



# KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

Interim Financial Report  
For the first quarter ended 31 December 2016



# 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 2016.

## Condensed Consolidated Statement of Profit or Loss For the first quarter ended 31 December 2016

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	5,496,149	4,337,801	5,496,149	4,337,801
Operating expenses	(5,125,580)	(4,070,537)	(5,125,580)	(4,070,537)
Other operating income	143,733	679,505	143,733	679,505
Finance costs	(41,893)	(36,457)	(41,893)	(36,457)
Share of results of associates	2,950	(5,583)	2,950	(5,583)
Share of results of joint ventures	(2,948)	6,364	(2,948)	6,364
Profit before taxation	472,411	911,093	472,411	911,093
Taxation	(96,323)	(80,837)	(96,323)	(80,837)
Net profit for the period	<u>376,088</u>	<u>830,256</u>	<u>376,088</u>	<u>830,256</u>
Attributable to:-				
Equity holders of the Company	360,676	795,210	360,676	795,210
Non-controlling interests	<u>15,412</u>	<u>35,046</u>	<u>15,412</u>	<u>35,046</u>
	<u>376,088</u>	<u>830,256</u>	<u>376,088</u>	<u>830,256</u>
	Sen	Sen	Sen	Sen
Earnings per share - basic	<u>33.9</u>	<u>74.7</u>	<u>33.9</u>	<u>74.7</u>
Earnings per share - diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

N/A - Not applicable

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



# KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

## Condensed Consolidated Statement of Other Comprehensive Income For the first quarter ended 31 December 2016

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	376,088	830,256	376,088	830,256
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	295,880	(26,090)	295,880	(26,090)
Net change in fair value of available-for-sale investments	62,543	(157,776)	62,543	(157,776)
Realisation on fair value of available-for-sale investments	1,041	(1,378)	1,041	(1,378)
	359,464	(185,244)	359,464	(185,244)
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 income/(loss) for the period	358,422	(185,244)	358,422	(185,244)
Total comprehensive income for the period	734,510	645,012	734,510	645,012
Attributable to:-				
Equity holders of the Company	711,409	611,303	711,409	611,303
Non-controlling interests	23,101	33,709	23,101	33,709
	734,510	645,012	734,510	645,012

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



# KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

## Condensed Consolidated Statement of Financial Position

As at 31 December 2016

(The figures have not been audited.)

	31 December 2016 RM'000	30 September 2016 RM'000
<b>Assets</b>		
Property, plant and equipment	5,216,110	5,066,699
Prepaid lease payments	315,192	307,068
Biological assets	2,660,835	2,548,178
Land held for property development	1,134,863	1,130,312
Goodwill on consolidation	328,911	321,661
Intangible assets	14,135	15,076
Investment in associates	139,954	138,803
Investment in joint ventures	183,325	173,384
Available-for-sale investments	1,615,728	1,607,570
Other receivable	215,003	205,195
Deferred tax assets	465,694	454,230
<b>Total non-current assets</b>	<b>12,289,750</b>	<b>11,968,176</b>
Inventories	2,347,476	1,898,109
Biological assets	4,021	43,697
Trade and other receivables	2,749,647	2,165,616
Tax recoverable	54,713	57,987
Property development costs	73,728	83,463
Derivative financial assets	172,325	119,454
Short term funds	529,279	1,029,711
Cash and cash equivalents	1,700,081	970,360
<b>Total current assets</b>	<b>7,631,270</b>	<b>6,368,397</b>
<b>Total assets</b>	<b>19,921,020</b>	<b>18,336,573</b>
<b>Equity</b>		
Share capital	1,067,505	1,067,505
Reserves	10,101,920	9,390,511
	11,169,425	10,458,016
Less: Cost of treasury shares	(13,447)	(13,447)
<b>Total equity attributable to equity holders of the Company</b>	<b>11,155,978</b>	<b>10,444,569</b>
Non-controlling interests	875,909	843,457
<b>Total equity</b>	<b>12,031,887</b>	<b>11,288,026</b>
<b>Liabilities</b>		
Deferred tax liabilities	252,228	254,976
Deferred income	116,244	118,665
Provision for retirement benefits	510,972	495,894
Borrowings	2,978,122	2,967,808
<b>Total non-current liabilities</b>	<b>3,857,566</b>	<b>3,837,343</b>
Trade and other payables	1,679,329	1,342,174
Deferred income	7,033	6,328
Borrowings	2,013,005	1,572,222
Tax payable	104,441	71,694
Derivative financial liabilities	227,759	218,786
<b>Total current liabilities</b>	<b>4,031,567</b>	<b>3,211,204</b>
<b>Total liabilities</b>	<b>7,889,133</b>	<b>7,048,547</b>
<b>Total equity and liabilities</b>	<b>19,921,020</b>	<b>18,336,573</b>
Net assets per share attributable to equity holders of the Company (RM)	10.48	9.81

