



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

**Interim Financial Report
For the year ended 30 September 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 year ended 30 September 2018.

Condensed Consolidated Statement of Profit or Loss For the year ended 30 September 2018

(The figures have not been audited.)

	Individual Quarter			Cumulative Quarter		
	3 months ended			12 months ended		
	30 September			30 September		
	2018	2017	+ / (-)	2018	2017	+ / (-)
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	4,190,976	5,163,782	(18.8)	18,400,500	21,004,036	(12.4)
Operating expenses	(4,002,168)	(4,743,009)	(15.6)	(17,321,461)	(19,517,647)	(11.3)
Other operating income	24,549	1,260	-	216,779	138,001	57.1
Finance costs	(43,006)	(40,485)	6.2	(174,943)	(169,849)	3.0
Share of results of associates	3,785	4,447	(14.9)	10,319	12,932	(20.2)
Share of results of joint ventures	(3,946)	(5,193)	(24.0)	(13,814)	(17,268)	(20.0)
Profit before taxation	170,190	380,802	(55.3)	1,117,380	1,450,205	(23.0)
Taxation	(66,610)	(114,953)	(42.1)	(313,276)	(383,329)	(18.3)
Net profit for the period	<u>103,580</u>	<u>265,849</u>	(61.0)	<u>804,104</u>	<u>1,066,876</u>	(24.6)
Attributable to:-						
Equity holders of the Company	101,500	242,124	(58.1)	753,328	1,005,130	(25.1)
Non-controlling interests	2,080	23,725	(91.2)	50,776	61,746	(17.8)
	<u>103,580</u>	<u>265,849</u>	(61.0)	<u>804,104</u>	<u>1,066,876</u>	(24.6)
	Sen	Sen		Sen	Sen	
Earnings per share - basic	<u>9.5</u>	<u>22.7</u>		<u>70.7</u>	<u>94.4</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 year ended 30 September 2018**

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		12 months ended 30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	103,580	265,849	804,104	1,066,876
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	37,377	(77,923)	(461,957)	115,626
Net change in fair value of available-for-sale investments	42,045	38,572	76,672	519,458
Realisation on fair value of available-for-sale investments	-	(2,251)	(2,278)	(5,238)
	79,422	(41,602)	(387,563)	629,846
Other comprehensive income that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	2,139	29,058	2,139	28,011
Total other comprehensive income/(loss) for the period	81,561	(12,544)	(385,424)	657,857
Total comprehensive income for the period	185,141	253,305	418,680	1,724,733
Attributable to:-				
Equity holders of the Company	187,838	232,773	388,950	1,663,987
Non-controlling interests	(2,697)	20,532	29,730	60,746
	185,141	253,305	418,680	1,724,733

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 30 September 2018**

(The figures have not been audited.)

