	134,587	-	-	6,829	141,416
Segment assets	<u>6,402,109</u>	<u>7,364,967</u>	<u>1,485,191</u>	<u>3,654,822</u>	<u>18,907,089</u>
Tax assets					441,073
Total assets					<u>19,348,162</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

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 31 March 2018</b>					
Segment liabilities	<u>1,433,325</u>	<u>2,934,466</u>	<u>69,396</u>	<u>2,607,352</u>	<u>7,044,539</u>
Tax liabilities					353,596
Total liabilities					<u>7,398,135</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 25 April 2018, the Company entered into a Share Purchase Agreement ("SPA") with PT REA Kaltim Plantations to acquire 95% equity interest in PT Putra Bongan Jaya ("PBJ") (herein referred to as "the Proposed Acquisition") for a cash consideration of USD76.0 million, which shall be subject to adjustments to PBJ's working capital and other balance sheet items upon Completion.

The Proposed Acquisition is expected to be completed in the 3<sup>rd</sup> quarter of 2018, subject to the fulfillment of all conditions precedent in the SPA. On completion, PBJ will be a subsidiary of the Company.

PBJ is a company incorporated in Indonesia and is principally involved in establishment and operation of palm oil plantations and participation in the crude vegetable oil industry.

The Proposed Acquisition represents a unique opportunity for the Company to acquire a company with brownfield oil palm plantation. Further, the Proposed Acquisition is in the ordinary course of business of the Group and is also in line with the Company's business direction to expand its plantation land bank.

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



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(15043-V)

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## Notes to Interim Financial Report

(Continued)

### A9. Changes in the Composition of the Group

- (a) On 19 January 2018, Kolb Distribution AG, a wholly-owned subsidiary of the Company incorporated a new wholly-owned company namely KLK Chemicals Holding Netherlands B.V. ("KLKCHN") 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 KLKCHN is investment holdings.
- (b) The proposed acquisition of Elementis Specialties Netherlands B.V. ("ESN") together with its surfactant chemical assets and business in Delden, the Netherlands by the Company's wholly-owned subsidiary, Kolb Distribution AG was completed on 28 February 2018. Following the completion, ESN is now a subsidiary of the Company.

### 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.

### A11. Capital Commitments

	31 March 2018	30 September 2017
	RM'000	RM'000
Capital expenditure		
Approved and contracted	127,923	120,589
Approved but not contracted	384,328	539,995
	<u>512,251</u>	<u>660,584</u>
Acquisition of shares in a subsidiary		
Approved and contracted	<u>1,183</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.

	6 months ended 31 March	
	2018	2017
	RM'000	RM'000
(i) Transactions with associates and joint ventures		
Sale of goods	196,428	1,523
Purchase of goods	732,517	762,026
Service charges paid	1,309	973
Research and development services paid	<u>7,140</u>	<u>7,633</u>



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	6 months ended 31 March	
	2018 RM'000	2017 RM'000
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
Sale of goods		
PT Satu Sembilan Delapan	6,233	3,666
Siam Taiko Marketing Co Ltd	1,798	1,678
Taiko Marketing Sdn Bhd	3,877	3,434
Taiko Marketing (Singapore) Pte Ltd	799	2,360
Storage tanks rental received		
Taiko Marketing Sdn Bhd	2,035	1,830
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	2,507	2,420
Bukit Katho Estate Sdn Bhd	2,610	2,454
Kampar Rubber & Tin Co Sdn Bhd	3,590	4,109
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	553	568
Malay Rubber Plantations (M) Sdn Bhd	3,789	3,965
PT Agro Makmur Abadi	41,721	46,099
PT Safari Riau	18,124	23,796
PT Satu Sembilan Delapan	3,592	6,874
Taiko Acid Works Sdn Bhd	1,682	821
Taiko Clay Marketing Sdn Bhd	1,162	1,229
Taiko Drum Industries Sdn Bhd	1,559	1,709
Taiko Marketing Sdn Bhd	28,167	14,835
Rental of office paid		
Batu Kawan Holdings Sdn Bhd	2,210	2,152
Supply of contract labour and engineering works		
K7 Engineering Sdn Bhd	607	1,452
(iii) Transactions between subsidiaries and non-controlling interests		
Sale of goods		
Mitsubishi Corporation	25,407	39,376
Mitsui & Co Ltd	203,563	197,400
Tejana Trading & Management Services Sdn Bhd	1,766	5,852
Purchases of goods		
Mitsubishi Gas Chemical Singapore Pte Ltd	4,199	-
PT Letawa	2,681	-
PT Tanjung Bina Lestari	27,963	103,444
PT Tanjung Sarana Lestari	659,055	822,290
Tejana Trading & Management Services Sdn Bhd	1,361	-