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



# KUALA LUMPUR KEPONG BERHAD

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(Incorporated in Malaysia)

## Condensed Consolidated Statement of Changes in Equity For the first quarter ended 31 December 2016 (The figures have not been audited.)

	Attributable to the equity holders of the Company								Non-	Total	
	Share capital	Capital reserve	Revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	Retained earnings	Treasury shares	Total	controlling interests	Equity
	RM'000	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



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## Condensed Consolidated Statement of Changes in Equity For the first quarter ended 31 December 2016 (Continued) (The figures have not been audited.)

	Attributable to the equity holders of the Company								Non-	Total	
	Share capital	Capital reserve	Revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	Retained earnings	Treasury shares	Total	controlling interests	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2015	1,067,505	1,019,259	79,067	59,840	533,068	878,724	6,042,391	(13,447)	9,666,407	461,703	10,128,110
Net change in fair value of available-for-sale investments	-	-	-	-	-	(157,776)	-	-	(157,776)	-	(157,776)
Realisation on fair value of available-for sale investments	-	-	-	-	-	(1,378)	-	-	(1,378)	-	(1,378)
Transfer from retained earnings to reserves	-	1,701	-	-	-	-	(1,701)	-	-	-	-
Currency translation differences	-	142	-	(1)	(24,894)	-	-	-	(24,753)	(1,337)	(26,090)
Total other comprehensive income/(loss) for the period	-	1,843	-	(1)	(24,894)	(159,154)	(1,701)	-	(183,907)	(1,337)	(185,244)
Profit for the period	-	-	-	-	-	-	795,210	-	795,210	35,046	830,256
Total comprehensive income/(loss) for the period	-	1,843	-	(1)	(24,894)	(159,154)	793,509	-	611,303	33,709	645,012
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	324,800	324,800
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(806)	(806)
Total transactions with owners of the Company	-	-	-	-	-	-	-	-	-	323,994	323,994
At 31 December 2015	1,067,505	1,021,102	79,067	59,839	508,174	719,570	6,835,900	(13,447)	10,277,710	819,406	11,097,116

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

**KUALA LUMPUR KEPONG BERHAD**

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**Condensed Consolidated Statement of Cash Flows****For the first quarter ended 31 December 2016**

(The figures have not been audited.)

	3 months ended 31 December	
	2016	2015
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	472,411	911,093
Adjustment for non-cash flow:-		
Non-cash items	148,308	(402,040)
Non-operating items	20,435	12,630
Operating profit before working capital changes	641,154	521,683
Working capital changes:-		
Net change in current assets	(995,094)	(209,133)
Net change in current liabilities	294,567	(98,414)
Cash (used in)/generated from operations	(59,373)	214,136
Interest paid	(29,801)	(16,349)
Tax paid	(55,926)	(59,149)
Retirement benefits paid	(8,607)	(7,293)
Net cash (used in)/generated from operating activities	(153,707)	131,345
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(168,993)	(269,821)
Payments of prepaid lease	(1,768)	(20,483)
Plantation development expenditure	(38,750)	(39,061)
Property development expenditure	(4,551)	(860,684)
Subscription of shares in an associate	-	(324,800)
Purchase of available-for-sale investments	(1,802)	(38,065)
Purchase of intangible assets	(36)	-
Proceeds from disposal of property, plant and equipment	5,967	414
Compensation from government on land acquired	-	23,120
Proceeds from disposal of land	-	821,007
Proceeds from disposal of available-for-sale investments	103,482	4,704
Decrease/(Increase) in short term funds	514,747	(83,014)
Dividends received from associates	1,544	6,051
Dividends received from investments	20,275	23,900
Interest received	10,481	8,408
Net cash generated from/(used in) investing activities	440,596	(748,324)
Cash Flows from Financing Activities		
Repayment of term loans	(1,992)	(235)
Repayment of Islamic medium term notes	(300,000)	-
Drawdown of short term borrowings	696,343	314,736
Dividends paid to non-controlling interests	(941)	(806)
Issuance of shares to non-controlling interests	10,292	324,800
Decrease/(Increase) in other receivable	4,479	(5,495)
Net cash generated from financing activities	408,181	633,000
Net increase in cash and cash equivalents	695,070	16,021
Cash and cash equivalents at 1 October	929,650	2,055,990
	1,624,720	2,072,011
Currency translation differences on opening balances	29,184	(7,601)
Cash and cash equivalents at 31 December	1,653,904	2,064,410
Cash and cash equivalents consist of:-		
Cash and bank balances	577,446	268,910
Deposits with licensed bank	639,193	668,022
Short term funds	483,442	1,175,990
Bank overdrafts	(46,177)	(48,512)
	1,653,904	2,064,410