	30 September 2018	30 September 2017
	RM'000	RM'000
Assets		
Property, plant and equipment	5,254,777	5,220,852
Prepaid lease payments	375,120	309,611
Biological assets	2,689,160	2,624,038
Land held for property development	1,100,407	1,091,471
Goodwill on consolidation	315,304	324,686
Intangible assets	23,358	15,325
Investments in associates	153,663	144,538
Investments in joint ventures	160,414	158,902
Available-for-sale investments	2,384,374	2,270,239
Other receivable	202,826	210,272
Deferred tax assets	383,921	439,794
Total non-current assets	<u>13,043,324</u>	<u>12,809,728</u>
Inventories	2,098,250	1,796,929
Biological assets	41,906	37,806
Trade and other receivables	2,069,090	2,514,389
Tax recoverable	60,301	38,642
Property development costs	140,621	154,696
Derivative financial assets	69,210	110,748
Short term funds	195,579	578,489
Cash and cash equivalents	1,277,775	1,462,687
Total current assets	<u>5,952,732</u>	<u>6,694,386</u>
Total assets	<u>18,996,056</u>	<u>19,504,114</u>
Equity		
Share capital	1,196,962	1,184,764
Reserves	10,241,427	10,397,158
	<u>11,438,389</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>11,424,942</u>	<u>11,568,475</u>
Non-controlling interests	885,905	871,567
Total equity	<u>12,310,847</u>	<u>12,440,042</u>
Liabilities		
Deferred tax liabilities	299,452	259,056
Deferred income	119,004	117,365
Provision for retirement benefits	467,067	479,132
Borrowings	3,062,099	3,067,168
Total non-current liabilities	<u>3,947,622</u>	<u>3,922,721</u>
Trade and other payables	1,396,831	1,562,823
Deferred income	7,947	7,808
Borrowings	1,221,114	1,375,596
Tax payable	47,476	90,511
Derivative financial liabilities	64,219	104,613
Total current liabilities	<u>2,737,587</u>	<u>3,141,351</u>
Total liabilities	<u>6,685,209</u>	<u>7,064,072</u>
Total equity and liabilities	<u>18,996,056</u>	<u>19,504,114</u>
Net assets per share attributable to equity holders of the Company (RM)	10.73	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 year ended 30 September 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
	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	
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	-	-	-	-	76,672	-	-	76,672	-	76,672
Realisation on fair value of available-for sale investments	-	-	-	-	(2,278)	-	-	(2,278)	-	(2,278)
Transfer from retained earnings to reserves	-	2,445	-	-	-	(2,445)	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	-	3,069	-	3,069	(930)	2,139
Currency translation differences	-	(673)	-	(441,168)	-	-	-	(441,841)	(20,116)	(461,957)
Total other comprehensive income/(loss) for the year	-	1,772	-	(441,168)	74,394	624	-	(364,378)	(21,046)	(385,424)
Profit for the year	-	-	-	-	-	753,328	-	753,328	50,776	804,104
Total comprehensive income/(loss) for the year	-	1,772	-	(441,168)	74,394	753,952	-	388,950	29,730	418,680
Acquisition through business combination	-	-	-	-	-	-	-	-	3,652	3,652
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	15,285	15,285
Redemption of redeemable preference shares	12,198	-	-	-	-	(12,198)	-	-	-	-
Dividend paid - FY2017 final	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
- FY2018 interim	-	-	-	-	-	(159,745)	-	(159,745)	-	(159,745)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(34,329)	(34,329)
Total transactions with owners of the Company	12,198	-	-	-	-	(544,681)	-	(532,483)	(15,392)	(547,875)
At 30 September 2018	1,196,962	1,029,997	78,725	117,100	1,291,055	7,724,550	(13,447)	11,424,942	885,905	12,310,847



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity For the year ended 30 September 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	-	-	-	-	-	519,458	-	-	519,458	-	519,458
Realisation on fair value of available-for sale investments	-	-	-	-	-	(5,238)	-	-	(5,238)	-	(5,238)
Transfer from retained earnings to reserves	-	5,611	-	-	-	-	(5,611)	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	-	-	28,911	-	28,911	(900)	28,011
Currency translation differences	-	86	-	2	115,638	-	-	-	115,726	(100)	115,626
Total other comprehensive income/(loss) for the year	-	5,697	-	2	115,638	514,220	23,300	-	658,857	(1,000)	657,857
Profit for the year	-	-	-	-	-	-	1,005,130	-	1,005,130	61,746	1,066,876
Total comprehensive income for the year	-	5,697	-	2	115,638	514,220	1,028,430	-	1,663,987	60,746	1,724,733
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	10,292	10,292
Redemption of redeemable preference shares	55,250	-	-	-	-	-	(55,250)	-	-	-	-
Effect of change in shareholdings in a subsidiary	-	-	-	-	-	-	(7,598)	-	(7,598)	7,598	-
Dividend paid - FY2016 final	-	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
- FY2017 interim	-	-	-	-	-	-	(159,745)	-	(159,745)	-	(159,745)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(50,526)	(50,526)
Total transactions with owners of the Company	55,250	-	-	-	-	-	(595,331)	-	(540,081)	(32,636)	(572,717)
Reclassification of capital redemption reserve to share capital pursuant to Section 618(2) of the Companies Act 2016	62,009	-	-	(62,009)	-	-	-	-	-	-	-
At 30 September 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

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**

(15043-V)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the year ended 30 September 2018**

(The figures have not been audited.)