### A13. Proposed Acquisition of a Subsidiary

On 26 March 2018, the Company via its wholly-owned subsidiary, KL-Kepong Plantation Holdings Sdn Bhd ("KLKPH") entered into a Shareholders Agreement ("SHA") with PT Perindustrian Sawit Synergy ("PSS"), PT Indonesia Plantation Synergy and Al Hakim Hanafiah.

Pursuant to the SHA, KLKPH will subscribe for 165,000 shares for a total cash consideration of Rp165.0 billion ("Proposed Transaction"). KLKPH's subscription will represent 75% of the issued and paid-up share capital of PSS, making PSS a 75% subsidiary of the Company. The subscription will be financed from the Company's internally generated funds.

**Notes to Interim Financial Report**

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The purpose of PSS, which is set out in the SHA, is to build, own and operate an integrated oil palm refinery complex which comprises of a new oil palm refinery plant and a new palm kernel crushing plant in East Kalimantan, Indonesia.

The Proposed Transaction is in line with the Company's existing strategy to expand its involvement in downstream businesses by increasing its presence in the refinery and kernel crushing and strengthen its presence in East Kalimantan, Indonesia.

The Proposed Transaction 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 the financial year ending 30 September 2018.

**B Explanatory Notes as required by the BMSB Revised Listing Requirements****B1. Analysis of Performance****2<sup>nd</sup> Quarter FY2018 vs 2<sup>nd</sup> Quarter FY2017**

	Quarter Ended		+ / (-) %
	31/3/2018 RM'000	31/3/2017 RM'000	
Revenue	4,685,251	5,470,921	(14.4)
Segment results:			
Plantations	180,257	358,925	(49.8)
Manufacturing	110,894	52,126	112.7
Property development	6,598	1,207	446.6
Investment holding/Others	(13,410)	(7,872)	70.4
	284,339	404,386	(29.7)
Corporate income/(expense)	4,603	(8,825)	-
Profit before taxation	288,942	395,561	(27.0)

The Group's profit before taxation for the current quarter dipped 27.0% to RM288.9 million (2QFY2017: profit RM395.6 million) with a 14.4% reduction in revenue to RM4.685 billion (2QFY2017: RM5.471 billion).

Comments on the business sectors are as follows:-

**Plantations**

Plantations profit was substantially lower by 49.8% at RM180.3 million (2QFY2017: profit RM358.9 million). Despite the 5.5% improvement in FFB production to 958,026 mt and the reduction in cost of CPO production, the result was affected by:-

- Decline in the average selling prices of CPO and PK realised as shown below:-

	2QFY2018	2QFY2017	% Change
Crude Palm Oil (RM/mt ex-mill)	2,398	2,999	(20.0)
Palm Kernel (RM/mt ex-mill)	2,075	3,111	(33.3)

- Increase in net unrealised foreign exchange translation loss to RM35.7 million (2QFY2017: net loss RM3.8 million) on loans advanced and bank borrowings to Indonesian subsidiaries.

**Manufacturing**

Manufacturing segment's profit had more than doubled to RM110.9 million (2QFY2017: profit RM52.1 million) supported by the increase in sales volume. However, revenue was only marginally higher at RM2.673 billion owing to the drop in selling prices. The improved performance was underpinned by favourable margins due to lower cost of raw materials. The results of this segment had recognised an unrealised gain of RM21.3 million arising from the fair value changes on outstanding derivative contracts.



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The oleochemical division registered a sharp improvement in the current quarter's profit to RM111.8 million (2QFY2017: profit RM47.1 million) but the other manufacturing units incurred a loss of RM951,000 (2QFY2017: profit RM5.0 million).

### Property Development

Properties segment recorded a much higher profit of RM6.6 million (2QFY2017: profit RM1.2 million) supported by the 64.8% increase in revenue to RM37.7 million (2QFY2017: RM22.9 million).

### Corporate Income

The result of the current quarter had accounted for a RM10.4 million surplus arising from government acquisition of oil palm estate land.