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



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## Notes to Interim Financial Report

### A Explanatory Notes as required by FRS 134

#### A1. Basis of Preparation

The Interim Financial Report is unaudited and has been prepared in compliance with Financial Reporting Standard ("FRS") 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB"). The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2016.

The accounting policies and methods of computation adopted by the Group in this Interim Financial Report are consistent with those adopted in the audited financial statements for the year ended 30 September 2016 except for the adoption of the following FRS and amendments to FRSs:-

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

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

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

#### A2. Seasonal and Cyclical Factors

The Group's plantation operations are affected by seasonal crop production, weather conditions and fluctuating commodity prices.

#### A3. Unusual Items

There were no items affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

#### A4. Changes in Estimates

There were no significant changes in the amount of estimates reported in prior interim periods or prior financial years that have a material effect in the current interim period.

#### A5. Changes in Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the current financial year-to-date.

#### A6. Dividends Paid

There were no dividends paid during the financial quarter ended 31 December 2016 (31 December 2015: 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 RM'000	Manufacturing RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
3 months ended 31 December 2016						
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>
3 months ended 31 December 2015						
Revenue						
External revenue	2,453,415	1,787,087	10,269	87,030	-	4,337,801
Inter-segment revenue	241,766	-	-	9,729	(251,495)	-
Total revenue	<u>2,695,181</u>	<u>1,787,087</u>	<u>10,269</u>	<u>96,759</u>	<u>(251,495)</u>	<u>4,337,801</u>
Results						
Operating results	265,758	134,362	78	27,538	-	427,736
Interest income	176	1,146	5	22,361	(9,369)	14,319
Finance costs	(1,527)	(9,762)	-	(34,537)	9,369	(36,457)
Share of results of associates	2,202	136	(782)	(7,139)	-	(5,583)
Share of results of a joint venture	6,364	-	-	-	-	6,364
Segment results	<u>272,973</u>	<u>125,882</u>	<u>(699)</u>	<u>8,223</u>	<u>-</u>	<u>406,379</u>
Corporate income						<u>504,714</u>
Profit before taxation						<u>911,093</u>



# KUALA LUMPUR KEPONG BERHAD

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## Notes to Interim Financial Report (Continued)

### (b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2016					
Operating assets	6,805,899	7,247,501	1,339,729	3,684,205	19,077,334
Associates	62,741	6,442	70,771	-	139,954
Joint ventures	173,048	-	-	10,277	183,325
Segment assets	<u>7,041,688</u>	<u>7,253,943</u>	<u>1,410,500</u>	<u>3,694,482</u>	<u>19,400,613</u>
Tax assets					520,407
Total assets					<u>19,921,020</u>
As at 30 September 2016					
Operating assets	6,171,205	6,506,518	1,321,245	3,513,201	17,512,169
Associates	62,602	5,749	70,452	-	138,803
Joint ventures	163,472	-	-	9,912	173,384
Segment assets	<u>6,397,279</u>	<u>6,512,267</u>	<u>1,391,697</u>	<u>3,523,113</u>	<u>17,824,356</u>
Tax assets					512,217
Total assets					<u>18,336,573</u>

### (c) Segment liabilities

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2016					
Segment liabilities	<u>1,745,537</u>	<u>3,052,881</u>	<u>39,900</u>	<u>2,694,146</u>	<u>7,532,464</u>
Tax liabilities					356,669
Total liabilities					<u>7,889,133</u>
As at 30 September 2016					
Segment liabilities	<u>1,306,873</u>	<u>2,462,692</u>	<u>43,487</u>	<u>2,908,825</u>	<u>6,721,877</u>
Tax liabilities					326,670
Total liabilities					<u>7,048,547</u>

#### A8. Event Subsequent to Reporting Date

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

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

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinued operations during the quarter under review.