	12 months ended 30 September	
	2018	2017
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	1,117,380	1,450,205
Adjustment for non-cash flow:-		
Non-cash items	617,828	485,512 *
Non-operating items	39,884	30,626
Operating profit before working capital changes	1,775,092	1,966,343 *
Working capital changes:-		
Net change in current assets	126,895	(233,119) *
Net change in current liabilities	(553,092)	215,069
Cash generated from operations	1,348,895	1,948,293
Interest paid	(171,983)	(173,848)
Tax paid	(350,420)	(338,406)
Retirement benefits paid	(31,102)	(32,138)
Net cash generated from operating activities	795,390	1,403,901
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(364,581)	(517,901)
Payments of prepaid lease	(5,317)	(8,823)
Plantation development expenditure	(98,131)	(142,511)
Property development expenditure	(8,936)	(17,129)
Purchase of shares in subsidiaries, net of cash acquired	(206,025)	-
Purchase of available-for-sale investments	(78,033)	(277,990)
Purchase of intangible assets	(1,762)	(1,426)
Proceeds from disposal of property, plant and equipment	5,214	12,863
Compensation from government on land acquired	25,404	7,011
Proceeds from disposal of available-for-sale investments	7,591	152,255
Advance to joint ventures	(19,990)	-
Decrease in short term funds	375,106	454,288
Dividends received from associates	6,641	8,294
Dividends received from investments	47,402	67,148
Interest received	72,012	50,526
Net cash used in investing activities	(243,405)	(213,395)
Cash Flows from Financing Activities		
Term loans received	218,800	116,249
Repayment of term loans	(57,277)	(91,855)
Repayment of Islamic medium term notes	-	(300,000)
Net (repayment)/drawdown of short term borrowings	(251,138)	58,510
Dividends paid to shareholders of the Company	(532,483)	(532,483)
Dividends paid to non-controlling interests	(34,329)	(50,526)
Issuance of shares to non-controlling interests	15,285	10,292
Decrease in other receivable	8,470	13,374
Net cash used in financing activities	(632,672)	(776,439)
Net (decrease)/increase in cash and cash equivalents	(80,687)	414,067
Cash and cash equivalents at 1 October	1,338,563	929,650
	1,257,876	1,343,717
Currency translation differences on opening balances	(69,135)	(5,154)
Cash and cash equivalents at 30 September	1,188,741	1,338,563
Cash and cash equivalents consist of:-		
Cash and bank balances	341,163	331,351
Deposits with licensed banks	883,028	1,131,336
Fixed income trust funds	53,584	-
Bank overdrafts	(89,034)	(124,124)
	1,188,741	1,338,563

* Comparative figures have been restated to conform with current year's presentation.

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



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

	12 months ended 30 September	
	2018	2017
	RM'000	RM'000
Final single tier dividend 35 sen per share for financial year ended 30 September 2017 (single tier dividend of 35 sen per share for year ended 30 September 2016)	372,738	372,738
Interim single tier dividend of 15 sen per share for financial year ended 30 September 2018 (single tier dividend of 15 sen per share for year ended 30 September 2017)	159,745	159,745
	<u>532,483</u>	<u>532,483</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).



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

A7. Segment Information

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

(a) Segment revenue and results

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
12 months ended						
30 September 2018						
Revenue						
External revenue	7,852,761	10,130,102	177,676	239,961	-	18,400,500
Inter-segment revenue	851,220	-	-	191,273	(1,042,493)	-
Total revenue	<u>8,703,981</u>	<u>10,130,102</u>	<u>177,676</u>	<u>431,234</u>	<u>(1,042,493)</u>	<u>18,400,500</u>
Results						
Operating results	711,116	433,928	34,984	62,294	-	1,242,322
Interest income	1,721	6,446	664	108,221	(36,804)	80,248
Finance costs	(9,477)	(63,766)	-	(138,504)	36,804	(174,943)
Share of results of associates	7,122	1,007	2,190	-	-	10,319
Share of results of joint ventures	(12,128)	-	-	(1,686)	-	(13,814)
Segment results	<u>698,354</u>	<u>377,615</u>	<u>37,838</u>	<u>30,325</u>	<u>-</u>	<u>1,144,132</u>
Corporate expense						(26,752)
Profit before taxation						<u>1,117,380</u>
12 months ended						
30 September 2017						
Revenue						
External revenue	10,668,581	9,923,716	141,521	270,218	-	21,004,036
Inter-segment revenue	1,391,807	-	-	110,742	(1,502,549)	-
Total revenue	<u>12,060,388</u>	<u>9,923,716</u>	<u>141,521</u>	<u>380,960</u>	<u>(1,502,549)</u>	<u>21,004,036</u>
Results						
Operating results	1,307,728	193,410	39,056	70,517	-	1,610,711
Interest income	680	6,701	413	108,425	(41,740)	74,479
Finance costs	(12,565)	(67,324)	-	(131,700)	41,740	(169,849)
Share of results of associates	10,652	1,253	1,027	-	-	12,932
Share of results of joint ventures	(15,450)	-	-	(1,818)	-	(17,268)
Segment results	<u>1,291,045</u>	<u>134,040</u>	<u>40,496</u>	<u>45,424</u>	<u>-</u>	<u>1,511,005</u>
Corporate expense						(60,800)
Profit before taxation						<u>1,450,205</u>