### **Todate 2<sup>nd</sup> Quarter FY2018 vs Totate 2<sup>nd</sup> Quarter FY2017**

	Todate Ended		+ / (-) %
	31/3/2018 RM'000	31/3/2017 RM'000	
Revenue	9,877,792	10,967,070	(9.9)
Segment results:			
Plantations	446,666	778,303	(42.6)
Manufacturing	252,711	76,865	228.8
Property development	8,330	17,099	(51.3)
Investment holding/Others	12,795	24,559	(47.9)
	720,502	896,826	(19.7)
Corporate income/(expense)	9,944	(28,854)	-
Profit before taxation	730,446	867,972	(15.8)

The Group for the half year under review posted a 15.8% drop in the profit to RM730.4 million (Todate 2QFY2017: profit RM868.0 million) with a decrease of 9.9% in revenue to RM9.878 billion (Todate 2QFY2017: RM10.967 billion).

The performance of the business sectors are summarised below:-

### Plantations

Plantations profit recorded a sharp decline of 42.6% to RM446.7 million (Todate 2QFY2017: profit RM778.3 million) which was caused by:-

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

	Todate 2QFY2018	Todate 2QFY2017	% Change
Crude Palm Oil (RM/mt ex-mill)	2,487	2,851	(12.8)
Palm Kernel (RM/mt ex-mill)	2,280	2,871	(20.6)

- Lower sales volume of CPO
- Net unrealised foreign exchange translation loss of RM65.4 million (Todate 2QFY2017: net gain RM40.5 million) on loans advanced and bank borrowings to Indonesian subsidiaries.

### Manufacturing

Manufacturing segment posted a huge improvement in the half year profit to RM252.7 million (Todate 2QFY2017: profit RM76.9 million) on the back of a 4.5% increase in revenue to RM5.194 billion (Todate 2QFY2017: RM4.969 billion) as a result of higher sales volume. Better margins were generated from the lower and stabilised raw materials cost. In addition, this segment's results were aided by the high unrealised gain of RM47.1 million (Todate 2QFY2017: unrealised gain RM4.1 million) arising from changes in fair value on outstanding derivative contracts.



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The oleochemical division's profit had increased substantially to RM253.0 million (Todate 2QFY2017: profit RM65.5 million) whilst the other manufacturing units suffered a small loss of RM242,000 (Todate 2QFY2017: profit RM11.4 million).

### Property Development

Properties segment's profit had reduced 51.3% to RM8.3 million (Todate 2QFY2017: profit RM17.1 million) on the back of a 33.1% decline in revenue to RM55.6 million (Todate 2QFY2017: RM83.1 million).

### Investment Holding/Others

Farming sector reported a 19.1% lower profit of RM23.9 million (Todate 2QFY2017: profit RM29.6 million). Revenue fell 20.2% to RM82.1 million (Todate 2QFY2017: RM102.8 million) affected by the drop in crop production due to the decline in yield. However, better grain prices had mitigated the reduction in profit.

### Corporate Income

The result for the 6 months had accounted for a surplus of RM24.0 million which arose from government acquisition of land.

## **B2. Variation of Results to Immediate Preceding Quarter 2<sup>nd</sup> Quarter FY2018 vs 1<sup>st</sup> Quarter FY2018**

	Current Quarter Ended 31/3/2018 RM'000	Immediate Preceding Quarter Ended 31/12/2017 RM'000	+ / (-) %
Revenue	4,685,251	5,192,541	(9.8)
Segment results:			
Plantations	180,257	266,409	(32.3)
Manufacturing	110,894	141,817	(21.8)
Property development	6,598	1,732	280.9
Investment holding/Others	(13,410)	26,205	-
	284,339	436,163	(34.8)
Corporate income	4,603	5,341	(13.8)
Profit before taxation	288,942	441,504	(34.6)

The Group's 2<sup>nd</sup> quarter's pre-tax profit fell 34.6% to RM288.9 million (1QFY2018: profit RM441.5 million) whilst revenue was 9.8% lower at RM4.685 billion (1QFY2018: RM5.193 billion).

### Plantations

Plantations profit at RM180.3 million was 32.3% below the previous quarter's profit of RM266.4 million. The results of this segment was impacted by:-

- Lower CPO and PK selling prices realised as follows:-

	2QFY2018	1QFY2018	% Change
Crude Palm Oil (RM/mt ex-mill)	2,398	2,581	(7.1)
Palm Kernel (RM/mt ex-mill)	2,075	2,488	(16.6)

- Decrease in FFB production by 6.5% to 958,026 mt.
- Negative contribution from processing and trading operations.
- Higher net unrealised foreign exchange translation loss on loans advanced and bank borrowings to Indonesian subsidiaries which amounted to RM35.7 million (1QFY2018: net loss RM29.7 million).