#### A10. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets since the last annual reporting date.

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)

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**Notes to Interim Financial Report  
(Continued)****A11. Capital Commitments**

	31 December 2016	30 September 2016
	RM'000	RM'000
Capital expenditure		
Approved and contracted	210,226	251,874
Approved but not contracted	486,175	626,106
	<u>696,401</u>	<u>877,980</u>
Acquisition of shares in a subsidiary		
Approved and contracted	<u>1,403</u>	<u>1,336</u>

**A12. Significant Related Party Transactions**

The significant related party transactions set out below were carried out in the normal course of business and on terms and conditions not more materially different from those obtainable in transactions with unrelated parties.

	3 months ended 31 December	
	2016	2015
	RM'000	RM'000
(i) Transactions with associates and joint ventures		
Sale of goods	-	954
Purchase of goods	412,295	202,699
Service charges paid	408	1,167
Research and development services	<u>4,264</u>	<u>2,724</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	2,580	8,345
Taiko Marketing Sdn Bhd	1,576	1,214
Taiko Marketing (Singapore) Pte Ltd	<u>1,239</u>	<u>1,131</u>
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	1,348	1,287
Bukit Katho Estate Sdn Bhd	1,234	683
Kampar Rubber & Tin Co Sdn Bhd	2,054	1,937
Malay Rubber Plantations (M) Sdn Bhd	1,607	1,085
PT Agro Makmur Abadi	21,729	16,661
PT Safari Riau	14,578	6,873
PT Satu Sembilan Delapan	3,313	18,944
Taiko Fertiliser Marketing Sdn Bhd	-	17
Taiko Marketing Sdn Bhd	<u>6,128</u>	<u>6,471</u>
Rental of office paid		
Batu Kawan Holdings Sdn Bhd	<u>1,068</u>	<u>1,040</u>
Supply of contract labour and engineering works		
K7 Engineering Sdn Bhd	<u>473</u>	<u>1,070</u>



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## Notes to Interim Financial Report (Continued)

		3 months ended 31 December	
		2016	2015
		RM'000	RM'000
(iii)	Transactions between subsidiaries and non-controlling interests		
	Sale of goods		
	Mitsubishi Corporation	20,074	58,942
	Mitsui & Co Ltd	110,711	71,078
	Tejana Trading & Management Services Sdn Bhd	<u>2,806</u>	<u>304</u>
	Purchases of goods		
	PT Eka Dura Indonesia	-	24,085
	PT Tanjung Sarana Lestari	<u>506,297</u>	<u>296,603</u>

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

#### B1. Analysis of Performance

##### *1<sup>st</sup> Quarter FY2017 vs 1<sup>st</sup> Quarter FY2016*

The Group's pre-tax profit for the 1<sup>st</sup> quarter declined sharply to RM472.4 million (1QFY2016: profit RM911.1 million which included a RM485.7 million surplus from the sale of plantation land to an associate). Revenue at RM5.496 billion was 26.7% above that of the preceding quarter. Comments on the business sectors are as follows:-

- (i) Plantations profit surged 53.6% to RM419.4 million (1QFY2016: profit RM273.0 million) on account of improved selling prices of CPO and PK despite the increase in cost of CPO production and lower contributions from processing operations. This sector's profit had also benefitted from the higher net unrealised foreign exchange gain of RM44.4 million (1QFY2016: net gain RM22.3 million) which arose from the translation of inter-company loans advanced and bank borrowings to Indonesian companies.

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

	1QFY2017	1QFY2016	% Change
Crude Palm Oil (RM/mt ex-mill)	2,720	1,972	+37.9
Palm Kernel (RM/mt ex-mill)	2,648	1,437	+84.3

- (ii) Manufacturing sector's profit declined 80.3% to RM24.7 million (1QFY2016: profit RM125.9 million) despite the 30.4% improvement in revenue to RM2.331 billion (1QFY2016: RM1.787 billion). Market conditions were difficult and the increasing cost of raw materials, particularly CPKO, had narrowed margins. The unrealised loss of RM29.0 million (1QFY2016: unrealised gain RM9.9 million) arising from the fair value changes on outstanding derivatives contracts had also affected the result of this sector.