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

(b) Segment assets

	Plantations RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Consolidated RM'000
As at 30 September 2018					
Operating assets	6,369,549	6,524,921	1,477,059	3,866,228	18,237,757
Associates	72,268	7,726	73,669	-	153,663
Joint ventures	153,964	-	-	6,450	160,414
Segment assets	<u>6,595,781</u>	<u>6,532,647</u>	<u>1,550,728</u>	<u>3,872,678</u>	<u>18,551,834</u>
Tax assets					444,222
Total assets					<u>18,996,056</u>
As at 30 September 2017					
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 RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Consolidated RM'000
As at 30 September 2018					
Segment liabilities	<u>1,261,845</u>	<u>2,319,213</u>	<u>107,623</u>	<u>2,649,600</u>	6,338,281
Tax liabilities					346,928
Total liabilities					<u>6,685,209</u>
As at 30 September 2017					
Segment liabilities	<u>1,515,797</u>	<u>2,522,196</u>	<u>67,139</u>	<u>2,609,373</u>	6,714,505
Tax liabilities					349,567
Total liabilities					<u>7,064,072</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

- (a) The acquisition of 95% equity interest in PT Putra Bongan Jaya ("PBJ") by the Company was completed on 30 August 2018. Following the completion, PBJ is now a subsidiary of the Company.
- (b) The acquisition of 95% equity interest in PT Bumi Makmur Sejahtera Jaya ("BMSJ") by the Company's wholly-owned subsidiary, KL-Kepong Plantation Holdings Sdn Bhd was completed on 7 September 2018. Following the completion, BMSJ 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.



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

Notes to Interim Financial Report

(Continued)

A11. Capital Commitments

	30 September 2018	30 September 2017
	RM'000	RM'000
Capital expenditure		
Approved and contracted	124,864	120,589
Approved but not contracted	822,627	539,995
	<u>947,491</u>	<u>660,584</u>
Acquisition of shares in a subsidiary		
Approved and contracted	-	1,322

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.

	12 months ended 30 September	
	2018	2017
	RM'000	RM'000
(i) Transactions with associates and joint ventures		
Sale of goods	310,373	3,391
Purchase of goods	1,268,263	1,278,632
Service charges paid	1,722	2,524
Research and development services paid	11,084	14,435
(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	13,630	7,056
Siam Taiko Marketing Co Ltd	3,224	3,611
Taiko Marketing Sdn Bhd	7,562	7,974
Taiko Marketing (Singapore) Pte Ltd	1,874	2,807
Storage tanks rental received		
Taiko Marketing Sdn Bhd	3,970	3,709
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	3,404	4,494
Bukit Katho Estate Sdn Bhd	4,457	4,894
Kampar Rubber & Tin Co Sdn Bhd	7,044	7,933
Kekal Deras Sdn Bhd	1,577	1,998
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	1,001	568
Malay Rubber Plantations (M) Sdn Bhd	6,651	8,521
PT Agro Makmur Abadi	84,940	81,734
PT Safari Riau	33,649	41,735
PT Satu Sembilan Delapan	17,198	17,909
Taiko Acid Works Sdn Bhd	2,362	1,007
Taiko Clay Marketing Sdn Bhd	2,320	2,426
Taiko Drum Industries Sdn Bhd	2,888	2,531
Taiko Marketing Sdn Bhd	50,217	30,981
Rental of office paid		
Batu Kawan Holdings Sdn Bhd	3,356	4,341
Management fees paid		
Farming Management Services Pty Ltd	-	2,284
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	1,423	1,789
Supply of contract labour and engineering works		
K7 Engineering Sdn Bhd	918	2,946
Yeow Brothers Engineering Sdn Bhd	758	1,394