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### Manufacturing

Manufacturing profit slipped 21.8% to RM110.9 million (1QFY2018: profit RM141.8 million) despite the increase of 6.1% in revenue to RM2.673 billion (1QFY2018: RM2.520 billion). With the drop in the average selling prices, gross margins had declined particularly in China and Europe operations. However, the current quarter's profit had benefitted from the unrealised gain from the fair value changes on outstanding derivative contracts amounting to RM21.3 million albeit lower than the preceding quarter's unrealised gain of RM25.9 million.

The oleochemical division's profit shrunk 20.7% to RM111.8 million (1QFY2018: profit RM141.1 million) and the other manufacturing units recorded a loss of RM951,000 (1QFY2018: profit RM709,000).

### Property Development

Properties segment's profit rose sharply to RM6.6 million (1QFY2018: profit RM1.7 million), in tandem with the 2-fold increase in revenue to RM37.7 million (1QFY2018: RM17.9 million).

### Corporate Income

The current quarter's results had recognised a surplus of RM10.4 million from government acquisition of oil palm estate land although lower than the previous quarter's surplus of RM13.6 million.

### **B3. Current Year Prospects**

CPO prices are expected to remain at current level which is still lower than last year's. Hence, plantations profits will be lower.

Oleochemical operations are performing better than last year with higher capacity utilisations and improved operational efficiencies, despite margin pressure from increasing competition and foreign currency fluctuations.

Overall, the Group anticipates a satisfactory but lower result for the 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.

### **B5. Taxation**

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	38,257	40,267	82,493	82,614
Overseas taxation	36,344	53,789	90,690	101,308
	<u>74,601</u>	<u>94,056</u>	<u>173,183</u>	<u>183,922</u>
Deferred tax				
Origination and reversal of temporary differences	842	(2,024)	(772)	3,285
Under provision in respect of previous years	3,911	545	6,067	247
	<u>4,753</u>	<u>(1,479)</u>	<u>5,295</u>	<u>3,532</u>
	<u>79,354</u>	<u>92,577</u>	<u>178,478</u>	<u>187,454</u>
Under/(Over) provision in respect of previous years				
Malaysian taxation	-	(10)	(217)	2,254
Overseas taxation	1,203	(113)	1,246	(931)
	<u>1,203</u>	<u>(123)</u>	<u>1,029</u>	<u>1,323</u>
Total	<u>80,557</u>	<u>92,454</u>	<u>179,507</u>	<u>188,777</u>





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	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31 March		31 March	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	288,942	395,561	730,446	867,972
Tax at Malaysian income tax rate of 24% (FY2017: 24%)	69,346	94,935	175,307	208,313
Effect of different tax rates	574	952	(2,134)	7,879
Withholding tax on foreign dividend and interest income	3,619	8,336	6,494	12,450
Expenses not deductible for tax purposes	20,369	622	43,892	19,014
Tax exempt and non-taxable income	(11,469)	(13,376)	(32,904)	(50,373)
Tax incentives	(784)	(23)	(1,759)	(1,894)
Deferred tax assets not recognised during the period	771	791	549	3,480
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	389	(2,141)	(8,765)	(14,383)
Tax effect on associates' and joint ventures' results	(115)	328	(216)	328
Recognition of deferred tax assets not taken up previously	(6,224)	-	(6,240)	(337)
Recognition of unabsorbed re-investment allowance	(1,841)	-	(3,320)	-
Under/(Over) provision of tax expense in respect of previous years	1,203	(123)	1,029	1,323
Under provision of deferred tax in respect of previous years	3,911	545	6,067	247
Others	808	1,608	1,507	2,730
Tax expense	80,557	92,454	179,507	188,777