The oleochemical division's profit was substantially lower at RM18.4 million (1QFY2016: profit RM117.0 million) and the other manufacturing units' profit had reduced to RM6.3 million (1QFY2016: profit RM8.9 million).

- (iii) Properties sector achieved a profit of RM15.9 million (1QFY2016: loss RM699,000) on the back of a much higher revenue of RM60.2 million (1QFY2016: RM10.3 million).
- (iv) Farming sector registered a sharp rise in profit to RM36.9 million (1QFY2016: RM13.1 million) due to higher crop production from a larger cropped area and better yields.



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### B2. Variation of Results to Preceding Quarter

#### *1<sup>st</sup> Quarter FY2017 vs 4<sup>th</sup> Quarter FY2016*

For the current quarter, the Group's pre-tax profit rose 93.6% to RM472.4 million (4QFY2016: profit RM244.0 million) with a 21.0% improvement in revenue to RM5.496 billion (4QFY2016: RM4.543 billion).

Plantations profit increased almost two-fold to RM419.4 million (4QFY2016: profit RM218.6 million) which was achieved through:-

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

	<u>1QFY2017</u>	<u>4QFY2016</u>	<u>% Change</u>
Crude Palm Oil (RM/mt ex-mill)	2,720	2,497	+8.9
Palm Kernel (RM/mt ex-mill)	2,648	2,364	+12.0

- Higher FFB production.
- Better sales volume of CPO and PK.
- Positive contribution from processing operations.

Manufacturing sector reported a profit of RM24.7 million as against a loss of RM6.2 million incurred in the preceding quarter after the recognition of a lower unrealised loss of RM29.0 million (4QFY2016: unrealised loss RM79.1 million) from the fair value changes on outstanding derivatives contracts. Revenue improved 7.4% to RM2.331 billion (4QFY2016: RM2.171 billion) on account of higher selling prices which is in line with the rising raw materials prices and this had trimmed margins. Demand was sluggish during the quarter under review.

The oleochemical division achieved a profit of RM18.4 million (4QFY2016: loss RM11.3 million) whilst the profit of the other manufacturing units had increased to RM6.3 million (4QFY2016: profit RM5.1 million).

Properties sector's profit declined 17.4% to RM15.9 million (4QFY2016: profit RM19.3 million) with a comparable revenue of RM60.2 million (4QFY2016: RM60.6 million).

Farming sector contributed a profit of RM36.9 million (4QFY2016: loss RM8.4 million). The income from farming is seasonal and derived from crop harvested in the current quarter. The loss incurred in the 4<sup>th</sup> quarter of FY2016 consisted of overhead expenditure.

### B3. Current Year Prospects

The current bullish sentiment on CPO price is underpinned by low inventories and weak Ringgit. Going forward, FFB production is expected to recover with an increase in palm oil stocks and this may ease off the CPO price. Nevertheless, with forward sales committed into the 2<sup>nd</sup> quarter, we anticipate a favourable plantations profit for the current financial year.

The oleochemical division expects its business performance to be challenging in view of the difficult trading environment ahead with higher raw materials prices, reduced margins and severe competition.

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

### B4. Profit Forecast and Profit Guarantee

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



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## Notes to Interim Financial Report (Continued)

### B5. Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	42,347	38,379	42,347	38,379
Overseas taxation	47,519	27,778	47,519	27,778
	89,866	66,157	89,866	66,157
Deferred tax				
Origination and reversal of temporary differences	5,309	14,602	5,309	14,602
Over provision in respect of previous years	(298)	(37)	(298)	(37)
	5,011	14,565	5,011	14,565
	94,877	80,722	94,877	80,722
Under/(Over) provision in respect of previous years				
Malaysian taxation	2,264	1	2,264	1
Overseas taxation	(818)	114	(818)	114
	1,446	115	1,446	115
Total	96,323	80,837	96,323	80,837

The effective tax rate for the current quarter and financial year-to-date is lower than the statutory tax rate mainly due to non-taxable income.