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

	12 months ended 30 September	
	2018 RM'000	2017 RM'000
(iii) Transactions between subsidiaries and non-controlling interests		
Sale of goods		
Mitsubishi Corporation	46,096	70,036
Mitsui & Co Ltd	349,788	418,796
Tejana Trading & Management Services Sdn Bhd	4,312	10,760
Purchases of goods		
Mitsubishi Gas Chemical Singapore Pte Ltd	17,283	3,217
PT Letawa	2,671	-
PT Tanjung Bina Lestari	27,851	205,883
PT Tanjung Sarana Lestari	1,328,873	1,648,180
Tejana Trading & Management Services Sdn Bhd	1,361	2,007

B Explanatory Notes as required by the BMSB Revised Listing Requirements

B1. Analysis of Performance

4th Quarter FY2018 vs 4th Quarter FY2017

	Quarter Ended		+ / (-) %
	30/9/2018 RM'000	30/9/2017 RM'000	
Revenue	4,190,976	5,163,782	(18.8)
Segment results:			
Plantations	123,882	286,144	(56.7)
Manufacturing	41,388	79,057	(47.6)
Property development	21,249	20,936	1.5
Investment holding/Others	1,261	(399)	-
	187,780	385,738	(51.3)
Corporate expense	(17,590)	(4,936)	256.4
Profit before taxation	170,190	380,802	(55.3)

For the 4th Quarter, the Group's profit before taxation fell 55.3% to RM170.2 million (4QFY2017: profit RM380.8 million) and revenue was 18.8% lower at RM4.191 billion (4QFY2017: RM5.164 billion).

Comments on the business sectors are as follows:-

Plantations

Plantations profit shrunk 56.7% to RM123.9 million (4QFY2017: profit RM286.1 million), attributable to:-

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

	4QFY2018	4QFY2017	% Change
Crude Palm Oil (RM/mt ex-mill)	2,060	2,555	(19.4)
Palm Kernel (RM/mt ex-mill)	1,594	2,162	(26.3)

- Losses incurred by processing and trading operations.

Manufacturing

Manufacturing segment reported a 47.6% reduction in profit to RM41.4 million (4QFY2017: profit RM79.1 million) whilst revenue had decreased by 4.7% to RM2.438 billion (4QFY2017: RM2.557 billion). This segment's profit was affected by lower returns from Europe operations due to narrower margins and lower sales volume. The current quarter's profit had accounted for an impairment of RM21.6 million (4QFY2017: RM30.9 million) on an under-performing specialised oleochemical plant.



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

Notes to Interim Financial Report

(Continued)

The oleochemical division contributed a lower profit of RM30.0 million (4QFY2017: profit RM76.2 million) whilst the other manufacturing units registered a higher profit of RM11.4 million (4QFY2017: profit RM2.9 million).

Property Development

Properties profit was slightly higher at RM21.2 million (4QFY2017: profit RM20.9 million) although revenue had improved 61.0% to RM71.5 million (4QFY2017: RM44.4 million) due to the recognition of development profits from a particular phase with lower gross margin.

Todate 4th Quarter FY2018 vs Totate 4th Quarter FY2017

	Todate Ended		+ / (-) %
	30/9/2018 RM'000	30/9/2017 RM'000	
Revenue	18,400,500	21,004,036	(12.4)
Segment results:			
Plantations	698,354	1,291,045	(45.9)
Manufacturing	377,615	134,040	181.7
Property development	37,838	40,496	(6.6)
Investment holding/Others	30,325	45,424	(33.2)
	1,144,132	1,511,005	(24.3)
Corporate expense	(26,752)	(60,800)	(56.0)
Profit before taxation	1,117,380	1,450,205	(23.0)

The Group recorded a pre-tax profit of RM1.117 billion for the current financial year which was 23.0% below the preceding financial year's profit of RM1.450 billion. Group revenue had declined 12.4% to RM18.401 billion (Todate 4QFY2017: RM21.004 billion).