### B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.



**Notes to Interim Financial Report**  
(Continued)

**B7. Group Borrowings**

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

	As at 2nd quarter ended 31 March 2018					
	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
<u>Secured</u>						
Term loans	Euro 8,165	38,891	Euro 2,623	12,495	Euro 10,788	51,386
<u>Unsecured</u>						
Bank overdrafts	-	-	Euro 26,057	124,114	Euro 26,057	124,114
Revolving credit	-	-	USD 19,210	74,248	USD 19,210	74,248
	-	-	Euro 38,000	181,002	Euro 38,000	181,002
Trade financing	-	-	USD 151,860	586,938	USD 151,860	586,938
Term loans	USD 50,000	193,203	-	-	USD 50,000	193,203
	Euro 75,000	357,353	Euro 14,000	66,718	Euro 89,000	424,071
Export credit refinancing	-	-	-	280,094	-	280,094
Bankers' acceptance	-	-	-	580,089	-	580,089
Islamic medium term notes	-	2,600,000	-	-	-	2,600,000
<b>Total</b>		<b>3,189,447</b>		<b>1,905,698</b>		<b>5,095,145</b>

	As at 2nd quarter ended 31 March 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
<u>Secured</u>						
Term loans	Euro 5,122	24,161	Euro 2,144	10,113	Euro 7,266	34,274
<u>Unsecured</u>						
Bank overdrafts	-	-	CHF 121	534	CHF 121	534
	-	-	Euro 17,413	82,142	Euro 17,413	82,142
Revolving credit	-	-	USD 35,000	154,945	USD 35,000	154,945
	-	-	Euro 51,000	240,587	Euro 51,000	240,587
	-	-	GBP 30,000	166,755	GBP 30,000	166,755
	-	-	Rmb 50,000	32,160	Rmb 50,000	32,160
Trade financing	-	-	USD 76,702	339,559	USD 76,702	339,559
Term loans	USD 50,000	221,328	-	-	USD 50,000	221,328
	Euro 50,000	235,850	-	-	Euro 50,000	235,850
Export credit refinancing	-	-	-	305,023	-	305,023
Bankers' acceptance	-	-	-	698,397	-	698,397
Islamic medium term notes	-	2,600,000	-	-	-	2,600,000
<b>Total</b>		<b>3,081,339</b>		<b>2,030,215</b>		<b>5,111,554</b>

Exchange Rates Applied	As at 31 March	
	2018	2017
USD / RM	3.8650	4.4270
Euro / RM	4.7632	4.7170
GBP / RM	-	5.5585
Rmb / RM	-	0.6432
CHF / RM	-	4.4142

**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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(Continued)

As at 31 March 2018, the values and maturity analysis of the outstanding derivatives are as follows:-

<u>Derivatives</u>	Contract/Notional	
	Value	Fair value
	<u>Net long/(short)</u>	<u>Net gains/(losses)</u>
	RM'000	RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(1,289,266)	49,836
- 1 year to 3 years	-	-
- More than 3 years	-	-
	<hr/>	<hr/>
(ii) Commodity futures contracts		
- Less than 1 year	(217,040)	18,260
- 1 year to 3 years	-	-
- More than 3 years	-	-
	<hr/>	<hr/>

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 2018, 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 (2017: 15 sen) per share has been authorised by the Directors in respect of the financial year ending 30 September 2018 and will be paid to the shareholders on 7 August 2018. The entitlement date for the dividend shall be 16 July 2018.

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

- (i) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 12 July 2018 in respect of securities which are exempted from mandatory deposit;
  - (ii) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 16 July 2018 in respect of transfers; and
  - (iii) 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 (2017: 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.



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	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		6 months ended 31 March	
	2018	2017	2018	2017
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	189,273	289,569	509,900	650,245
(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)	17.8	27.2	47.9	61.1

### B13. Audit Report

The audit report for the financial year ended 30 September 2017 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(21,494)	(19,608)	(42,899)	(33,317)
Other income including dividend income	(8,366)	(17,141)	(22,880)	(39,813)
Interest expense	44,559	42,950	87,118	84,843
Depreciation and amortisation	118,786	124,436	238,338	247,334
Provision for and write-off/(Reversal of write-off) of receivables	771	(248)	715	4,526
Provision for and write-off of inventories	3,316	5,880	18,105	10,156
Deficit/(Surplus) on disposal of quoted or unquoted investments	-	1	(2,566)	1,914
Surplus on disposal of land	(547)	(443)	(782)	(4,611)
Surplus on government acquisition of land	(10,365)	-	(23,989)	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange loss	15,263	31,285	38,148	4,665
(Gain)/Loss on derivatives	(37,442)	(49,255)	(69,311)	4,013
Exceptional items	-	-	-	-

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

16 May 2018