### B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

### B7. Group Borrowings

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

	31 December 2016		30 September 2016	
	Amount in		Amount in	
	Foreign		Foreign	
	Currency		Currency	
	RM'000	'000	RM'000	'000
(a) Repayable within 12 months:-				
(i) Term Loans				
- Secured	9,771	Euro2,070	7,899	Euro1,697
- Unsecured	89,510	USD20,000	82,459	USD20,000
	99,281		90,358	
(ii) Islamic Medium Term Notes				
- Unsecured	-		300,000	
(iii) Bank Overdraft				
- Unsecured	46,177	Euro9,783	40,710	Euro8,747
(iv) Short Term Borrowings				
- Unsecured	809,774	USD180,450	313,248	USD75,682
	212,418	Euro45,000	107,040	Euro23,000
	66,456	GBP12,000	-	
	32,315	Rmb50,000	-	
	746,584		720,866	
	1,867,547		1,141,154	
Total repayable within 12 months	2,013,005		1,572,222	



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		31 December 2016		30 September 2016	
		Amount in Foreign Currency		Amount in Foreign Currency	
		RM'000	'000	RM'000	'000
(b)	Repayable after 12 months:-				
(i)	Term Loans				
	- Secured	7,836	Euro1,660	11,424	Euro2,455
	- Unsecured	236,020	Euro50,000	232,695	Euro50,000
		134,266	USD30,000	123,689	USD30,000
		370,286		356,384	
		378,122		367,808	
(ii)	Islamic Medium Term Notes				
	- Unsecured	2,600,000		2,600,000	
	Total repayable after 12 months	2,978,122		2,967,808	

### B8. Derivative Financial Instruments

The forward foreign exchange contracts are entered into by the Group as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign exchange on receipts and payments.

The commodity future contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the vegetable oil commodities.

As at 31 December 2016, the values and maturity analysis of the outstanding derivatives are as follows:-

Derivatives	Contract/Notional	Fair value
	Value	Net gains/(losses)
	Net long/(short)	Net gains/(losses)
	RM'000	RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(1,450,262)	(42,483)
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	105,977	(12,951)
- 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 2016, 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.



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## Notes to Interim Financial Report (Continued)

### B11. Dividend

- (a) The Directors do not recommend the payment of dividend for the first quarter ended 31 December 2016 (31 December 2015: Nil).
- (b) The total dividend for the current financial year to-date is Nil (31 December 2015: 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	
	2016	2015	2016	2015
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	360,676	795,210	360,676	795,210
(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)	33.9	74.7	33.9	74.7

### B13. Audit Report

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

### B14. Profit Before Taxation

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 December		31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(13,709)	(14,319)	(13,709)	(14,319)
Other income including dividend income	(22,672)	(20,059)	(22,672)	(20,059)
Interest expense	41,893	36,457	41,893	36,457
Depreciation and amortisation	122,898	112,633	122,898	112,633
Provision for and write-off/(Reversal of write-off) of receivables	4,774	(235)	4,774	(235)
Provision for and write-off of inventories	4,276	7,370	4,276	7,370
Deficit/(Surplus) on disposal of quoted or unquoted investments	1,913	(1,472)	1,913	(1,472)
Surplus on disposal of land	(4,168)	(487,391)	(4,168)	(487,391)
Surplus on government acquisition of land	-	(22,444)	-	(22,444)
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange (gain)/loss	(26,620)	52,750	(26,620)	52,750
Loss/(Gain) on derivatives	53,268	(118,296)	53,268	(118,296)
Exceptional items	-	-	-	-



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**Notes to Interim Financial Report  
(Continued)****B15. Breakdown of Realised and Unrealised Profits or Losses**

	31 December 2016	30 September 2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- realised	8,117,006	7,679,586
- unrealised	786,148	637,076
	8,903,154	8,316,662
Total share of retained profits from associates		
- realised	77,083	68,658
- unrealised	962	238
	78,045	68,896
Total share of (accumulated losses)/retained profits from joint ventures		
- realised	(40,235)	(28,105)
- unrealised	11,653	10,214
	(28,582)	(17,891)
	8,952,617	8,367,667
Consolidation adjustments	(1,514,900)	(1,285,487)
Total group retained profits as per consolidated accounts	7,437,717	7,082,180

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

14 February 2017