Comments on the business sectors are as follows:-

Plantations

Plantations segment posted a 45.9% drop in profit to RM698.4 million (Todate 4QFY2017: profit RM1.291 billion) which was impacted by the following:-

- CPO and PK selling prices realised had weakened to:-

	Todate 4QFY2018	Todate 4QFY2017	% Change
Crude Palm Oil (RM/mt ex-mill)	2,335	2,735	(14.6)
Palm Kernel (RM/mt ex-mill)	1,967	2,534	(22.4)

- Negative contributions from processing and trading operations.
- Net unrealised foreign exchange translation loss on loans advanced and bank borrowings to Indonesian subsidiaries was much higher at RM85.3 million (Todate 4QFY2017: net loss RM4.0 million).

Manufacturing

Manufacturing profits rose substantially to RM377.6 million (Todate 4QFY2017: profit RM134.0 million – affected by high volatility of raw material prices and write-down of stocks). However, revenue improved only 2.1% to RM10.130 billion (Todate 4QFY2017: RM9.924 billion) as a result of lower selling prices. This segment's performance was underpinned by strong sales volume, favourable raw material prices and healthy margins.

The oleochemical division's profit was sharply higher at RM368.0 million (Todate 4QFY2017: profit RM115.5 million) but the other manufacturing units' profit was lower by 48.1% at RM9.6 million (Todate 4QFY2017: profit RM18.5 million).



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

Notes to Interim Financial Report (Continued)

Property Development

Properties segment's profit decreased 6.6% to RM37.8 million (Todate 4QFY2017: profit RM40.5 million) whilst revenue rose 25.5% to RM177.7 million (Todate 4QFY2017: RM141.5 million). This was due to the recognition of development profit from a particular phase with lower gross margin.

Investment Holding/Others

Farming sector posted a 67.6% drop in profit to RM3.3 million (Todate 4QFY2017: profit RM10.1 million) caused by the decline in crop production as a result of lower yield. However, improvement in grain prices had mitigated the decrease in profit.

Corporate

The Group profit had accounted for a surplus of RM24.0 million (Todate 4QFY2017: surplus RM4.9 million) arising from the government acquisition of plantation land.

B2. Variation of Results to Immediate Preceding Quarter 4th Quarter FY2018 vs 3rd Quarter FY2018

	Current Quarter Ended 30/9/2018 RM'000	Immediate Preceding Quarter Ended 30/6/2018 RM'000	+ / (-) %
Revenue	<u>4,190,976</u>	<u>4,331,732</u>	(3.2)
Segment results:			
Plantations	123,882	127,806	(3.1)
Manufacturing	41,388	83,516	(50.4)
Property development	21,249	8,259	157.3
Investment holding/Others	1,261	16,269	(92.2)
	<u>187,780</u>	<u>235,850</u>	(20.4)
Corporate expense	<u>(17,590)</u>	<u>(19,106)</u>	(7.9)
Profit before taxation	<u>170,190</u>	<u>216,744</u>	(21.5)

The Group's pre-tax profit for the quarter under review declined 21.5% to RM170.2 million (3QFY2018: profit RM216.7 million) with 3.2% decrease in revenue to RM4.191 billion (3QFY2018: RM4.332 billion).

Plantations

Plantations profit had reduced 3.1% to RM123.9 million (3QFY2018: profit RM127.8 million) despite the following favourable factors:-

- FFB production improved 10.2% to 1,020,108 mt.
- Cost of CPO production had dropped.

The lower current quarter's profit was attributed to:-

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

	<u>4QFY2018</u>	<u>3QFY2018</u>	<u>% Change</u>
Crude Palm Oil (RM/mt ex-mill)	2,060	2,302	(10.5)
Palm Kernel (RM/mt ex-mill)	1,594	1,695	(6.0)

- Increase in negative contributions from processing and trading operations.
- Higher net unrealised foreign exchange translation loss of RM17.0 million (3QFY2018: net loss RM2.9 million) on loans advanced and bank borrowings to Indonesian subsidiaries.



Notes to Interim Financial Report
(Continued)

Manufacturing

Manufacturing profit was sharply lower by 50.4% at RM41.4 million (3QFY2018: profit RM83.5 million) despite the huge reduction in the unrealised loss to RM9.4 million (3QFY2018: unrealised loss RM50.8 million) arising from the fair value changes on outstanding derivative contracts. Revenue decreased 2.5% to RM2.438 billion (3QFY2018: RM2.499 billion) as a result of lower selling prices. The current quarter's profit was affected by the drop in profit from Europe operations which registered lower margins and sales volume. In addition, there was an impairment of RM21.6 million on an under-performing specialised oleochemical plant.

The oleochemical division's profit fell 64.7% to RM30.0 million (3QFY2018: profit RM85.1 million) whilst the other manufacturing units achieved a profit of RM11.4 million (3QFY2018: loss RM1.6 million).

Property Development

Properties segment reported a significant increase in profit to RM21.2 million (3QFY2018: profit RM8.3 million) supported by 41.5% improvement in revenue to RM71.5 million (3QFY2018: RM50.6 million).

Investment Holding/Others

This segment had recognised a lower dividend income of RM16.7 million (3QFY2018: RM35.9 million) from overseas investments, Synthomer plc and M.P. Evans Group.

B3. Current Year Prospects

The current high CPO inventory level has impacted negatively on palm product prices. Whilst we expect FFB production to improve, the current uncertainty in palm product prices will pose a challenge to our plantation profit for financial year 2019.

Oleochemical division is expected to maintain its performance with higher capacity utilisations and operational efficiencies.

Overall, the Group profits for the 1st half of financial year 2019 will be affected by the prevailing depressed palm product prices.

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		12 months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	39,528	64,383	152,753	192,885
Overseas taxation	18,399	41,237	142,220	175,429
	<u>57,927</u>	<u>105,620</u>	<u>294,973</u>	<u>368,314</u>
Deferred tax				
Origination and reversal of temporary differences	12,802	(122)	5,903	9,829
Under/(Over) provision in respect of previous years	2,999	(630)	12,250	(3,677)
	<u>15,801</u>	<u>(752)</u>	<u>18,153</u>	<u>6,152</u>
	<u>73,728</u>	<u>104,868</u>	<u>313,126</u>	<u>374,466</u>
(Over)/Under provision in respect of previous years				
Malaysian taxation	(7,411)	3,810	(8,893)	1,636
Overseas taxation	293	6,275	9,043	7,227
	<u>(7,118)</u>	<u>10,085</u>	<u>150</u>	<u>8,863</u>
Total	<u>66,610</u>	<u>114,953</u>	<u>313,276</u>	<u>383,329</u>



Notes to Interim Financial Report
(Continued)

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>170,190</u>	<u>380,802</u>	<u>1,117,380</u>	<u>1,450,205</u>
Tax at Malaysian income tax rate of 24% (FY2017: 24%)	40,846	91,392	268,171	348,049
Effect of different tax rates in foreign jurisdictions	1,513	(12,820)	(646)	(4,136)
Withholding tax on foreign dividend and interest income	3,075	9,017	18,706	36,625
Expenses not deductible for tax purposes	25,005	46,450	79,356	80,019
Tax exempt and non-taxable income	(14,997)	(20,342)	(63,930)	(89,428)
Tax incentives	(843)	(543)	(3,548)	(4,066)
Deferred tax (liabilities)/assets not recognised during the period	(2,112)	3,338	(1,714)	23,611
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	10,112	2,601	(420)	(3,797)
Tax effect on associates' and joint ventures' results	39	179	839	1,041
Recognition of deferred tax assets not taken up previously	6,178	(11,170)	(62)	(11,436)
Recognition of unabsorbed re-investment allowance	-	(4,153)	-	(4,153)
(Over)/Under provision of tax expense in respect of previous years	(7,118)	10,085	150	8,863
Under/(Over) provision of deferred tax in respect of previous years	2,999	(630)	12,250	(3,677)
Others	1,913	1,549	4,124	5,814
Tax expense	<u>66,610</u>	<u>114,953</u>	<u>313,276</u>	<u>383,329</u>

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 4th quarter ended 30 September 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
Secured						
Term loans	Euro 7,300	35,085	Euro 2,122	10,198	Euro 9,422	45,283
Unsecured						
Bank overdrafts	-	-	CHF 3	13	CHF 3	13
	-	-	Euro 18,521	89,021	Euro 18,521	89,021
Revolving credit	-	-	Euro 20,000	96,130	Euro 20,000	96,130
	-	-	Rp 149,165,902	41,453	Rp 149,165,902	41,453
	-	-	AUD 9,000	26,951	AUD 9,000	26,951
Trade financing	-	-	USD 65,380	270,675	USD 65,380	270,675
Term loans	USD 45,000	186,695	-	-	USD 45,000	186,695
	Euro 50,000	240,319	Euro 36,500	175,439	Euro 86,500	415,758
Export credit refinancing	-	-	-	83,620	-	83,620
Bankers' acceptance	-	-	-	427,614	-	427,614
Islamic medium term notes	-	2,600,000	-	-	-	2,600,000
Total		3,062,099		1,221,114		4,283,213



Notes to Interim Financial Report
(Continued)

	As at 4th quarter ended 30 September 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
Secured						
Term loans	Euro 6,240	31,104	Euro 2,355	11,739	Euro 8,595	42,843
Unsecured						
Bank overdrafts	-	-	Euro 24,902	124,124	Euro 24,902	124,124
Revolving credit	-	-	Euro 33,000	164,492	Euro 33,000	164,492
	-	-	Rmb 84,000	53,441	Rmb 84,000	53,441
Trade financing	-	-	USD 99,712	421,031	USD 99,712	421,031
Term loans	USD 50,000	211,757	-	-	USD 50,000	211,757
	Euro 45,000	224,307	Euro 5,000	24,923	Euro 50,000	249,230
Export credit refinancing	-	-	-	225,059	-	225,059
Bankers' acceptance	-	-	-	350,787	-	350,787
Islamic medium term notes	-	2,600,000	-	-	-	2,600,000
Total		3,067,168		1,375,596		4,442,764

Exchange Rates Applied	As at 30 September	
	2018	2017
USD / RM	4.1400	4.2235
Euro / RM	4.8065	4.9846
Rmb / RM	-	0.6362
CHF / RM	4.2163	-
Rp1,000 / RM	0.2779	-
AUD / RM	2.9945	-

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 September 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	(889,141)	(10,850)
- 1 year to 3 years	-	-
- More than 3 years	-	-
	<u> </u>	<u> </u>
(ii) Commodity futures contracts		
- Less than 1 year	68,675	15,841
- 1 year to 3 years	-	-
- More than 3 years	-	-
	<u> </u>	<u> </u>

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 year ended 30 September 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.



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

Notes to Interim Financial Report

(Continued)

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 will recommend the payment of a final dividend for the financial year ended 30 September 2018 at a later date.

(b) The total interim dividend paid for the current financial year to-date is single tier dividend of 15 sen per share (Financial year ended 30 September 2017: interim dividend of 15 sen per share and final dividend of 35 sen per share).

B12. Earnings Per Share

Basic earnings per share

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		12 months ended 30 September	
	2018	2017	2018	2017
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	101,500	242,124	753,328	1,005,130
(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)	9.5	22.7	70.7	94.4

B13. Audit Report

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



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

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 30 September		12 months ended 30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(17,399)	(20,026)	(80,248)	(74,479)
Other income including dividend income	(39,843)	(17,833)	(105,634)	(104,344)
Interest expense	43,006	40,485	174,943	169,849
Depreciation and amortisation	116,041	113,178	473,328	473,882
Provision for and write-off/(Reversal of write-off) of receivables	467	2,580	(179)	7,916
Provision for and write-off/(Reversal of write-off) of inventories	10,050	(28,386)	34,101	21,866
Surplus on disposal of quoted or unquoted investments	-	(8,395)	(2,566)	(11,898)
Surplus on disposal of land	(918)	(782)	(2,445)	(5,611)
Surplus on government acquisition of land	142	-	(24,034)	(4,892)
Impairment of property, plant and equipment	21,625	30,940	21,625	30,940
Impairment of available-for-sale investments	579	693	579	32,625
Foreign exchange loss/(gain)	33,744	(5,982)	41,093	3,586
(Gain)/Loss on derivatives	(13,920)	18,716	(38,591)	20,453
Exceptional items	-	-	-	-

By Order of the Board
YAP MIOU KIEN
Company Secretary

14 November 2018